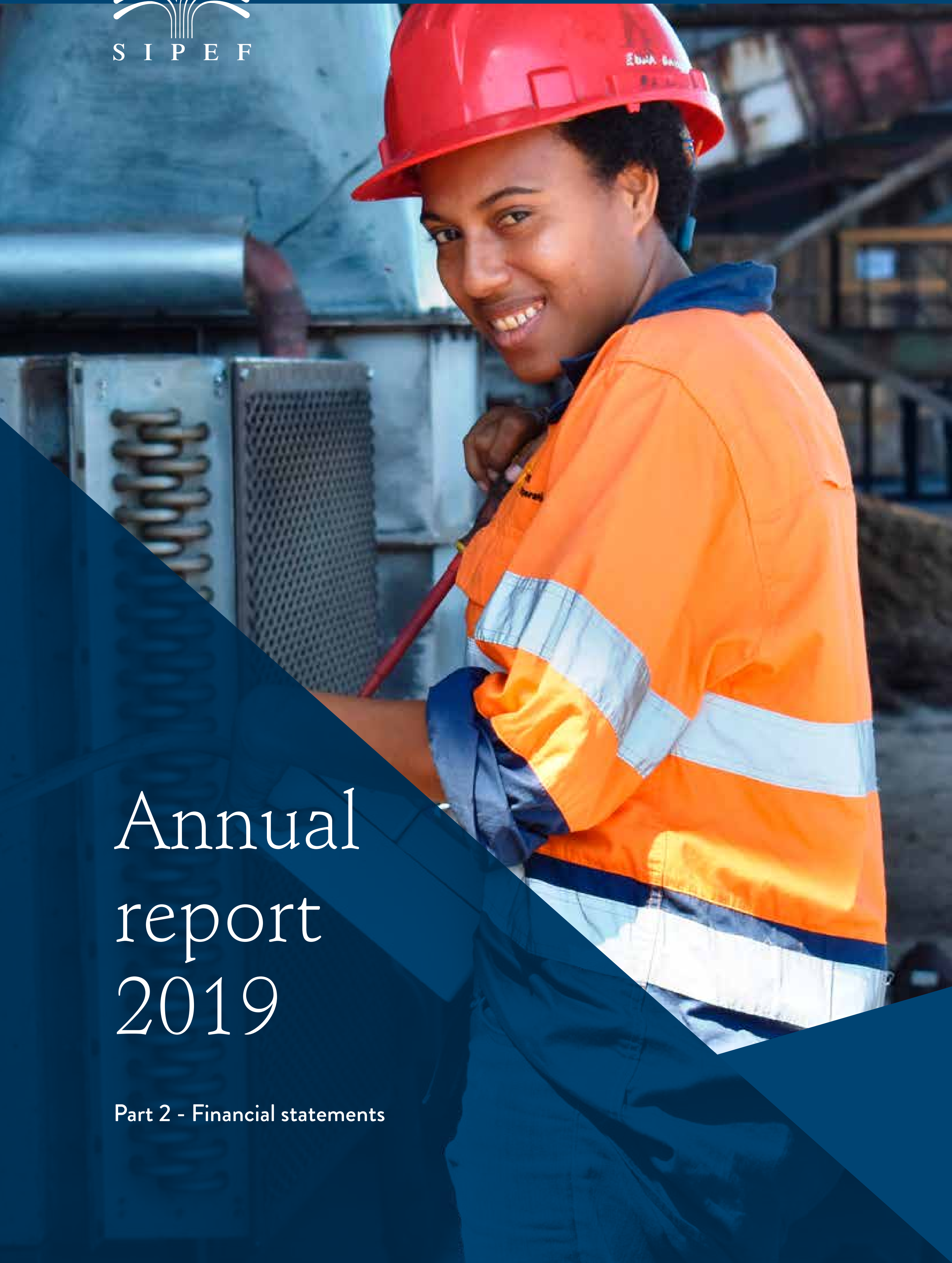
SIPEF



Annual report 2019

Part 2 - Financial statements

Contents

Comments on the consolidated financial statements

The consolidated financial statements for the financial year 2019 are prepared in accordance with the International Financial Reporting Standards (IFRS).

1. Balance sheet

The balance sheet positions were relatively stable on the whole, compared with 31 December 2018. The biological assets and other fixed assets increased due to the continuing expansion.

In KUSD	Explanation	31/12/2019	31/12/2018
Inventories	2	26 251	36 274
Biological assets		6 030	4 870
Trade receivables		33 284	35 001
Other receivables		45 367	41 024
Current tax receivables	1	14 787	9 280
Other current assets	3	1 639	2 014
Trade payables		-17 292	-19 647
Advances received		-2 377	- 450
Other payables		-8 747	-9 455
Income taxes	1	-480	-71
Derivatives		-42	-771
Other current liabilities	3	-4 406	-6 136
Net current assets, net of cash		**94 013**	**91 932**

There were a few major movements in the net current assets, excluding liquidities, which consist of the following accounts:

1 Rise due to the compulsory advance payment of tax (KUSD 5 098);
2 Decrease of the stocks at the end of the year (KUSD -10 023);
3 Increase in other current assets and liabilities (KUSD 5 117) primarily from an increase in VAT receivable.

From 2019 the net cash position (KUSD -164 623) also includes the leasing debt recognised in accordance with IFRS 16 (KUSD 3 037 as of 31 December 2019):

In KUSD	31/12/2019	31/12/2018
Other investments and deposits	0	0
Cash and cash equivalents	10 653	29 595
Financial liabilities > 1 year	-63 000	-30 000
Leasing liabilities > 1 year	-2 513	0
Current portion of amounts payable > 1 year	-18 000	-10 000
Financial liabilities	-91 239	-111 038
Leasing liabilities < 1 year	-524	0
Net cash position	**-164 623**	**-121 443**

2. Result

Total revenue fell to USD 248 million (-9.8% compared with 2018).

Palm oil revenue fell by 12.4%, due to a combination of lower production volumes, particularly at Hargy Oil Palms Ltd in Papua New Guinea (-26.9%), and the lower price for crude palm oil (CPO) on the world market. The average world market price for CPO in the most recent year was USD 32 per tonne CIF Rotterdam or 5% lower than in the same period the year before.

Rubber revenue fell by 11.7% compared with 2018, mainly due to the lower volumes sold at comparable prices.

Tea revenue fell by 7.0%, in spite of the higher volumes sold (+11.1%), due to the considerably lower sales prices (-13.7%).

Revenue in the banana and flower activities increased by 28.7%, primarily due to the higher production volumes (+18.2%). Furthermore, from 2019 turnover is reported 'Cost & Freight' rather than FOB.

The average ex-works unit cost price for the mature oil palm plantations increased by some 9.5% compared with 2018. In Indonesia, the average ex-works unit cost increased by 6.7%, which can be viewed as a normal rise in a period without currency devaluation. The Indonesian currency has been devalued by 54.6% since 2010, but this trend has flipped somewhat recently. At Hargy Oil Palms Ltd in Papua New Guinea the ex-works unit cost rose by 26.1%, as a consequence of the major fall in production caused by the difficult weather conditions in the first half of the year and, particularly, the three volcanic eruptions between the end of June and October 2019.

The adjustment in fair value was due to the impact on the measurement of hanging fruits at their fair value (IAS 41R).

Gross profit fell from KUSD 72 096 in 2018 to KUSD 37 162 (-48.5%) in 2019.

The gross profit of the palm segment (92.7% of the gross profit) decreased by KUSD 34 335 (-49.9%) compared to 2018 due to lower productions and lower palm oil prices. The lower productions in Hargy Oil Palms Ltd alone represented a negative effect of approximately USD 9 million on the gross profit.

The contribution of the rubber segment remained negative due to the disappointing production figures and persistently low sales prices, which do not currently cover production costs.

The tea margin was also negative in 2019, because of the sharp fall in the sales price. Additionally, there was an uptick in unit cost (+7.1%) compared with the previous year.

In the banana and flower activities, the announced improvement of profitability was confirmed with a rise in the gross margin from KUSD 2 793 to KUSD 4 697 (+68.2%).

The general and administrative expenses remained virtually stable (-0.9%). On the one hand there was normal inflation, which slightly increased costs, but on the other hand there was a sharp decrease in the bonus provision for 2019.

The operating result, excluding one-off gains, was KUSD 4 940, compared with KUSD 42 689 the previous year.

Financial income primarily comprises the positive time effect of the discount of the receivable from the sale of the stake in the SIPEF-CI SA oil palm plantation in Ivory Coast at the end of 2016 (KUSD 1 689). This receivable will be settled over the next three years.

The financial charges mainly comprised the interest on long-term and short-term financing at Libor-related rates. The rise in interest charges is the consequence of a higher debt position, against which a higher margin was charged in accordance with the credit agreements with the banks.

The result before tax, excluding one-off gains, was KUSD 852, compared with KUSD 39 598 in 2018.

The tax expense was largely due to:

- The reversal of a number of active deferred tax amounts that expired in 2019 and could not be recovered due to the continued disappointing results;
- The downward adjustment of the profit forecast for the coming years, as a consequence of which the previously estimated results for 2021-2025 had been downgraded and some of the deferred tax assets had to be reversed;
- Application of the 'thin cap' rule in Indonesia, as a consequence of which interest on intergroup loans were taxed in Belgium but were not deductible in selected Indonesian group companies.

The share of the result of 'associated companies and joint ventures' (KUSD -1 485) comprised the research activities that are centralised at PT Timbang Deli and Verdant Bioscience Pte Ltd.

Profit for the period, excluding the one-off gains, was KUSD -7 404 or KUSD 31 993 lower than the KUSD 24 589 of the previous year.

The sale of the insurance branch (BDM-ASCO) was completed in the first half of 2018 with a gain of KUSD 7 376. There were no one-off gains in 2019.

Net result, share of the Group, was KUSD -8 004.

3. Cash flow

The cash flow from operating activities fell by KUSD 33 672, which is in line with the lower operating result. The increased use of working capital (KUSD -1 647) was primarily due to the additional advances of approximately USD -3.5 million that were granted to smallholders in the Musi Rawas region for the development of their land within the framework of the Plasma Law.

In Indonesia and Papua New Guinea, in 2019 the Group made advance tax payments based on the previous year's results (2018), in accordance with local laws. Therefore, a relatively large amount of tax was paid in 2019 (KUSD 14 693) compared with the actual tax expense of KUSD 6 772. At the end of 2019, the Group has outstanding tax receivables of USD 14 787, which will be recovered over the next two years.

The total investment expenditure for the Group was KUSD 66 746, which is almost identical with last year's expenditure. The scheduled but not yet confirmed investments were re-examined and postponed where possible in 2019, as part of the reduction in liquid assets from operations from the end of 2018 and to keep the debt position under control. The expansion programme for the Musi Rawas region was geared down significantly, for example, albeit without threatening the long-term potential.

The selling price of PP&E and financial assets alongside the regular sales of fixed assets of KUSD 1 795 also include an amount of KUSD 1 500 from the sale of Galley Reach Holding and KUSD 3 813 from the sale of SIPEF-CI.

The recurring free cash flow over 2019 was KUSD -27 751, compared with KUSD -33 375 over the same period last year.

Other financing activities (KUSD 8 809) comprise the buyback of shares (KUSD -854), the dividend paid over the preceding financial year (KUSD -6 495), a net increase in the long-term financing (KUSD 41 000), paid interest (KUSD -5 042) and partial repayment of the short-term financing (KUSD -19 799).

Consolidated balance sheet

In KUSD	Note	2019	2018
Non-current assets		**805 114**	**780 310**
Intangible assets	8	517	441
Goodwill	8	104 782	104 782
Biological assets - bearer plants	9	306 342	283 712
Other property, plant & equipment	10	359 071	356 723
Investment property		0	0
Investments in associates and joint ventures	24	5 751	7 239
Financial assets		73	77
Other financial assets		73	77
Receivables > 1 year		13 442	11 112
Other receivables	11	13 442	11 112
Deferred tax assets	23	15 135	16 224
Current assets		**138 011**	**158 058**
Inventories	12	26 251	36 274
Biological assets	13	6 030	4 870
Trade and other receivables		78 651	76 025
Trade receivables	26	33 284	35 001
Other receivables	14	45 367	41 024
Current tax receivables	23	14 787	9 280
Investments		0	0
Other investments and deposits		0	0
Derivatives	26	0	0
Cash and cash equivalents	19	10 653	29 595
Other current assets		1 639	2 014
Assets held for sale		0	0
Total assets		**943 125**	**938 368**

In KUSD	Note	2019	2018
Total equity		**663 010**	**678 759**
Shareholders' equity	15	628 686	644 509
Issued capital		44 734	44 734
Share premium		107 970	107 970
Treasury shares (-)		-10 277	-9 423
Reserves		498 052	512 914
Translation differences		-11 793	-11 686
Non-controlling interests	16	34 325	34 250
Non-current liabilities		**137 008**	**102 041**
Provisions > 1 year		1 548	1 550
Provisions	17	1 548	1 550
Deferred tax liabilities	23	46 850	50 936
Trade and other liabilities > 1 year	26	1	0
Financial liabilities > 1 year (incl. derivatives)	19	63 000	30 000
Leasing liabilities > 1 year	27	2 513	0
Pension liabilities	18	23 096	19 555
Current liabilities		**143 107**	**157 568**
Trade and other liabilities < 1 year		28 896	29 623
Trade payables	26	17 292	19 647
Advances received	26	2 377	450
Other payables	14	8 747	9 455
Income taxes	23	480	71
Financial liabilities < 1 year		109 763	121 038
Current portion of amounts payable after one year	19	18 000	10 000
Financial liabilities	19	91 239	111 038
Leasing liabilities < 1 year	27	524	0
Derivatives	26	42	771
Other current liabilities		4 406	6 136
Liabilities associated with assets held for sale		0	0
Total equity and liabilities		**943 125**	**938 368**

Consolidated income statement

In KUSD	Note	2019	2018
Revenue	7	248 310	275 270
Cost of sales	7	-212 038	-201 040
Changes in fair value	7	889	-2 134
Gross profit		**37 162**	**72 096**
General and administrative expenses	7	-31 480	-31 759
Other operating income/(charges)	20	- 741	9 728
Operating result		**4 940**	**50 065**
Financial income		2 161	2 308
Financial charges		-5 473	-3 733
Exchange differences		- 775	-1 666
Financial result	21	**-4 088**	**-3 091**
Profit before tax		**852**	**46 974**
Tax expense	23	-6 772	-14 155
Profit after tax		**-5 920**	**32 819**
Share of results of associated companies and joint ventures	24	-1 485	- 854
Result from continuing operations		**-7 404**	**31 965**
Result from discontinued operations		0	0
Profit for the period		**-7 404**	**31 965**
Attributable to:			
- Non-controlling interests	16	600	1 876
- Equity holders of the parent		-8 004	30 089

Earnings per share (in USD)			
From continuing and discontinued operations			
Basic earnings per share	30	-0.77	2.88
Diluted earnings per share	30	-0.77	2.88
From continuing operations			
Basic earnings per share	30	-0.77	2.88
Diluted earnings per share	30	-0.77	2.88

Statement of consolidated comprehensive income

In KUSD	Note	2019	2018
Profit for the period		**-7 404**	**31 965**
Other comprehensive income:			
Items that may be reclassified to profit and loss in subsequent periods			
- Exchange differences on translating foreign operations	15	- 107	805
- Cash flow hedges - fair value result for the period	26	- 392	503
- Income tax effect (cash flow hedges)		114	- 146
Items that will not be reclassified to profit and loss in subsequent periods			
- Defined Benefit Plans - IAS 19R	18	- 289	-1 073
- Income tax effect		72	268
- Revaluation assets held for sale		0	0
Total other comprehensive income for the year		**- 602**	**357**
Other comprehensive income attributable to:			
- Non-controlling interests		- 10	- 67
- Equity holders of the parent		- 592	423
Total comprehensive income for the year		**-8 006**	**32 322**
Total comprehensive income attributable to:			
- Non-controlling interests		590	1 810
- Equity holders of the parent		-8 596	30 512

Consolidated cash flow statement

In KUSD	Note	2019	2018
Operating activities			
Profit before tax		**852**	**46 974**
Adjusted for:			
Depreciation	8,9,10	42 285	38 745
Movement in provisions	17	3 267	-1 967
Stock options		126	157
Unrealized exchange result		65	113
Changes in fair value of biological assets		- 889	2 134
Other non-cash results		-1 634	-1 693
Hedge reserves and financial derivatives	26	-1 120	1 707
Financial income and charges		4 705	3 391
Loss on receivables		0	80
Loss/(gain) on sale of investments	20	0	-7 376
Result on disposal of property, plant and equipment		570	- 366
Result on disposal of financial assets		0	0
Cash flow from operating activities before change in net working capital		48 227	81 899
Change in net working capital	25	1 883	-13 680
Variation in long term receivables		-3 530	0
Cash flow from operating activities after change in net working capital		46 580	68 219
Income taxes paid	23	-14 693	-34 537
Cash flow from operating activities	**25**	**31 887**	**33 682**
Investing activities			
Acquisition intangible assets	8	- 160	- 261
Acquisition biological assets	9	-33 305	-27 496
Acquisition property, plant & equipment	10	-33 081	-41 671
Acquisition investment property		0	0
Acquisition subsidiaries		- 200	- 300
Dividends received from associated companies and joint ventures		0	0
Proceeds from sale of property, plant & equipment		1 795	1 171
Proceeds from sale of financial assets	11,29	5 313	21 963
Cash flow from investing activities		**-59 638**	**-46 594**
Free cash flow		**-27 751**	**-12 912**
Financing activities			
Capital increase	15	0	0
Equity transactions with non-controlling parties		0	0
Decrease/(increase) of treasury shares	22	- 854	-1 115
Decrease in long-term financial borrowings	19	-9 500	-10 000
Increase in long-term financial borrowings	19	50 500	0
Decrease short-term financial borrowings	19	-19 799	0
Increase short-term financial borrowings	19	0	41 161
Last year's dividend paid during this book year		-6 495	-19 682
Dividends paid by subsidiaries to minorities	16	0	- 607
Interest received - paid		-5 043	-3 430
Cash flow from financing activities		**8 809**	**6 327**
Net increase in investments, cash and cash equivalents	19	**-18 942**	**-6 585**
Investments and cash and cash equivalents (opening balance)	19	29 595	36 180
Effect of exchange rate fluctuations on cash and cash equivalents	19	0	0
Investments and cash and cash equivalents (closing balance)	19	10 653	29 595

Statement of changes in consolidated equity

In KUSD	Issued capital SIPEF	Share premium SIPEF	Treasury shares	Defined benefit plans IAS19R	Reserves	Translation differences	Share-holder equity	Non-controlling interests	Total equity
January 1, 2019	**44 734**	**107 970**	**-9 423**	**-3 391**	**516 305**	**-11 686**	**644 509**	**34 250**	**678 759**
Result for the period					-8 004		**-8 004**	600	**-7 404**
Other comprehensive income				- 207	- 278	- 107	**- 592**	- 10	**- 602**
Total comprehensive income				**- 207**	**-8 282**	**- 107**	**-8 596**	**590**	**-8 006**
Last year's dividend paid					-6 495		**-6 495**	- 516	**-7 011**
Other (note15)			- 855		122		**- 733**		**- 733**
December 31, 2019	**44 734**	**107 970**	**-10 277**	**-3 598**	**501 650**	**-11 793**	**628 686**	**34 325**	**663 010**
January 1, 2018	**44 734**	**107 970**	**-8 308**	**-2 652**	**505 384**	**-12 491**	**634 636**	**33 140**	**667 776**
Result for the period					30 089		**30 089**	1 876	**31 965**
Other comprehensive income				- 739	357	805	**423**	- 67	**357**
Total comprehensive income				**- 739**	**30 446**	**805**	**30 512**	**1 809**	**32 322**
Last year's dividend paid					-19 682		**-19 682**	- 606	**-20 288**
Other (note15)			-1 116		157		**- 959**	- 93	**-1 052**
December 31, 2018	**44 734**	**107 970**	**-9 423**	**-3 391**	**516 305**	**-11 686**	**644 509**	**34 250**	**678 759**

Notes

1. IDENTIFICATION

SIPEF (the ‘company’) is a limited liability company (‘naamloze vennootschap’ / ’société anonyme’) incorporated in Belgium and registered at 2900 Schoten, Calesbergdreef 5. The consolidated financial statements for the year ended 31 December 2019 comprise SIPEF and its subsidiaries (together referred to as ‘SIPEF group’ or ‘the Group’). Comparative figures are for the financial year 2018.
The consolidated financial statements have been established by the Board of Directors on 11 February 2020. The subsequent events were updated and approved for issue by the directors on April 2, 2020. These financial statements will be presented to the shareholders at the general meeting of June 10, 2020 (or at a later date if this meeting would be adjourned due to the Covid-19 crisis). A list of the directors and the statutory auditor, as well as a description of the principal activities of the Group, are included in ‘Part 1 – Company report’ of this annual report.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) which have been adopted by the European Union as per 31 December 2019.

The following standards or interpretations are applicable for the annual period beginning on 1 January 2019:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28 Long term interests in Associates and Joint Ventures
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Annual improvements to IFRS Standards 2015-2017 Cycle

These changes did not have a significant impact on the equity or net result of the Group.

The Group did elect for early adoption of the following new standards and interpretations which were issued at the date of approval of these financial statements but were not yet effective on the balance sheet date:

- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (applicable for annual periods beginning on or after 1 January 2020)

The amendments modify specific hedge accounting requirements, so that the Group can apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.

The Group did not elect for early application of the following new standards and interpretations which were issued at the date of approval of these financial statements but were not yet effective on the balance sheet date:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)
- Amendments to IAS 1 and IAS 8 Definition of Material (applicable for annual periods beginning on or after 1 January 2020)
- Amendments to IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)
- Amendments to references to the Conceptual Framework in IFRS standards (applicable for annual periods beginning on or after 1 January 2020)
- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2021, but not yet endorsed in the EU)

At this stage the Group does not expect first adoption of these standards and interpretations to have any material impact on the financial statements of the Group.

IFRS 16 Leases

IFRS 16 replaces IAS 17 ‘Leases’ and related interpretations. For lessees, IFRS 16 requires most leases to be recognized on-balance (under a single model), eliminating the distinction between operating and finance leases. In accordance with the new standard, the lessee will recognize assets and liabilities for the rights and obligations created by leases. The new standard increases interest-bearing liabilities and property, plant and equipment in the consolidated financial statements of the SIPEF group. The Group has applied the cumulative catch-up approach whereby the assets are measured at an amount equal to the liabilities at 1 January 2019.

Lessee accounting
Due to the nature of our business whereby our operations are primarily taking place in relatively remote areas, the Group owns most of the assets used. Therefore, we have only a limited amount of leases which qualify for lease accounting. The three main categories consist of:

Office rental
Office rentals are currently accounted for as operational leases. Analysis shows that these meet the definition of a lease and as such a right-of-use asset and corresponding lease liability will need to be accounted for under the new standard. Considering that most of the office rentals are long-term leases, the main areas management actions are required:

- Determining the lease term;
- Calculating the incremental borrowing rate.

Company cars
Company cars in Belgium meet the definition of a lease and therefore the same approach as office rentals will be applied.

Papua-New-Guinea land rights
In our subsidiary Hargy Oil Palms Ltd in Papua-New-Guinea, a part of the land rights include a fixed annual rental payment for the usufruct of the land, as well as a variable royalty depending on the production levels of the year measured in tons FFB. The annual fixed rental payment meets the definition of a lease, whereby the lease term of asset has been determined as the average lifespan of an oil palm (25 years).

Lessor accounting
The Group has no contracts that could lead to lessor accounting.

We refer to note 27 for the impact of IFRS 16.

3. ACCOUNTING POLICIES

Basis of preparation
Starting in 2007 the consolidated financial statements are presented in US dollar (until 2006 this was done in euro), rounded off to the nearest thousand (KUSD). This modification is the result of the changed policy with regard to the liquidity and debt management since the end of 2006, whereby the functional currency of the majority of the subsidiaries has been changed from the local currency to the US dollar.

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investments classified as available-for-sale, financial derivative instruments and biological produce.

The accounting policies have been consistently applied throughout the Group and are consistent with those used in the previous year.

Business combinations
Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition. Any costs directly attributable to the acquisition are recognized in profit or loss. The purchase consideration to acquire a business, including contingent payments, is recorded at fair value at the acquisition date, while subsequent adjustments to the contingent payments resulting from events after the acquisition date are recognized in profit or loss. The 'full goodwill' option, which can be elected on a case by case basis, allows SIPEF to measure the non-controlling interest either at fair value or at its proportionate share of the acquiree's net assets. All acquisition-related costs, such as consulting fees, are expensed.

If the initial accounting for a business combination is incomplete by the end of the financial year in which the combination occurs, SIPEF group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see paragraph below), and/or additional assets and/or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the acquisition date to the date SIPEF group obtains complete information about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date

Step acquisitions
Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the company.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Consolidation principles
Subsidiaries:
Subsidiaries are those enterprises controlled by the company. An investor controls an investee if and only if the investor has all of the following elements, in accordance with IFRS 10:
- Power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities;
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect the amount of the investor's returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases (or a date nearby).

Associates:
Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounting basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases (or a date nearby). When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Joint ventures:
Joint ventures are those enterprises over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognized gains and losses of joint ventures on an equity accounting basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases (or a date nearby).
When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the joint ventures.

Transactions eliminated on consolidation:
All intra-group balances and transactions, and any unrealized gains arising on intra-group transactions, are eliminated for companies included using the full consolidation method in preparing the consolidated financial statements.

Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

Foreign currency

Foreign currency transactions
In the individual Group companies, transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Financial statements of foreign operations
Functional currency: items included in financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). Starting from 2007 the consolidated financial statements are presented in USD, this is the functional currency of the majority of the Group companies.
To consolidate the Group and each of its subsidiaries, the financial statements of the individual entities are translated as follows:

- Assets and liabilities at the closing rate;
- Income statements at the average exchange rate for the year;
- The components of shareholders' equity at the historical exchange rate.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, joint ventures and associated entities at the year-end exchange rate are recorded as part of the shareholders' equity under "translation differences". When a foreign entity is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as local currency assets and liabilities of the foreign entity and are translated at the closing rate.

Biological assets

SIPEF group only recognizes a biological asset or growing agricultural produce ("agricultural produce") when it controls the asset as a result of past events, when it is probable that future economic benefits associated with the asset will flow to SIPEF group and when the fair value or cost of the asset can be measured reliably.

In accordance with the amendments to IAS 16 and IAS 41, bearer plants are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line method based on the estimated useful life (20 to 25 years).

The growing agricultural produce of palm oil is defined as the oil contained in the palm fruit, so that the fair value of this distinct asset can be estimated reliably.

The growing biological produce of tea is defined as the leaves that are ready to be plucked and processed, even if not yet fully grown, so that the fair value of this distinct asset can be estimated reliably.

SIPEF group has opted to measure growing biological produce of rubber at fair value at the point of harvest in accordance with IAS 41.32 and not to measure it at fair value as it grows less costs to sell in accordance with IAS 41.10c as we are of the opinion that all parameters used in any alternative fair value measurement (future productions, determination of the start of the life cycle, cost allocation,…) are clearly unreliable. As a consequence, all alternative fair value measurements are also considered clearly unreliable.

The growing biological produce of bananas is measured at fair value as it grows less costs to sell, taking into account that all the parameters for the fair value calculation are available and reliable.

A gain or loss arising on initial recognition of a biological asset at fair value less estimated point of sale costs and from the change in fair value less estimated point of sale costs of a biological asset is included in net profit or loss in the period in which it arises.

Goodwill

Goodwill represents the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired in a business combination. Goodwill is not amortized but reviewed for impairment at least annually. For the purpose of testing goodwill for impairment, goodwill is allocated to operating companies which is the lowest level at which the goodwill is monitored for internal management purposes (i.e. cash flow generating unit). Any impairment is immediately recognized in the income statement and is not subsequently reversed.

Negative goodwill represents the excess of the Group's interest in the fair value of the net identifiable assets acquired over the cost of acquisition. Negative goodwill is immediately recognized in the income statement.

Intangible assets

Intangible assets include computer software and various licenses. Intangible assets are capitalized and amortized using the straight-line method over their useful life.

Property, plant and equipment

Property, plant and equipment, including investment property, are stated at cost less accumulated depreciation and any accumulated impairment losses. Borrowing costs attributable to the construction or production of qualifying assets are capitalized. Expenses for the repair of property, plant and equipment are usually charged against income when incurred. Property held for sale, if any, is stated at the lower of amortized cost and fair value less selling charges.
Depreciation is calculated using the straight-line method based on the estimated useful lives of the related assets:

Buildings	5 to 30 years
Infrastructure	5 to 25 years
Installations and machinery	5 to 30 years
Vehicles	3 to 20 years
Office equipment and furniture	5 to 10 years
Other property, plant and equipment	2 to 20 years

Land is not amortized.

The Group presents the cost of land rights as a part of property, plant & equipment, consistently with practices in the industry and with relevant guidance in that respect. In addition, The Group closely monitors the situation of each land title in terms of renewal and only depreciates its land rights if there is an indication that the land title might not be renewed.

Impairment of assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may be higher than the recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. If impairment is no longer justified in future periods due to a recovery in assets' fair value or value in use, the impairment reserve is reversed.

Financial instruments

Classification and measurement of financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The financial assets include the investments in equity instruments designated at fair value through other comprehensive income, loans to related parties, receivables including trade receivables and other receivables, derivative financial instruments, financial assets at fair value through profit or loss, cash and cash equivalents. The acquisitions and sales of financial assets are recognised at the transaction date.

Financial assets – debt instruments

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments include:

- Receivables that are measured at amortised cost
- Trade receivables measured at amortised cost
- Cash and cash equivalents

Financial assets – investments in equity instruments

On initial recognition, the Group made an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment's revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.
Because of the lack of sufficient recent information available to measure fair value, management has assessed that cost is an appropriate estimate of fair value for those unquoted equity investments.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

1. Derivatives

The Group uses financial derivative instruments primarily to manage its exposure to interest rate and foreign currency risks arising from operational, financing and investment activities. The Group applies hedge accounting under IFRS 9 – "Financial Instruments".

Derivative instruments are valued at fair value at initial recognition. The changes in fair value are reported in the income statement unless these instruments are part of hedging transactions, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as hedging instruments in respect interest rate risk in cash flow hedges. Derivatives related to the foreign currency risk are not documented in a hedging relationship.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i. e. rebalances the hedge) so that it meets the qualifying criteria again.

The value fluctuations of a derivative financial instrument that complies with the strict conditions for recognition as a cash flow hedge are recorded in other comprehensive income for the effective part. The ineffective part is recorded directly in the profit and loss account. The hedging results are recorded out of other comprehensive income into the profit and loss account at the moment the hedged transaction influences the result.

A derivative with a positive fair value is recorded as a financial asset, while a derivative with a negative fair value is recorded as a financial liability. A derivate is presented as current or non-current depending on the expected expiration date of the financial instrument.

2. Impairment of financial assets

In relation to the impairment of financial assets an expected credit loss model is applied. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Specifically, the following assets are included in the scope for impairment assessment for the Group: 1) trade receivables; 2) non-current receivables and loans to related parties; 3) cash and cash equivalents.

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group has applied the simplified approach and records lifetime expected losses on all trade receivables.

IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12month expected credit losses. For long term receivables IFRS 9 provides a choice to measure expected credit losses applying lifetime or a general (3 stages of expected credit loss assessment) expected credit losses model. The Group selected the general model. All bank balances are assessed for expected credit losses as well.

3. Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between a) the asset’s carrying amount and b) the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss.

4. Financial liabilities

All financial liabilities of the Group are subsequently measured at amortised cost using the effective interest method.
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

5. Receivables and payables

Amounts receivable and payable are measured at amortised cost price. Amounts receivable and payable are measured at their nominal value. Amounts receivable and payable in a currency other than the functional currency of the subsidiary are translated at the prevailing Group exchange rates on the balance sheet date.

6. Cash and cash equivalents

Cash and cash equivalents are measured at their amortised value and include cash and deposits with an original maturity of three months or less. Negative cash balances are recorded as liabilities.

7. Interest-bearing borrowings

Interest-bearing borrowings are measured at amortised cost price. Borrowings are initially recognized as proceeds received, net of transaction costs. Any difference between cost and redemption value is recognized in the income statement using the effective interest method.

Inventories

Inventories are valued at the lower of cost or net realizable value.

The stock finished products including biological assets are valued by adding production cost to the fair value of the biological asset concerned.

Inventories are written down on a case-by-case basis if the estimated net realizable value declines below the carrying amount of the inventories. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale. When the reason for a write-down of the inventories has ceased to exist, the write-down is reversed.

Shareholders' equity

Dividends of the parent company payable on ordinary shares are only recognized as a liability in the period in which they are declared.

Costs incurred with respect to the issuance of equity instruments are recorded as a deduction in equity.

Non-controlling interest

Non-controlling interests include a proportion of the fair value of identifiable assets and liabilities recognized upon acquisition of a subsidiary, together with the appropriate proportion of subsequent profits and losses.
In the income statement the minority share in the company's profit or loss is separated from the consolidated result of the Group.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made.

Pensions and other post-employment benefits

Group companies have various pension schemes in accordance with the local conditions and practices in the countries they operate in.

1. Defined benefit plans

The defined benefit plans are generally un-funded but fully provisioned for using the 'projected unit credit'- method. This provision represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in the Other Comprehensive Income.

2. Defined contribution plans

The Group pays contributions to publicly or privately administered insurance plans. Since the Group is obliged to make additional payments if the average return on the employer's contribution and on the employees' contributions is not attained, those plans should be treated as "defined benefit plans" in accordance with IAS 19.

Revenue recognition

IFRS 15 was published in May 2014 and replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts*. This standard introduces a new model consisting of five steps for the recognition of revenue from contracts with customers, except for revenue from leases, financial instruments and insurance contracts. The core principle of this standard is that an entity recognizes revenue to the extent it represents the transfer of promised goods or services to customers for a consideration that is the reflection of the remuneration to which the entity expects to be entitled in exchange for those goods or services. The timing of the revenue recognition can take place over time or at a point in time, depending on the transfer of ownership.

The standard also introduces new guidance on costs of fulfilling and obtaining a contract, specifying the circumstances in which such costs should be capitalized or expensed when incurred. Furthermore, the new disclosures included in IFRS 15 are more detailed than those applicable under the previous IAS 18.

The SIPEF group's core activity is the sale of goods. SIPEF group recognises revenue at the moment the control over the asset is transferred to the customer. The goods sold are transported by ship and recognized as revenue as soon as the goods are loaded onto the ship. Revenue recognition occurs at the moment when the goods are loaded onto the ship. Revenue is recorded at this point in time for all contracts within the SIPEF group. The payment terms depend on the delivery terms of the contract and can vary between prepayment, cash against documents and 45 days after handover of the bill of lading. Deliveries are at a fixed price. For each contract there is only one performance obligation which needs to be fulfilled: the delivery of the goods.

The Group has no material incremental costs of obtaining a contract which would fulfil the capitalization criteria as defined by IFRS 15.

The Group has adopted the new standard on the required effective date. We can conclude that the IFRS 15 does not have an impact on the financial statements of the SIPEF group. The Group will continue to sell its products at defined incoterms.

Cost of sales

Cost of sales includes all costs associated with harvest, transformation and transport. Purchases are recognized net of cash discounts and other supplier discounts and allowances.

General and administrative expenses

General and administrative expenses include expenses of the marketing and financial department and general management expenses.

Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax liabilities and assets are recognized for temporary differences between the carrying amount in the balance sheet and the tax bases of assets and liabilities and are subsequently adjusted to reflect changes in tax rates expected to be in effect when the temporary differences reverse. Deferred tax assets are included in the consolidated accounts only to the extent that their realization is probable in the foreseeable future.

4. USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires the Group to use accounting estimates and judgements and make assumptions that may affect the reported amounts of assets and liabilities at the date of the balance sheets and reported amounts of revenue and expense during the reporting periods. Actual results could differ from those estimates.

The main areas in which judgements are used are:

- Judging over the control of an entity
- Judging that growing biological produce of rubber cannot be reliably measured at fair value
- Judgement of the functional currency of an entity
- Judgement of the inclusion of deferred tax assets
- Judging that land rights will not be amortized unless there is an indication that the land title might not be renewed.

The main areas in which estimates are used are:

- Post-employment benefits (note 18)
- Deferred tax assets (note 23)
- Provisions (note 17)
- Impairment of assets (see note 8)

5. GROUP COMPANIES / CONSOLIDATION SCOPE

The ultimate parent of the Group, SIPEF, Schoten/Belgium, is the parent company of the following significant subsidiaries:

	Location	% of control	% of interest
Consolidated companies (full consolidation)			
PT Tolan Tiga Indonesia	Medan / Indonesia	95.00	95.00
PT Eastern Sumatra Indonesia	Medan / Indonesia	95.00	90.25
PT Kerasaan Indonesia	Medan / Indonesia	57.00	54.15
PT Bandar Sumatra Indonesia	Medan / Indonesia	95.00	90.25
PT Melania Indonesia	Jakarta / Indonesia	95.00	90.25
PT Mukomuko Agro Sejahtera	Medan / Indonesia	95.00	85.74
PT Umbul Mas Wisesa	Medan / Indonesia	95.00	94.90
PT Citra Sawit Mandiri	Medan / Indonesia	95.00	94.90
PT Toton Usaha Mandiri	Medan / Indonesia	95.00	94.90
PT Agro Rawas Ulu	Medan / Indonesia	95.00	95.00
PT Agro Kati Lama	Medan / Indonesia	95.00	95.00
PT Agro Muara Rupit	Medan / Indonesia	95.00	94.90
Hargy Oil Palms Ltd	Bialla / Papua N.G.	100.00	100.00
Plantations J. Eglin SA	Azaguié / Ivory Coast	100.00	100.00
Jabelmalux SA	Luxembourg / G.D. Luxemburg	99.89	99.89
PT Agro Muko	Jakarta / Indonesia	95.00	90.25
PT Dendymarker Indah Lestari	Medan / Indonesia	95.00	90.25
Associates and joint ventures (equity method)			
Verdant Bioscience Pte Ltd	Singapore / Republic of Singapore	38.00	38.00
PT Timbang Deli Indonesia	Medan / Indonesia	38.00	36.10
Companies not included			
Horikiki Development Cy Ltd	Honiara / Solomon Islands	90.80	90.80

Despite the possession of the majority of voting rights, the Group has no control over the non-consolidated companies because they are established in inaccessible regions (Horikiki Development Cy Ltd).

There are no restrictions to realise assets and settle liabilities of subsidiaries.

6. EXCHANGE RATES

As a result of a revised liquidity- and debt management as from the end of 2006 the functional currency in the majority of the subsidiaries has been changed to US dollar as from January 1, 2007. Following subsidiary has however a different functional currency:

Plantations J. Eglin SA EUR

The exchange rates below have been used to convert the balance sheets and the results of these entities into US dollar (this is the currency in which the Group presents its results).

	Closing rate			Average rate		
	2019	2018	2017	2019	2018	2017
EUR	0.8916	0.8738	0.8348	0.8941	0.8487	0.8792

7. OPERATIONAL RESULT AND SEGMENT INFORMATION

SIPEF's activities can be classified into segments based on the type of product. SIPEF has the following segments:

- Palm: Includes all palm products, including palm kernels and palm kernel oil, both in Indonesia and Papua New Guinea.
- Rubber: Includes all different types of rubber produced and sold by the SIPEF group, both in Indonesia and Papua New Guinea:
  - Ribbed Smoked Sheets (RSS)
  - Standard Indonesia Rubber (SIR)
  - Scraps and Lumps
- Tea: Includes the “cut, tear, curl” (CTC) tea produced by SIPEF in Indonesia.
- Bananas and flowers: Includes all sales of bananas and flowers originating from Ivory Coast.
- Corporate: Mainly includes management fees received from non-group companies, commissions charged on sea freight and other commissions which are not covered by the sales contract.

The overview of segments below is based on the SIPEF group's internal management reporting. The most important differences with IFRS consolidation are:

- Instead of revenue the gross margin per segment is used as the starting point.

In KUSD	2019	2018
Gross margin per product		
Palm	34 445	68 800
Rubber	-2 244	-1 065
Tea	- 370	627
Bananas and flowers	4 697	2 794
Corporate	634	941
Total gross margin	**37 162**	**72 096**
Selling, general and administrative expenses	-31 481	-31 759
Other operating income/(charges)	- 741	2 352
Financial income/(charges)	-5 002	-3 457
Discounting Sipef-CI	1 689	2 031
Exchange differences	- 775	-1 668
Profit before tax	**852**	**39 597**
Tax expense	-6 772	-14 155
Effective tax rate	-794.7%	-35.7%
Profit after tax	**-5 920**	**25 442**
Share of results of associated companies	-1 485	- 854
Gain on sale BDM-ASCO	0	7 376
Profit for the period	**-7 404**	**31 965**

Below we present the segment information per product and per geographical region in accordance with the IFRS profit and loss accounts. The segment result is revenue minus expense that is directly attributable to the segment and the relevant portion of income and expense that can be allocated on a reasonable basis to the segment.

Gross profit by product

Total revenue fell to USD 248 million (-9.8% compared with 2018).

Palm oil revenue fell by 12.4%, due to a combination of lower production volumes, particularly at Hargy Oil Palms Ltd in Papua New Guinea (-26.9%), and the lower price for crude palm oil (CPO) on the world market. The average world market price for CPO in the most recent year was USD 32 per ton CIF Rotterdam or 5% lower than in the same period the year before.

Rubber revenue fell by 11.7% compared with 2018, mainly due to the lower volumes sold at comparable prices.

Tea revenue fell by 7.0%, despite the higher volumes sold (+11.1%), due to the considerably lower sales prices (-13.7%).

Revenue in the banana and flower activities increased by 28.7%, primarily due to the higher production volumes (+18.2%). Furthermore, from 2019 turnover is reported ‘Cost & Freight’ rather than FOB.

The average ex-works unit cost price for the mature oil palm plantations increased by some 11.8% compared with 2018. In Indonesia, the average ex-works unit cost increased by 10.1%, which can be viewed as a normal rise in a period without currency devaluation. The Indonesian currency has been devalued by 54.6% since 2010, but this trend has flipped somewhat recently. At Hargy Oil Palms Ltd in Papua New Guinea the ex-works unit cost rose by 26.1%, as a consequence of the major fall in production caused by the difficult weather conditions in the first half of the year and, particularly, the three volcanic eruptions between the end of June and October 2019.

2019 - KUSD	Revenue	Cost of sales	Changes in the fair value	Gross profit	% of total
Palm	210 250	-176 683	877	34 445	92.7
Rubber	10 330	-12 574	0	-2 244	-6.0
Tea	5 072	-5 454	12	- 370	-1.0
Bananas and plants	22 024	-17 327	0	4 697	12.6
Corporate	634	0	0	634	1.7
Total	**248 310**	**-212 038**	**889**	**37 162**	**100.0**

2018 - KUSD	Revenue	Cost of sales	Changes in the fair value	Gross profit	% of total
Palm	240 057	-169 088	-2 169	68 800	95.4
Rubber	11 699	-12 764	0	-1 065	-1.5
Tea	5 454	-4 862	35	627	0.9
Bananas and plants	17 119	-14 326	0	2 793	3.9
Corporate	941	0	0	941	1.3
Total	**275 270**	**-201 040**	**-2 134**	**72 096**	**100.0**

Gross profit fell from KUSD 72 096 in 2018 to KUSD 37 162 (-48.5%) in 2019. The gross profit of the palm segment (92.7% of the gross profit) decreased by KUSD 34 335 (-49.9%) compared to 2018 due to lower productions and lower palm oil prices. The lower productions in Hargy Oil Palms Ltd alone (see above) represented a negative effect of approximately USD 9 million on the gross profit.

The contribution of the rubber segment remained negative due to the disappointing production figures and persistently low sales prices, which do not currently cover production costs. The tea margin was also negative in 2019, because of the sharp fall in the sales price. Additionally, there was an uptick in unit cost (+7.1%) compared with the previous year. In the banana and flower activities, the announced improvement of profitability was confirmed with a rise in the gross margin from KUSD 2 793 to KUSD 4 697 (+68.2%).

The segment "corporate" comprises the management fees received from non-group entities, additional commissions on sea freights and any other commissions that are not included in the sales contracts.

Gross profit by geographical segment

2019 - KUSD	Revenue	Cost of sales	Other income	Changes in the fair value	Gross profit	% of total
Indonesia	149 050	-121 260	143	911	28 844	77.6
Papua New Guinea	72 643	-69 610	0	- 22	3 011	8.1
Ivory Coast	25 840	-21 167	0	0	4 673	12.6
Europe	634	0	0	0	634	1.7
Total	**248 167**	**-212 038**	**143**	**889**	**37 162**	**100.0**

2018 - KUSD	Revenue	Cost of sales	Other income	Changes in the fair value	Gross profit	% of total
Indonesia	163 653	-118 738	381	-1 477	43 819	60.8
Papua New Guinea	93 232	-67 976	0	- 657	24 599	34.1
Ivory Coast	17 120	-14 326	0	0	2 794	3.9
Europe	884	0	0	0	884	1.2
Total	**274 889**	**-201 040**	**381**	**-2 134**	**72 096**	**100.0**

Total cost of sales can be split up in the following categories:

1. Estate charges - includes all charges relating to the field work to produce the base agricultural products (i.e. fresh fruit bunches, latex, tea leaves, bananas, horticulture);
2. Processing charges - includes all charges relating to the processing of the base agricultural products to the finished agricultural commodities (i.e. palm oil, rubber, tea, ...);
3. FFB/CPO/latex purchases - includes all purchases from third parties (smallholders) or associates and joint ventures.
4. Stock movement - includes the variance in stock and changes in fair value;
5. Changes in fair value includes the changes in the fair value of the biological assets of palm oil, bananas and tea;
6. Sales charges - includes all direct costs attributable to the sales of the year (i.e. transport charges, palm oil export tax, ...);
7. General and administrative expenses – includes all general and administrative charges (i.e. rent, maintenance, etc.).

In KUSD	2019	2018
Estate charges	130 439	129 769
Processing charges	31 065	32 263
FFB/CPO/latex purchases	23 808	23 105
Stock movement	3 663	1 033
Changes in fair value	889	-2 134
Sales charges	21 286	19 138
Cost of sales	**211 149**	**203 174**
General and administrative expenses	31 480	31 759
Total cost of sales and general and administrative expenses	**242 629**	**234 933**

Estate charges have remained relatively stable compared to last year due to:

- a general increase in costs due to inflation;
- the additional mature hectares in the Musi Rawas region, whereby estate and general field charges are now increasing annually;
- offset by a decrease cost due to a decrease in total FFB production

The decrease in processing charges is linked to the decrease in palm oil production, offset by a general increase in prices due to inflation.

FFB / CPO / latex purchases have only increased slightly. However, the small increase is a consequence of:

- A purchase of CPO from Sipef-CI (KUSD 3 840);
- CPO purchases from third parties for a total of KUSD 2 609 to fulfil our contracted deliveries to our clients;
- The remaining KUSD 16 859 relate to outgrower FFB and latex purchases. These are considerably lower than last year (KUSD 23 105) due to a decrease in total outgrower productions as well as a decrease in purchase price because of the lower CPO world market prices on which the purchase prices are based.

The increase in sales charges is primarily due to the banana sales being reported as ‘cost and freight’ rather than FOB, whereby both revenue and related sales charges are higher.

The average ex-works unit cost price for the mature oil palm plantations increased by some 11.8% compared with 2018. Total depreciation in the estate and processing charges amounts to KUSD 36 520. A total of KUSD 4 068 of depreciation charges is recorded in the "General and administrative" expenses and 1 698 KUSD in "other operating income/charges"

The general and administrative expenses remained virtually stable (-0.9%). On the one hand there was normal inflation, which slightly increased costs, but on the other hand there was a sharp decrease in the bonus provision for 2019.

Revenue by location of the debtors

In KUSD	2019	2018
Indonesia	94 352	29 641
The Netherlands	70 595	118 640
Singapore	37 467	7 073
France	14 007	6 114
Switzerland	7 206	87 602
Belgium	6 308	5 806
Malaysia	3 897	0
United States	3 332	3 024
Ivory coast	3 235	493
United Kingdom	2 496	1 067
Ireland	1 293	8 442
Afghanistan	1 171	1 442
Pakistan	915	1 675
Germany	878	1 161
Spain	702	612
United Arab. Emirates	203	0
Luxembourg	72	0
Senegal	0	2 321
Mexico	182	156
Total	**248 310**	**275 270**

The revenue of the Group is realised against a relatively small number of first-class buyers: per product about 90% of the turnover is realized with a maximum of 10 clients. For additional information we refer to note 26 – financial instruments.

Segment information – geographical

	2019					
In KUSD	Indonesia	PNG	Ivory Coast	Europe	Others	Total
Intangible assets	0	0	0	517	0	517
Goodwill	104 782	0	0	0	0	104 782
Biological assets	218 923	87 162	257	0	0	306 342
Other property, plant & equipment	247 686	106 766	3 858	761	0	359 071
Investment property	0	0	0	0	0	0
Investments in associates and joint ventures	- 821	0	0	0	6 572	5 751
Other financial assets	46	0	12	15	0	73
Receivables > 1 year	11 612	0	0	1 829	0	13 442
Deferred tax assets	12 581	0	380	2 174	0	15 135
Total non-current assets	**594 811**	**193 928**	**4 506**	**5 297**	**6 572**	**805 114**
% of total	73.88%	24.09%	0.56%	0.66%	0.82%	100.00%

	2018					
In KUSD	Indonesia	PNG	Ivory Coast	Europe	Others	Total
Intangible assets	0	0	0	441	0	441
Goodwill	104 782	0	0	0	0	104 782
Biological assets	195 561	87 871	280	0	0	283 712
Other property, plant & equipment	241 860	109 894	4 440	530	0	356 724
Investment property	0	0	0	0	0	0
Investments in associates and joint ventures	1 043	0	0	0	6 196	7 239
Other financial assets	46	0	16	15	0	77
Receivables > 1 year	7 212	0	0	3 900	0	11 112
Deferred tax assets	13 537	0	387	2 300	0	16 224
Total non-current assets	**564 040**	**197 765**	**5 123**	**7 186**	**6 196**	**780 310**
% of total	72.28%	25.34%	0.66%	0.92%	0.79%	100.00%

8. GOODWILL AND OTHER INTANGIBLE ASSETS

	2019		2018	
In KUSD	Goodwill	Intangible assets	Goodwill	Intangible assets
Gross carrying amount at January 1	**104 782**	**918**	**103 008**	**843**
Acquisitions	0	160	0	262
Sales and disposals	0	0	0	0
Transfers	0	0	0	- 187
Final PPA PT Dendymarker	0	0	1 774	0
Translation differences	0	0	0	0
Gross carrying amount at December 31	**104 782**	**1 078**	**104 782**	**918**
Accumulated amortization and impairment losses at January 1	**0**	**- 477**	**0**	**- 537**
Depreciations	0	- 84	0	- 45
Sales and disposals	0	0	0	0
Transfers	0	0	0	105
Remeasurement	0	0	0	0
Accumulated amortization and impairment losses at December 31	**0**	**- 561**	**0**	**- 477**
Net carrying amount January 1	**104 782**	**441**	**103 008**	**306**
Net carrying amount December 31	**104 782**	**517**	**104 782**	**441**

Goodwill impairment analysis

Goodwill is the positive difference between the acquisition price of a subsidiary, associated company or joint venture and the share of the Group in the fair value of the identifiable assets and liabilities of the acquired entity on the acquisition date. Under standard IFRS 3 – Business Combinations, goodwill is not amortized, but rather tested for impairment.

Goodwill and intangible fixed assets are tested annually by management to see whether they have been exposed to impairment in accordance with the accounting policies in note 2 (regardless of whether there are indications of impairment).

To be able to assess the necessity of an impairment, the goodwill is allocated to a cash-generating unit (CGU). A cash-generating unit is the smallest identifiable group that generates cash that is to a large degree independent of the inflow of cash from other assets or groups of assets. This cash-generating unit is analysed on each balance sheet date to determine whether the carrying value of the goodwill can be fully recovered. If the realizable value of the cash-generating unit is lower in the long term than the carrying value, an impairment is recognized on the income statement in the amount of this difference.

In the SIPEF model, the cash-generating unit is compared with the total underlying asset related to the palm oil segment as of 31 December 2019. This consists of the following items:

Assets (in KUSD)*	2019
Biological assets – bearer plants	290 268
Other fixed assets	350 275
Goodwill	104 782
Current assets – current liabilities	34 581
Total	**779 906**

** Assets include only the entities with palm oil activities*

The SIPEF group has defined the “cash-generating unit” as the operational palm oil segment. It consists of all cash flows from the palm oil activities of all plantations in Indonesia and Papua New Guinea. The cash flows from the sale of rubber, tea and bananas are not included here, as the goodwill has been allocated exclusively to the palm oil segment. This concerns the following entities:

Entities
SIPEF NV
PT Tolan Tiga
PT Eastern Sumatra
PT Kerasaan
PT Mukomuko Agro Sejahtera
PT Umbul Mas Wisesa
PT Citra Sawit Mandiri
PT Toton Usaha Mandiri
PT Agro Rawas Ulu
PT Agro Muara Rupit
PT Agro Kati Lama
PT Agro Muko*
Hargy Oil Palms LTD
PT Dendymarker Indah Lestari

** For PT AM a division is made between the cash flows from palm oil and the cash flows from rubber.*

The recoverable value of the cash-generating units to which goodwill is allocated was determined by means of a calculation using a discounted cash flow model (DCF model). The starting point is the operational plans of the Group, which look a decade ahead (to 2029) and have been approved by the Board of Directors. In this model, the macro-economic parameters, such as palm oil price and inflation, are deemed constant for each year. The constant palm oil price used in the model (USD 690/ton) is management's best estimate of the long-term palm oil price expressed as CIF Rotterdam.

The average palm oil price for 2019 amounts to USD 566/ton whereas the spot price per 31 December 2019 amount to USD 860/ton.

In the model, the growth of sales is the same as the normal improvement of the production volumes due to the maturity of the palm trees of the various subsidiaries. Any improvement in the future EBITDA margins in the model is a normal consequence of the same improvement in production volumes.

The current model was established with a weighted average cost of capital (after tax) of 8.01% and an average tax rate of 25%-30%. The terminal value in the discounted cash flow model is based on perpetual growth of 2% in accordance with the Gordon growth model. In the model we use a sensitivity analysis for various palm oil prices and various weighted average costs of capital (WACC):

Palm oil price (CIF Rotterdam)	
Scenario 1	USD 640/ton CIF Rotterdam
Scenario 2 (base case)	USD 690/ton CIF Rotterdam
Scenario 3	USD 740/ton CIF Rotterdam

WACC	
Scenario 1	7.01%
Scenario 2 (base case)	8.01%
Scenario 3	9.01%

Summary assumptions of 2019:

PO / WACC	7.01%	8.01%	9.01%
USD 640/ton CIF Rotterdam	Scenario 1	Scenario 4	Scenario 7
USD 690/ton CIF Rotterdam	Scenario 2	Scenario 5 (base case)	Scenario 8
USD 740/ton CIF Rotterdam	Scenario 3	Scenario 6	Scenario 9

Summary assumptions of 2018:

PO / WACC	10,25%	11,25%	12,25%
USD 641/ton CIF Rotterdam	Scenario 1	Scenario 4	Scenario 7
USD 691/ton CIF Rotterdam	Scenario 2	Scenario 5 (base case)	Scenario 8
USD 741/ton CIF Rotterdam	Scenario 3	Scenario 6	Scenario 9

For the sensitivity analysis, the price was increased and decreased by USD 50/ton. The WACC was increased and decreased with one percent. A sensitivity matrix is shown below for the total discounted cash flow for various palm oil prices and various weighted average costs of capital (WACC).

Sensitivity matrix

WACC/PO price (in KUSD)	7.01%	8.01%	9.01%
USD 640/ton CIF Rotterdam	1 071 867	863 755	715 545
USD 690/ton CIF Rotterdam	1 429 280	1 161 902	971 346
USD 740/ton CIF Rotterdam	1 774 071	1 450 358	1 219 483
Value of underlying assets*	779 906	779 906	779 906

** Concerns the underlying asset related to the palm oil segment*

The headroom is the difference between the total discounted cash flows and the value of the underlying asset:

Headroom (in KUSD)	7.01%	8.01%	9.01%
USD 640/ton CIF Rotterdam	291 961	83 850	-64 361
USD 690/ton CIF Rotterdam	649 374	381 997	191 440
USD 740/ton CIF Rotterdam	994 165	670 453	439 577

Green = base scenario

We also calculate the breakeven palm oil price based on the various WACCs.

Breakeven price	7.01%	8.01%	9.01%
USD/ton	561 $/ton	626 $/ton	653 $/ton

Management is of the opinion that the assumptions used in the calculation of the value in use as described above give the best estimates of future development. The sensitivity analysis shows that goodwill is in most of the cases fully recoverable. As a result, management is of the opinion that there is no indication of any impairment. Future sales prices continue to be difficult to predict over a long period of time and will be continuously monitored in the future.

9. BIOLOGICAL ASSETS – BEARER PLANTS

Movement schedule biological assets - bearer plants

The balance sheet movements in biological assets can be summarized as follows:

In KUSD	2019	2018
Gross carrying amount at January 1	**376 331**	**362 042**
Change in consolidation scope	0	0
Acquisitions	33 305	27 496
Sales and disposals	- 3 945	- 2 944
Transfers	2 254	3 229
Other	- 108	- 13 431
Translation differences	- 28	- 61
Gross carrying amount at December 31	**407 810**	**376 331**
Accumulated depreciation and impairment losses at January 1	**- 92 619**	**- 93 956**
Change in consolidation scope	0	0
Depreciation	- 13 452	- 12 877
Sales and disposals	4 524	3 054
Transfers	0	79
Other	58	11 033
Translation differences	22	48
Accumulated depreciation and impairment losses at December 31	**- 101 467**	**- 92 619**
Net carrying amount January 1	**283 712**	**268 086**
Net carrying amount December 31	**306 343**	**283 712**

The movement in 2018 ‘other’ concerns a correction on the assets of PT Dendymarker due to the finalization of the purchase price allocation.

10. OTHER PROPERTY, PLANT AND EQUIPMENT

	2019							
In KUSD	Land, buildings and infrastructure	Installations and machinery	Vehicles	Office equipment, furniture and others	Leasing	In progress	Land rights	Total
Gross carrying amount at January 1	**168 016**	**191 540**	**66 052**	**31 449**	**0**	**23 617**	**115 030**	**595 703**
Change in consolidation scope	0	0	0	0	0	0	0	0
Acquisitions	10 207	5 797	7 137	1 669	0	4 509	4 880	34 200
Sales and disposals	- 1 057	- 10 793	- 3 833	- 1 114	0	- 4 004	0	- 20 800
Transfers	3 695	138	497	714	0	- 7 296	0	- 2 251
Other	0	0	0	0	3 253	- 117	2 516	5 652
Translation differences	- 207	- 68	- 42	- 7	0	- 13	- 4	- 341
Gross carrying amount at December 31	**180 654**	**186 614**	**69 811**	**32 711**	**3 253**	**16 696**	**122 422**	**612 163**
Accumulated depreciation and impairment losses at January 1	**- 66 070**	**- 104 346**	**- 50 051**	**- 15 647**	**0**	**0**	**- 2 865**	**- 238 979**
Change in consolidation scope	0	0	0	0	0	0	0	0
Depreciation	- 7 397	- 10 962	- 5 753	- 2 935	- 358	0	- 55	- 27 460
Sales and disposals	202	10 684	3 696	981	0	0	0	15 563
Transfers	0	0	0	0	0	0	0	0
Other	25	15	11	0	0	0	- 2 516	- 2 465
Translation differences	146	48	36	17	0	0	2	249
Accumulated depreciation and impairment losses at December 31	**- 73 094**	**- 104 561**	**- 52 061**	**- 17 584**	**- 358**	**0**	**- 5 434**	**- 253 092**
Net carrying amount January 1	**101 946**	**87 194**	**16 001**	**15 802**	**0**	**23 617**	**112 165**	**356 724**
Net carrying amount December 31	**107 560**	**82 053**	**17 750**	**15 127**	**2 895**	**16 696**	**116 988**	**359 071**

In KUSD	Land, buildings and infrastructure	Installations and machinery	Vehicles	Office equipment , furniture and others	Leasing	In progress	Land rights	Total
	2018							
Gross carrying amount at January 1	**163 485**	**190 467**	**64 541**	**19 838**	**0**	**10 875**	**114 848**	**564 053**
Change in consolidation scope	0	0	0	0	0	0	0	0
Acquisitions	8 485	6 825	6 553	2 833	0	8 145	8 831	41 672
Sales and disposals	- 402	- 1 015	- 2 872	- 210	0	- 1 726	0	- 6 225
Transfers	- 869	- 7 222	- 2 278	9 110	0	- 2 176	187	- 3 248
Other	- 2 223	2 635	198	- 101	0	8 525	- 8 826	208
Translation differences	- 460	- 150	- 90	- 21	0	- 26	- 10	- 757
Gross carrying amount at December 31	**168 016**	**191 540**	**66 052**	**31 449**	**0**	**23 617**	**115 030**	**595 703**
Accumulated depreciation and impairment losses at January 1	**- 59 414**	**- 97 640**	**- 47 286**	**- 10 797**	**0**	**0**	**- 2 651**	**- 217 788**
Change in consolidation scope	0	0	0	0	0	0	0	0
Depreciation	- 6 893	- 10 377	- 5 590	- 2 916	0	0	- 55	- 25 831
Sales and disposals	181	961	2 853	201	0	0	0	4 196
Transfers	22	2 399	- 15	- 2 278	0	0	- 104	24
Other	- 282	195	- 80	110	0	0	- 60	- 117
Translation differences	316	116	67	33	0	0	5	537
Accumulated depreciation and impairment losses at December 31	**- 66 070**	**- 104 346**	**- 50 051**	**- 15 647**	**0**	**0**	**- 2 865**	**- 238 979**
Net carrying amount January 1	**104 071**	**92 827**	**17 255**	**9 041**	**0**	**10 875**	**112 197**	**346 266**
Net carrying amount December 31	**101 946**	**87 194**	**16 001**	**15 802**	**0**	**23 617**	**112 165**	**356 724**

The acquisitions included, in addition to the standard replacement capital expenditure, investments for the improvement of the logistics and infrastructure of the plantations and the palm oil extraction mills.

Below is a table with the proprietary rights on which the plantations of the SIPEF group are established:

	Hectares	Type	Maturity	Crop
PT Tolan Tiga Indonesia	6 042	Concession	2023	Oil palm
PT Tolan Tiga Indonesia	2 437	Concession	2024	Oil palm
PT Eastern Sumatra Indonesia	3 178	Concession	2023	Oil palm
PT Kerasaan Indonesia	2 362	Concession	2023	Oil palm
PT Bandar Sumatra Indonesia	1 413	Concession	2024	Rubber
PT Melania Indonesia	5 140	Concession	2023	Rubber and tea
PT Toton Usaha Mandiri	1 199	Concession	2046	Oil palm
PT Agro Muko	2 270	Concession	2019*	Oil palm
PT Agro Muko	2 500	Concession	2020	Oil palm
PT Agro Muko	315	Concession	2031	Oil palm
PT Agro Muko	1 410	Concession	2028	Oil palm
PT Agro Muko	2 903	Concession	2028	Oil palm
PT Agro Muko	7 730	Concession	2019*	Oil palm
PT Agro Muko	2 185	Concession	2022	Oil palm
PT Agro Muko	1 515	Concession	2022	Rubber
PT Agro Muko	2 100	Concession	2022	Oil palm
PT Umbul Mas Wisesa	4 397	Concession	2048	Oil palm
PT Umbul Mas Wisesa	2 071	Concession	2048	Oil palm
PT Umbul Mas Wisesa	679	Concession	2049	Oil palm
PT Umbul Mas Wisesa	462	Concession	2049	Oil palm
PT Umbul Mas Wisesa	155	Concession	2049	Oil palm
PT Dendymarker Indah Lestari	13 705	Concession	2028	Oil palm
PT Mukomuko Agro Sejahtera	1 705	Concession	2053	Oil palm
PT Mukomuko Agro Sejahtera (STGE)	1 770	Concession	2024	Oil palm
PT Timbang Deli Indonesia	972	Concession	2023	Rubber and oil palm
Hargy Oil Palms Limited	128	Concession	2075	Oil palm
Hargy Oil Palms Limited	2 967	Concession	2076	Oil palm
Hargy Oil Palms Limited	17	Concession	2077	Oil palm
Hargy Oil Palms Limited	6 460	Concession	2082	Oil palm
Hargy Oil Palms Limited	2 900	Concession	2101	Oil palm
Hargy Oil Palms Limited	170	Concession	2102	Oil palm
Hargy Oil Palms Limited	694	Concession	2106	Oil palm
Hargy Oil Palms Limited	18	Concession	2113	Oil palm
Hargy Oil Palms Limited	246	Concession	2117	Oil palm
Plantations J. Eglin SA	1 485	Freehold	n/a	bananas and pineapple flowers
Plantations J. Eglin SA	322	Provisional concession	n/a	bananas and pineapple flowers
Total	**86 022**			
PT Agro Muko	242	In negotiation	-	Oil palm
PT Citra Sawit Mandiri	1 814	In negotiation	-	Oil palm
PT Agro Rawas Ulu	5 712	In negotiation	-	Oil palm
PT Agro Kati Lama	7 568	In negotiation	-	Oil palm
PT Agro Kati Lama	3 091	In negotiation	-	Oil palm
PT Agro Muara Rupit	4 811	In negotiation	-	Oil palm
PT Agro Muara Rupit	7 498	In negotiation	-	Oil palm
PT Agro Muara Rupit	1 303	In negotiation	-	Oil palm
PT Agro Muara Rupit	4 201	In negotiation	-	Oil palm
PT Mukomuko Agro Sejahtera	623	In negotiation	-	Oil palm
Total	**36 863**			

** All documentation for the renewal of the land rights which matured in 2019 has been delivered in time to the relevant authorities. The authorities are in the process of reviewing and approving. There is no indication that these land rights will not be renewed.*

In addition, our subsidiary Hargy Oil Palms Ltd has a total of 3 902 hectares of planted area on subleased land.

11. RECEIVABLES > 1 YEAR

In KUSD	2019	2018
Receivables > 1 year	13 442	11 112

The receivables > 1 year as per 31 December 2019 mainly consist out of a long-term receivable which has been discounted and the plasma receivables.

In KUSD	2019	2018
Sale of Sipef-CI SA	1 813	3 272
Sale of Galley Reach Holdings Ltd	0	594
Plasma receivable	11 612	7 211
Other	17	35
Total	**13 442**	**11 112**

Plasma receivables represent a loan granted to the smallholders for the accumulated costs to develop plasma plantations which are currently being financed by the Group. When the plasma plantations start to mature, the plasma farmers are obliged to sell their harvests to the Group and a portion of the resulting proceeds will be used to repay the loans.

The total sales price of Sipef-CI SA amounts to KEUR 11 500 of which KEUR 7 513 remains to be received at the end of the year. Converted at the closing rate of the year this amounts to KUSD 8 426. The total sales price of Galley Reach Holdings Ltd amounts to KUSD 6 600, of which KUSD 600 remains to be received at the end of the year.

The plasma receivables will be gradually repaid from the moment the plasma holders become a going concern plantation whereby proceeds of the FFB sales will be partly used to repay the loan.

The Group has calculated the expected credit loss in accordance with IFRS 9 and determined it to be immaterial.

Below we present an overview of the remaining contractually determined non-discounted cash flows related to these receivables:

In KUSD	2020 - short term	2021	> 2021	Total
Sale of Sipef-CI SA	5 363	3 063	0	8 426
Sale of Galley Reach Holdings Ltd	600	0	0	600
Plasma receivable	0	0	11 612	11 612
Total	**5 963**	**3 063**	**11 612**	**20 638**

12. INVENTORIES

Analysis of inventories:

In KUSD	2019	2018
Raw materials and supplies	16 489	20 132
Finished goods	9 762	16 142
Total	**26 251**	**36 274**

The remaining stock of raw materials and supplies has decreased with KUSD 3 643 in comparison to prior year. This is mainly due to timing differences in purchases.

The decrease in finished goods is caused by a large decrease in CPO/PK stock per year-end.

13. BIOLOGICAL ASSETS

The total biological assets at the end of the year is presented below:

In KUSD	2019	2018
Biological assets	6 030	4 870

The growing agricultural produce of palm oil is defined as the oil contained in the palm fruit. When the palm fruit contains oil, then this distinct asset is recognised and the fair value is estimated based on:

- The estimated quantity of oil that is available in the palm fruit;
- The estimated sales price of palm oil at the time of closing;
- The estimated cost to harvest and process the palm fruit;
- The estimated sales charges (transport, export tax, …).

Different scientific studies have shown that the oil in the palm oil fruit develops exponentially in approximately 4 weeks. The estimated quantity of oil in the palm oil fruit is therefore determined based on the harvest of the 4 weeks after the time of closing. In the calculation of the estimated quantity of available oil, the weighted importance of the harvest decreases step-by-step per week, in order to approximate the quantity of oil at the time of closing as well as possible. The fair value of the biological assets calculated at the closing value on the 31st of December 2019 is based on level 2 data input.

Per 31 December 2019 the total biological assets of palm oil amounted to KUSD 3 518 compared to KUSD 2 640 per 31 December 2018.

Impact of the estimated quantity of available oil	-10%	Carrying amount	+10%
Carrying value of the biological assets - palm oil	3 166	3 518	3 870
Gross Impact income statement (before tax)	- 352		352

The estimated sales price and the estimated costs and charges are the actual sales prices and costs at the time of closing. The results from the change of the fair value of the palm fruit are included in “changes in fair value”.

The biological assets at the end of December also contain the growing biological produce of bananas of our subsidiary Plantations J. Eglin SA. The balance of 2019 amounted to KUSD 2 465 (2018 KUSD 2 195) and has remained relatively stable compared to last year. In addition, it also contains the growing biological produce of Tea for a total of KUSD 47.

Impact of the estimated quantity of available bananas	-10%	Carrying amount	+10%
Carrying value of the biological assets - bananas	2 219	2 465	2 712
Gross Impact income statement (before tax)	- 247		247

14. OTHER CURRENT RECEIVABLES AND OTHER CURRENT PAYABLES

The ‘other receivables’ have increased from KUSD 41 024 in 2018 to KUSD 45 367 in 2019. The other receivables mainly consist of VAT receivables in the various entities, a current account with Verdant Bioscience PTE Ltd (KUSD 6 788) and the plasma receivables in Hargy Oil Palms Ltd.

This section also contains a receivable of KUSD 4 659 (discounted value) following the sale of Sipef-CI. It concerns a transfer from the long-term receivables to the short-term receivables. For further information relating to the long-term receivables we refer to note 11.

The increase in ‘other receivables’ (KUSD 4 342) is explained by an increase in the GST receivable (VAT receivable) in Hargy Oil Palms Ltd. (+ KUSD 1 065) as well as in our Indonesian subsidiaries, primarily the South Sumatra Group due to the continuing expansion (+ KUSD 2 128), The remaining increase consist of various smaller items in our different subsidiaries.

The Group has calculated the expected credit loss in accordance with IFRS 9 and determined it to be immaterial.

The ‘other payables’ (KUSD 8 747) mainly concern social obligations (salaries to be paid, provisions for holiday pay and bonus) and have decreased slightly in comparison to prior year.

15. SHAREHOLDERS' EQUITY

Capital stock and share premium

The issued capital of the company as at December 31, 2019 amounts to KUSD 44 734, represented by 10 579 328 fully paid ordinary shares without nominal value.

	2019	2018	Difference
Number of shares	10 579 328	10 579 328	0

In KUSD	2019	2018	Difference
Capital	44 734	44 734	0
Share premium	107 970	107 970	0
Total	**152 704**	**152 704**	**0**

	2019	2018	2019	2018
	KUSD	KUSD	KEUR	KEUR
Treasury shares - opening balance	**9 423**	**8 308**	**7 614**	**6 628**
Acquisition treasury shares	854	1 115	775	986
Treasury shares - ending balance	**10 277**	**9 423**	**8 389**	**7 614**

Since the start of the share buy-back program on 22 September 2011, SIPEF has bought back 160 000 shares for a total amount of KEUR 8 389, corresponding to 1.5124% of the total shares outstanding, as cover for a share option plan for the management.

Authorized capital

The extraordinary general meeting of shareholders on June 8, 2016 authorized the board of directors to increase the capital in one or more operations by an amount of KUSD 37 852 over a period of 5 years after the publication of the renewal.

Shareholder structure

The company has received following shareholders declarations:

Acting in concert	Number of shares	Date of notifying	Denominator	%
Ackermans & Van Haaren NV	3 419 930	22/08/2019	10 579 328	32.327
Cabra NV (Baron Bracht and children)	1 301 032	22/08/2019	10 579 328	12.298
Total votes acting in concert	**4 720 962**			**44.625**

Translation differences

Translation differences consists of all the differences related to the translation of the financial statements of our subsidiaries for which the functional currency is different from the presentation currency of the Group (USD). The deviation from last year is mainly due to the movement of the USD versus the EUR (KUSD -107).

In KUSD	2019	2018
Opening balance at January 1	**-11 686**	**-12 492**
Movement, full consolidation	- 107	- 271
Movement, equity method	0	1 077
Ending balance at December 31	**-11 793**	**-11 686**

Dividends

On February 11, 2020 the proposal was made not to declare a dividend for the financial year 2019, in line with the applied dividend policy.

Capital management

The capital structure of the Group is based on the financial strategy as defined by the board of directors. Summarized, this strategy consists of an expansion policy while respecting a very limited debt ratio. The management puts forward yearly the plan for approval by the board of directors.

Chain of control

1. Chain of control on Ackermans & Van Haaren NV

I. Ackermans & Van Haaren NV is directly controlled by Scaldis Invest NV, a company incorporated under Belgian law.
II. Scaldis Invest NV is directly controlled by Belfimas NV, a company incorporated under Belgian law.
III. Belfimas NV is directly controlled by Celfloor SA, a company incorporated under Luxembourg law.
IV. Celfloor SA is directly controlled by Apodia International Holding BV, a company incorporated under Dutch law.
V. Apodia International Holding BV is directly controlled by Palamount SA, a company incorporated under Luxembourg law.
VI. Palamount SA is directly controlled by Stichting administratiekantoor “Het Torentje”, incorporated under Dutch law.
VII. Stichting Administratiekantoor “Het Torentje” is the ultimate controlling shareholder. In accordance with article 11, §1 of the Law of 2 May 2007, Stichting administratiekantoor “Het Torentje” is acting under its own name and at the expense of the companies mentioned under (II) and (VI).

2. Chain of control on Cabra NV

Priscilla Bracht, Theodora Bracht and Victoria Bracht exercise joint control over Cabra NV.

16. NON CONTROLLING INTERESTS

According to Indonesian law, no foreign investor is allowed to own more than 95% of the shares of a plantation company. Therefore, all Indonesian subsidiaries have at least a 5% non-controlling interest. The non-controlling interests of our Indonesian subsidiaries mainly consist of one Indonesian pension fund.

The table below presents the non-controlling interests per company, as well as their share of the equity and the profit of the year.

	2019			2018		
In KUSD	% Non-controllin g interests	Share of the equity	Share of the profit of the year	% Non-controllin g interests	Share of the equity	Share of the profit of the year
PT Tolan Tiga Indonesia	5.00	17 402	430	5.00	16 942	610
PT Eastern Sumatra Indonesia	9.75	5 576	310	9.75	5 267	338
PT Kerasaan Indonesia	45.85	4 415	962	45.85	4 000	983
PT Bandar Sumatra Indonesia	9.75	1 405	- 77	9.75	1 481	- 49
PT Melania Indonesia	9.75	2 917	- 237	9.75	3 153	- 85
PT Mukomuko Agro Sejahtera	14.26	- 376	- 100	14.26	- 275	- 69
PT Umbul Mas Wisesa	5.10	- 768	- 152	5.10	- 615	26
PT Citra Sawit Mandiri	5.10	- 259	- 48	5.10	- 211	- 38
PT Toton Usaha Mandiri	5.10	24	9	5.10	16	13
PT Agro Rawas Ulu	5.00	- 63	- 56	5.00	- 6	- 41
PT Agro Kati Lama	5.00	- 292	- 189	5.00	- 100	- 102
PT Agro Muara Rupit	5.10	- 2	- 127	5.10	125	- 38
PT Agro Muko	9.75	5 928	476	9.75	5 453	748
PT Dendymarker Indah Lestari	9.75	-1 523	- 602	9.75	- 920	- 420
Jabelmalux SA	0.11	- 59	0	0.11	- 60	0
Total		**34 325**	**600**		**34 250**	**1 876**

The non-controlling interest's share of the property, plant and equipment (including biological assets - bearer plants) amounts to KUSD 37 541 in 2019 (2018: KUSD 35 463).

The movements of the year can be summarized as follows:

In KUSD	2019	2018
At the end of the preceding period	34 250	33 140
Profit for the period attributable to non-controlling interests	600	1 876
Defined Benefit Plans - IAS19R	- 9	- 67
Distributed dividends	- 516	- 606
Equity transactions with non-controlling parties	0	0
Other	0	- 93
At the end of the period	**34 325**	**34 250**

The distributed dividends to non-controlling interests consist of:

In KUSD	2019	2018
PT Kerasaan Indonesia	516	430
PT Eastern Sumatra Indonesia	0	176
Total	**516**	**606**

The dividends from PT Kerasaan have been declared, but not yet paid at 31 December 2019.

There are no limitations to the transfer of funds. The non-controlling interests have no rights to use the assets of the Group or to repay the liabilities of the subsidiaries. The non-controlling interests do not have significant protective rights. There are no restrictions to realise assets and settle liabilities of subsidiaries.

17. PROVISIONS

In KUSD	2019	2018
Provision	1 548	1 550

The provisions are entirely related to a VAT dispute in Indonesia (KUSD 1 548). During 2019 there have only been a very limited amount of court cases which were settled). It is difficult to make an estimate of the settlement time of the dispute.

18. PENSION LIABILITIES

Defined benefit plans

Pension liabilities mainly represent defined benefit plans in Indonesia. These pension plans, set up in order to pay a lump sum amount at the time of retirement, are not financed with a third party. The total number of employees affected by the pension plan amounts to 9 717. The pension plan is payable to an employee at the age of 55 or after 30 years of seniority, whichever comes first.

Since the pension plan is adjusted by future salary increases and discount rates, the pension plan is exposed to Indonesia's future salary expectations, as well as Indonesia's inflation and interest rate risk. Furthermore, the pension plan is payable in Indonesian Rupiah, exposing it to a currency risk. We refer to note 26 for further details concerning the currency risk of the Group. As the pension plan is unfunded, there is no risk relating to a return on plan assets.

The following reconciliation summarizes the variation of total pension liabilities between 2018 and 2019:

In KUSD	2018	Pension cost	Payment	Exchange	Translation difference	Change consolidation scope	Other	2019
Indonesia	18 881	4 046	-1 243	742	0	0	- 18	22 408
Ivory Coast	647	282	- 51	0	- 13	0	- 177	688
Others	26	0	- 26	0	0	0	0	0
Total	**19 554**	**4 328**	**-1 320**	**742**	**- 13**	**0**	**- 195**	**23 096**

Following assumptions are used in the pension calculation of Indonesia:

	2019	2018
Discount rate	7.75%	8.50%
Future salary increase	5.25%	6.00%
Assumed retirement age	55 years or 30 years of seniority	55 years or 30 years of seniority

Pension liabilities in Indonesia have changed as follows:

In KUSD	2019	2018
Opening	18 881	18 300
Service cost	1 989	1 709
Interest cost	1 793	1 664
Benefits paid	-1 243	-2 696
Actuarial gains and losses	264	1 041
Exchange differences	742	-1 149
Other	- 18	12
Closing	**22 408**	**18 881**

Actuarial gains and losses consist of the following components:

In KUSD	2019	2018
Experience adjustments	235	1 082
Changes in assumptions used	29	- 41
Total actuarial gains and losses	**264**	**1 041**

The actuarial gains and losses included in the above table contain the largest part of the total actuarial gains and losses included in the other comprehensive income (KUSD -289). The remaining difference (KUSD -25) consists of the actuarial gains and losses of the equity consolidated companies (PT Timbang Deli).

The amounts recognised in the balance sheet are as follows:

In KUSD	2019	2018
Pension liabilities	22 408	18 881

The amounts relating to the pension cost of Indonesia are as follows:

In KUSD	2019	2018
Service cost	1 989	1 709
Interest cost	1 793	1 664
Pension cost	**3 782**	**3 373**
Actuarial gains and losses recorded in Other Comprehensive Income	264	1 041
Total pension cost	**4 046**	**4 414**

These costs are included under the headings cost of sales and general and administrative expenses of the income statement.

Estimated benefit payments in 2020 are KUSD 1 930.

Sensitivity of the variation of the discount rate and of the future salary increase

Values as appearing in the balance sheet are sensitive to changes in the actual discount rate compared to the discount rate used. The same applies to changes in the actual future salary increase compared to the future salary increase used in the calculation. For our Indonesian entities, simulations were made to calculate the impact of a 1% increase or decrease of both parameters on the pension provision, resulting in the following effects:

Impact of the change in discount rate:

In KUSD	+1%	Carrying amount	-1%
Pension liability of the Indonesian subsidiaries	20 558	22 610	24 647
Gross impact on the comprehensive income	2 052		-2 037

Impact of the change in future salary increase:

In KUSD	+1%	Carrying amount	-1%
Pension liability of the Indonesian subsidiaries	24 574	22 610	20 585
Gross impact on the comprehensive income	-1 964		2 025

The pension liability in Indonesia consists of KUSD 20 408 from fully consolidated subsidiaries and of KUSD 202 from equity consolidated companies (PT Timbang Deli).

Defined contribution plans

The Group pays contributions to publicly or privately administered insurance plans. Since the Group is obliged to make additional payments if the average return on the employer's contribution and on the employees' contributions is not attained, those plans should be treated as "defined benefit plans" in accordance with IAS 19.
The liability is based on an analysis of the plans and the limited difference between the legally guaranteed minimum returns and the interest guaranteed by the insurance company, the Group has concluded that the application of the PUC method would have an immaterial impact. The total accumulated reserves amount to KUSD 2 578 by the end of December 2019 (2018: KUSD 3 011) compared to the total minimum guaranteed reserves of KUSD 2 534 at 31 December 2019 (2018: KUSD 2 738).

Contributions paid regarding the defined contribution plans amount to KUSD 571 (KUSD 597 in 2018). SIPEF NV is not responsible for the minimum guaranteed return on the contributions paid for the members of the executive committee (KUSD 523).

19. NET FINANCIAL ASSETS/(LIABILITIES)

Net financial assets/(liabilities) (Non-GAAP measure) can be analysed as follows:

In KUSD	2019	2018
Short-term obligations - credit institutions	-91 239	-111 038
Financial liabilities > 1 year (incl. derivatives)	-63 000	-30 000
Current portion of amounts payable after one year	-18 000	-10 000
Investments and deposits	0	0
Cash and cash equivalents	10 653	29 595
Lease liability	-3 037	0
Net financial assets/(liabilities)	**-164 623**	**-121 443**

Analysis of net financial assets/(liabilities) 2019 per currency:

In KUSD	EUR	USD	Others	Total
Short-term financial obligations	-22 039	-87 200	0	-109 239
Investments and deposits	0	0	0	0
Cash and cash equivalents	712	8 186	1 755	10 653
Financial liabilities > 1 year	0	-63 000	0	-63 000
Lease liability	- 309	-1 700	-1 028	-3 037
Total 2019	**-21 636**	**-143 714**	**727**	**-164 623**
Total 2018	**-21 534**	**-101 450**	**1 541**	**-121 443**

The short-term financial obligations relate to the commercial papers for a total amount of KUSD 22 039. This financial obligation has been completely hedged at an average rate of 1 EUR = 1.1290 USD.

The board of directors of 13 August 2019 approved a new financing structure, which has also been approved by the banks, whereby the total loan capacity was increased by KUSD 36 500 and part of the current short-term facilities was converted into a more structural long-term debt.

The financial liabilities include an 85.5 million USD loan of which 4.5 million USD has already been repaid in 2019. It concerns a long-term loan that was taken out with a banking consortium with a first-class rating for creditworthiness. It concerns an unsecured loan with a term of 5 years. The interest rate is composed as the USD LIBOR 3M + a margin of 1.5 % to 2.75%, depending on the debt/EBITDA ratio. The variable LIBOR was hedged at a fixed interest rate of 1.558% through an "Interest Rate Swap".

There is one financial requirement applicable to the loan covenant which states that the net financial debt may not exceed 3.5 times the REBITDA of the year. This financial covenant is tested every half-year. The EBITDA of the group consists of the operating results + profit/loss from equity companies + depreciation and additional impairment/increases on assets. The REBITDA consists of the same calculation, but excluding the one-off, non-recurring effects. The Group does not breach borrowing limits or covenants (where applicable) on its borrowing facilities per December 31, 2019. The financial covenant ratio will be lowered to 3.25 at 30 June 2020 and to 3.00 at 31 December 2020. Due to the significant volatility of the palm oil prices and the impact on the result and EBITDA of the Group, this covenant is continuously monitored.

Covenant ratio	2019	2018
Operating result	4 940	50 065
Exceptional items	0	-7 376
Recurring operating result	**4 940**	**42 689**
Depreciation and result on sale FA	42 855	38 745
REBITDA	**47 795**	**81 434**
(-) minorities recurring	- 600	-1 876
REBITDA group share	**47 195**	**79 558**
Net Senior Leverage	**3.49**	**1.53**

Reconciliation of the net financial assets/(liabilities) and cash flow:

In KUSD	2019	2018
Net financial position at the beginning of the period	**-121 443**	**-83 697**
Decrease in long-term borrowings	9 500	10 000
Increase in long-term borrowings	-50 500	0
Decrease in short-term financial obligations	19 799	0
Increase in short-term financial obligations	0	-41 161
Net movement in cash and cash equivalents	-18 942	-6 585
Effect of exchange rate fluctuations on cash and cash equivalents	0	0
Lease liability	-3 037	0
Net financial assets/(liabilities) at the end of the period	**-164 623**	**-121 443**

Reconciliation of the total financial liabilities:

In KUSD	2019	2018
Financial liabilities at the beginning of the period	151 038	119 877
Decrease in long-term borrowings	-9 500	-10 000
Increase in long-term borrowings	50 500	0
Decrease in short-term financial obligations	-19 799	0
Increase in short-term financial obligations	0	41 161
Increase leasing liabilities - non cash	3 561	0
Decrease leasing liabilities - cash	- 524	0
Financial liabilities at the end of the period	**175 276**	**151 038**

20. OTHER OPERATING INCOME/(CHARGES)

The other operating income/(charges) can be detailed as follows:

	2019			2018		
In KUSD	Equity holders of the parent	Non-controlling interests	Total	Equity holders of the parent	Non-controlling interests	Total
VAT claim Indonesia	60	6	66	1 112	116	1 228
Gain on sale BDM-ASCO	0	0	0	7 376	0	7 376
Other income/(charges)	- 712	- 95	- 807	1 159	- 35	1 124
Other operating income/(charges)	**- 652**	**- 89**	**- 741**	**9 647**	**81**	**9 728**

The other income/charges mainly consist out of stock adjustments for obsolete stock and warehouse sales, as well a net cost of KUSD 702 related to the disposal of biological assets – bearer plants in PT Dendymarker Indah Lestari, which have been replanted earlier than scheduled to increase future yields in the plantation.

21. FINANCIAL RESULT

The financial income concerns the interests received on current accounts with non-consolidated companies and on temporary excess cash, as well as the income resulting from the discounting of the receivables > 1 year. The financial charges concern the interests on long term and short-term borrowings as well as bank charges and other financial costs.

In KUSD	2019	2018
Interests received	472	277
Discounting of receivables > 1 year	1 689	2 031
Financial charges	-5 473	-3 733
Exchange result	-1 895	187
Financial result derivatives	1 119	-1 852
Financial result	**-4 088**	**-3 091**

22. SHARE BASED PAYMENT

Grant date	Opening balance	Number of options granted	Number of options exercised	Number of options expired	Ending Balance
2011	16 000				16 000
2012	14 000				14 000
2013	16 000				16 000
2014	19 300			-1 300	18 000
2015	20 000			-2 000	18 000
2016	20 000				20 000
2017	18 000				18 000
2018	20 000				20 000
2019	0	20 000			20 000
Balance	**143 300**	**20 000**	**0**	**-3 300**	**160 000**

SIPEF's stock option plan, which was approved in November 2011, is intended to provide long term motivation for the members of the executive committee and general directors of the foreign subsidiaries whose activities are essential to the success of the Group. The options give them the right to acquire a corresponding number of SIPEF shares.

The remuneration committee is responsible for monitoring this plan and selecting the beneficiaries. The options are provided free of charge and their exercise period is 10 years.

IFRS 2 has been applied to the stock options. The total value of the outstanding options 2011 - 2019 (valued at the fair value at the moment of granting), amounts to KUSD 1 588 and is calculated on the basis of an adjusted Black & Scholes model of which the main characteristics are as follows:

Grant date	Share price (in EUR)	Dividend yield	Volatility	Interest rate	Estimated expected lifetime	Black & Scholes Value (in EUR)
2011	58.00	2.50%	38.29	3.59%	5.00	18.37
2012	58.50	2.50%	37.55	0.90%	5.00	15.07
2013	57.70	2.50%	29.69	1.36%	5.00	12.72
2014	47.68	2.50%	24.83	0.15%	5.00	5.34
2015	52.77	2.50%	22.29	0.07%	5.00	8.03
2016	60.49	3.00%	19.40	-0.37%	5.00	8.38
2017	62.80	3.00%	18.88	-0.12%	5.00	5.57
2018	48.80	3.00%	18.60	-0.03%	5.00	3.54
2019	54.80	3.00%	19.56	-0.32%	5.00	8.12

In 2019, 20 000 new stock options were granted with an exercise price of EUR 45.61 per share. The fair value when granted was fixed at KUSD 182 and is recorded in the profit and loss accounts over the vesting period of 3 years (2020-2022). The total cost of the stock options included in the income statement is KUSD 126 in 2019 (2018: KUSD 157).

To cover the outstanding option liability, SIPEF has a total of 160 000 treasury shares in portfolio.

	Number of shares	Average purchase price (in EUR)	Total purchase price (in KEUR)	Total purchase price (in KUSD)
Opening balance 31/12/2018	143 300	52.13	7 614	9 423
Acquisition of treasury shares	16 700	46.40	775	854
Disposal of treasury shares	0	0.00	0	0
Ending balance 31/12/2019	**160 000**	**52.43**	**8 389**	**10 277**

The extraordinary general meeting of shareholders on February 11, 2015 authorized the board of directors to purchase own shares of SIPEF if deemed necessary over a period of 5 years after the publication of the renewal.

23. INCOME TAXES

The reconciliation between the tax expenses and tax at local applicable tax rates is as follows:

In KUSD	2019	2018
Profit before tax	**852**	**46 973**
Tax at the applicable local rates	174	-12 738
Average applicable tax rate	20.42%	-27.12%
Permanent differences	-2 625	-2 320
Losses of the year for which no DTA is recognised	- 566	- 68
Impairment losses recognised on DTA recognised in previous years	-3 755	-1 957
Reversal of impairment losses on DTA recognised in previous years	0	1 230
Corrections prior year	0	- 442
Theoretical tax on capital gain BDM/ASCO	0	2 139
Tax expense	**-6 772**	**-14 155**
Average effective tax rate	794.71%	30.13%

We received from the Indonesian tax authorities the formal approval, that starting from financial year 2014 our Indonesian affiliates are allowed to lodge their tax declaration in USD. From the tax authorities in Papua New Guinea the SIPEF group got permission to prepare the tax declaration based on USD accounts from 2015 onwards. For SIPEF NV and Jabelmalux SA a similar authorisation has been obtained with effect from the financial year 2016.

Deferred tax liabilities and assets are offset per taxable entity which leads to the following split between deferred tax assets and deferred tax liabilities:

In KUSD	2019	2018
Deferred tax assets	15 135	16 224
Deferred tax liabilities	-46 850	-50 936
Net deferred taxes	**-31 714**	**-34 712**

The movements in net deferred taxes (assets - liabilities) are:

In KUSD	2019	2018
Opening balance	-34 712	-36 299
Variation (- expense) / (+ income) through income statement	2 836	623
Tax impact of IAS 19R through comprehensive income	71	244
Tax impact hedge accounting via OCI	114	- 146
Change in consolidation scope	0	0
"Purchase price allocation" PT Agro Muko & PT Dendymarker	0	885
Other	- 23	- 19
Closing balance	**-31 714**	**-34 712**

Deferred taxes in the income statement are the result of:

In KUSD	2019	2018
Addition/(utilization) of tax losses brought forward	1 902	865
Origin/(reversal) of temporary differences - IAS 41 revaluation	- 325	1 154
Origin/(reversal) of temporary differences - fixed assets	921	- 579
Origin/(reversal) of temporary differences - pension provision	734	- 118
Origin/(reversal) of temporary differences - other	- 395	- 699
Total	**2 836**	**623**

Total deferred tax assets are not entirely recognized in the balance sheet. The breakdown of total recognized and unrecognized deferred taxes is as follows:

	2019		
In KUSD	Total	Not recorded	Recorded
Biological assets	-1 243	0	-1 243
Non-current assets	-45 165	0	-45 165
Inventories	-3 420	0	-3 420
Pension provision	5 526	0	5 526
Tax losses	15 684	4 652	11 032
Others	1 555	0	1 555
Total	**-27 062**	**4 652**	**-31 714**

The majority of the unrecognized deferred tax assets at the end of 2019 are located at the companies of the South Sumatra group (KUSD 3 421) and the Tolan Tiga group rubber and tea activities (KUSD 751). The set-up of and the adjustments to the deferred tax assets are based on the most recently available long-term business plans.

The total tax losses (recognized and unrecognized) have the following maturity structure:

	2019		
In KUSD	Total	Not recorded	Recorded
1 year	5 530	922	4 608
2 years	6 176	5 562	614
3 years	5 917	4 369	1 548
4 years	9 752	4 065	5 687
5 years	13 834	2 264	11 570
Unlimited	18 158	1 220	16 938
Total	**59 368**	**18 402**	**40 966**

The net taxes to be received relate mainly to the taxes to be received in Indonesia. In 2019 it involves primarily taxes to receive due to an overpayment in advances which are calculated on the result of previous year. Considering that the results of previous year were higher than those of current year, the SIPEF Group has a net tax receivable.

In KUSD	2019	2018
Taxes to receive	14 787	9 280
Taxes to pay	- 480	- 71
Net taxes to receive/(to pay)	**14 307**	**9 209**

In KUSD	2019	2018
Net taxes to receive/(to pay) at the beginning of the period	9 209	-10 870
Change consolidation scope	0	0
Transfer	0	320
Taxes to pay	-9 608	-14 778
Paid taxes	14 706	34 537
Net taxes to receive/(to pay) at the end of the period	**14 307**	**9 209**

Taxes paid as presented in the consolidated cash flow statement are detailed as follows:

In KUSD	2019	2018
Tax expense	-6 772	-14 155
Deferred tax	-2 836	- 623
Current taxes	**-9 608**	**-14 778**
Variation prepaid taxes	-5 507	-7 350
Variation payable taxes	409	-12 409
Paid taxes	**-14 706**	**-34 537**

24. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The SIPEF group has the following percentage of control and percentage of interest in the associates and joint ventures:

Entity	Location	% of control	% of interest
Verdant Bioscience Pte Ltd	Singapore / Republic of Singapore	38.00	38.00
PT Timbang Deli Indonesia	Medan / Indonesia	38.00	36.10

An associate is an entity over which the Group has significant influence. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has no joint ventures.
The investments in associates and joint ventures consist of Verdant Bioscience Singapore and PT Timbang Deli, both active in tropical agriculture.

Verdant Bioscience Pte Ltd (VBS) is a company located in Singapore. As of 1 January 2014, the Group holds a 38% interest in VBS. The company is a cooperation between Ultra Oleom Pte Ltd (52%), SIPEF NV (38%) and Biosing Pte (10%) with the objective of conducting research into and developing high-yielding seeds with a view to commercializing them.

The Group holds a 36.10% participation in PT Timbang Deli, a company located on the island of Sumatra in Indonesia. PT Timbang Deli is active in growing rubber. Following the Share Swap agreement with Verdant Bioscience Pte Ltd the SIPEF group contributed 95% of the total number of shares of PT Timbang Deli to Verdant Bioscience Pte Ltd.

The total section "investments in associates and joint ventures" can be summarized as follows:

In KUSD	2019	2018
Verdant Bioscience Pte Ltd	5 766	6 196
PT Timbang Deli Indonesia	- 12	1 043
Total	**5 754**	**7 239**

The total section "Share of results of associated companies and joint ventures" can be summarized as follows:

In KUSD	2019	2018
Verdant Bioscience Pte Ltd	- 431	- 398
PT Timbang Deli Indonesia	-1 054	- 456
Total result	**-1 485**	**- 854**

Below we present the condensed statements of financial position of the associated companies and joint ventures. These are prepared in accordance with IFRS and are before intercompany eliminations and excluding goodwill.

	Verdant Bioscience Pte Ltd		PT Timbang Deli	
In KUSD	2019	2018	2019	2018
Biological assets	0	0	3 906	4 509
Other non-current assets	23 622	23 617	7 763	7 264
Current assets	13 152	10 676	580	716
Cash and cash equivalents	100	141	133	209
Total assets	**36 874**	**34 434**	**12 382**	**12 698**
Non-current liabilities	0	0	1 240	1 066
Long term financial debts	0	0	0	0
Current liabilities	15 632	12 058	13 415	10 978
Short term financial debts	0	0	0	0
Equity	21 242	22 376	-2 273	654
Total equity and liabilities	**36 874**	**34 434**	**12 382**	**12 698**

Below we present the condensed income statements of the associated companies and joint ventures. These are prepared in accordance with IFRS and are before intercompany eliminations and excluding goodwill.

	Verdant Bioscience Pte Ltd		PT Timbang Deli	
In KUSD	2019	2018	2019	2018
Inclusion in the consolidation:	38.00%	38.00%	36.10%	36.10%
Revenue	0	0	1 122	1 654
Depreciation	9	9	1 476	604
Interest income	207	54	2	1
Interest charges	0	0	- 227	55
Net result	-1 134	-1 048	-2 919	-1 261
Share in the consolidation	**- 431**	**- 398**	**-1 054**	**- 456**
Total share of the group	- 431	- 398	-1 054	- 456
Total share minorities	0	0	0	0
Total	**- 431**	**- 398**	**-1 054**	**- 456**

Reconciliation of the associated companies and joint ventures

The below tables are prepared in accordance based on the IFRS financial statements as included in the consolidation, in accordance with the accounting policies of the SIPEF group, before goodwill allocation.

	Verdant Bioscience Pte Ltd		PT Timbang Deli	
In KUSD	2019	2018	2019	2018
Equity without goodwill	21 242	22 376	-2 273	654
Share of the group	8 073	8 503	- 819	236
Goodwill	0	0	807	807
Equity elimination PT Timbang Deli	-2 307	-2 307	0	0
Total	**5 766**	**6 196**	**- 12**	**1 043**

Dividends received from associated companies and joint ventures

During the year no dividends were received from associated companies and joint ventures.

There are no restrictions on the transfers of funds to the Group.

25. CHANGE IN NET WORKING CAPITAL

The cash flow from operating activities fell by KUSD 33 672, which is in line with the lower operating result. The increased use of working capital (KUSD -1 647) was primarily due to the additional advances of approximately USD -3.5 million that were granted to smallholders in the Musi Rawas region for the development of their land within the framework of the plasma law.

In Indonesia and Papua New Guinea, in 2019 the Group made advance tax payments based on the previous year's results (2018), in accordance with local laws. Therefore, a relatively large amount of tax was paid in 2019 (KUSD 14 693) compared with the actual tax expense of KUSD 6 772. At the end of 2019, the Group has outstanding tax receivables of USD 14 787, which will be recovered over the next two years.

26. FINANCIAL INSTRUMENTS

Exposure to fluctuations in the market price of core products, currencies, interest rates and credit risk arises in the normal course of the Group's business. Financial derivative instruments are used to a limited extend to reduce the exposure to fluctuations in foreign exchange rates and interest rates.

Fluctuations in the market price of core products

Structural risk

SIPEF group is exposed to structural price risks of their core products. The risk is primarily related to palm oil and palm kernel oil and to a lesser extent to rubber. A change of the palm oil price of USD 10 CIF per ton has an impact of about KUSD 2 600 (without considering the impact of the current export tax in Indonesia) on result after tax. This risk is assumed to be a business risk.

Transactional risk

The Group faces transactional price risks on products sold. The transactional risk is the risk that the price of products purchased from third parties fluctuates between the time the price is fixed with a customer and the time the transaction is settled. This risk is assumed to be a business risk.

Currency risk

Most of the subsidiaries are using the US dollar as functional currency. The Group's currency risk can be split into three distinct categories: structural, transactional and translational:

Structural risk

Most of the Group's revenues are denominated in USD, while all the operations are located outside the USD zone (particularly in Indonesia, Papua New Guinea, Ivory Coast and Europe). Any change in the USD against the local currency will therefore have a considerable impact on the operating result of the company. Most of these risks are considered to be a business risk.

Transactional risk

The Group is also subject to transactional risks in respect of currencies, i.e. the risk of currency exchange rates fluctuating between the time the price is fixed with a customer, supplier or financial institution and the time the transaction is settled. This risk, with the exception of naturally covered positions, is not covered since most receivables and payables have a short settlement term.

The pension liabilities in Indonesia are important long-term liabilities that are fully payable in IDR. A devaluation or revaluation of 10% of the IDR versus the USD has the following effect on the income statement:

In KUSD	IDR Dev 10%	Book value	IDR Rev 10%
Pension liabilities in Indonesia	20 554	22 610	25 121
Gross impact income statement	2 056		-2 511

The pension liability in Indonesia consists of KUSD 22 408 from fully consolidated subsidiaries and of KUSD 202 from equity consolidated companies (PT Timbang Deli).

On February 11, 2020 the proposal was made not to declare a dividend for the financial year 2019, in line with the applied dividend policy. Even so, during the start of 2019 the Group has already entered into an exchange contract to cover a possible dividend based on the result of the first quarter of the year, in line with the liquidity and currency policy to cover the exchange risk on a possible payment of dividend.

This was covered in one forward exchange contract for the sale of KUSD 1 342 for KEUR 1 150 (average exchange rate of 1.1680):

- KUSD 1 342 (KEUR 1 150) before year end.

Sensitivity analysis
With regard to the cover of the dividend for the end of the year a devaluation or revaluation of 10% of the EUR versus the USD has the following effect on the profit and loss account:

In KUSD	EUR Dev 10%	Closing rate	EUR Rev 10%
Dividend	1 173	1 290	1 433
Gross Impact income statement	- 117		143

Translational risk
The SIPEF group is an international company and has operations which do not use the USD as their reporting currency. When such results are consolidated into the Group's accounts the translated amount is exposed to variations in the value of such local results are consolidated into the Group's accounts the translated amount is exposed to variations in the value of such local currencies against the USD. SIPEF group does not hedge against such risk (see accounting policies).

As from 1st of January 2007 onwards the functional currency of most of our activities is the same as the presentation currency, this risk has been largely restricted.

Interest rate risk
The Group's exposure to changes in interest rates relates to the Group's financial debt obligations. At the end of December 2019, the Group's net financial assets/(liabilities) amounted to KUSD -164 623 (2018: KUSD -121 443), of which KUSD 109 763 short term financial liabilities (2018: KUSD 121 038) and KUSD 10 653 net short-term cash and cash equivalents (2018: KUSD 29 595).

The financial liabilities > 1 year (incl. derivatives) amount to KUSD 63 000 (2018: KUSD 30 000).

Considering that all short-term debts are of a current nature with variable interest rates, we believe a 0.5% change in interest rate will not have a material impact.

Considering that the long-term financial debt is primarily based on a variable interest rate, the risk exists that with an increase of the interest rate, the financing cost will increase. This interest risk is hedged by the use of an interest rate swap (IRS). The goal of this interest rate swap is to decrease the volatility (and with it the interest rate risk) as much as possible

Available funds are invested in short term deposits.

Credit risk
Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a loss. This credit risk can be split into a commercial and a financial credit risk. With regard to the commercial credit risk management has established a credit policy and the exposure to this credit risk is monitored on a continuous basis.

In practice a difference is made between:

In KUSD	2019	2018
Receivables from the sale of palm oil/rubber/tea	31 807	34 139
Receivables from the sale of bananas and plants	1 477	862
Total	**33 284**	**35 001**

The credit risk for the first category is rather limited as these sales are for the most part immediately paid against presentation of documents. Moreover, it concerns a relatively small number of first-class buyers: per product about 90% of the turnover is realized with a maximum of 10 clients. For palm oil there are 2 clients who each represent over 30% of the total sales. For tea there is one client which represents over 45% of total sales and two other clients who combined represent over 45% of total revenues. For rubber there is one client which represent over 50% of total revenues and one client which represents over 30% of total revenues. Contrary to the first category the credit risk for the receivables from the sales of bananas and plants is higher.

For both categories there is a weekly monitoring of the open balances due and a proactive system of reminders. Impairments are applied as soon as total or partial payments are seen as unlikely. The elements that are taken into account for these appraisals are the lengths of the delay in payment and the creditworthiness of the client.

The receivables from the sales of bananas and plants have the following due date schedule:

In KUSD	2019	2018
Not yet due	669	619
Due < 30 days	676	101
Due between 30 and 60 days	132	142
Due between 60 and 90 days	0	- 17
Due > 90 days	0	17
Total	**1 477**	**862**

During 2019, no impairment on receivables was recorded in the income statement

During 2018, one receivable was recorded as doubtful for which a total amount of KUSD 80 was provisioned. It concerns a receivable from the sales of bananas and plants. However, looking at the history of defaults within the SIPEF group, defaults are highly exceptional.

The Group applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables based on historical losses. The Group analysed the impact of IFRS 9 and concluded there is no material impact on the bad debt reserve booked. The Group also assessed whether the historic pattern would change materially in the future and expects no significant impact.

Liquidity risk

A material and structural shortage in our cash flow would damage both our creditworthiness as well as the trust of investors and would restrict the capacity of the Group to attract fresh capital. The operational cash flow provides the means to finance the financial obligations and to increase shareholder value. The Group manages the liquidity risk by evaluating the short term and long-term cash flows. The SIPEF group maintains an access to the capital market through short- and long-term debt programs.

The following table gives the contractually determined (not-discounted) cash flows resulting from liabilities at balance sheet date:

2019 - In KUSD	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	More than 5 years
Financial obligations > 1 year (incl. derivatives)	63 000	-70 186	-2 332	-20 313	-19 572	-27 970	0
Trade & other liabilities < 1 year							
Trade payables	17 292	-17 292	-17 292	0	0	0	0
Advances received	2 377	-2 377	-2 377	0	0	0	0
Financial liabilities < 1 year							
Current portion of amounts payable after one year	18 000	-18 730	-18 730	0	0	0	0
Financial liabilities	91 239	-91 291	-91 291	0	0	0	0
Derivatives	42	- 42	- 42	0	0	0	0
Other current liabilities	0	0	0	0	0	0	0
Current liabilities	**191 949**	**-199 918**	**-132 064**	**-20 312**	**-19 572**	**-27 970**	**0**

2018 - In KUSD	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	More than 5 years
Financial obligations > 1 year (incl. derivatives)	30 000	-31 454	- 559	-10 498	-10 298	-10 099	0
Trade & other liabilities < 1 year							
Trade payables	19 647	-19 647	-19 647	0	0	0	0
Advances received	450	- 450	- 450	0	0	0	0
Financial liabilities < 1 year							
Current portion of amounts payable after one year	10 000	-10 331	-10 331	0	0	0	0
Financial liabilities	111 038	-111 161	-111 161	0	0	0	0
Derivatives	771	- 771	- 771	0	0	0	0
Other current liabilities	0	0	0	0	0	0	0
Current liabilities	**171 906**	**-173 814**	**-142 919**	**-10 498**	**-10 298**	**-10 099**	**0**

In order to limit the financial credit risk SIPEF has spread its more important activities over a small number of banking groups with a first-class rating for creditworthiness. The current maximum credit lines available amount to KUSD 205 432 (2018: KUSD 178 889). In 2019, same as in previous years, there were no infringements on the conditions stated in the credit agreements nor were there any shortcomings in repayments.

Financial instruments measured at fair value in the statement of financial position

Companies within the Group may use financial instruments for risk management purposes. Specifically, these are instruments principally intended to manage the risks associated with fluctuating interest and exchange rates. The counterparties in the related transactions are exclusively first-ranked banks.

Derivative instruments are measured at fair value at initial recognition. The changes in fair value are reported in the income statement unless these instruments are part of hedging transactions.

Fair values of derivatives are:

In KUSD	2019	2018
Forward exchange transactions	- 262	-1 382
Interest rate swaps	220	611
Fair value (+ = asset; - = liability)	**- 42**	**- 771**

In accordance with IFRS 13 financial instruments are grouped into 3 levels based on the degree to which the fair value is observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of the forward exchange contracts and interest rate swap calculated at the closing value on the 31st of December 2019 were also incorporated in level 2. The notional amount from the forward exchange contracts amounts to KUSD 23 526.

The forward exchange contracts are not documented in a hedging relationship and accordingly, all changes in fair value are recorded in the financial result. The Group has documented the interest rate swaps (IRS) in a hedging relationship. The terms of the IRS and the hedged debt match 100%. Therefore, no effectiveness test based on a ratio of changes in fair value of the hedging instrument against that of the hedged debt is required. An IRS with matching contractual terms would have limited inefficiency.

The IRS has a notional amount of KUSD 81 000. The carrying amount is recorded on the derivatives (liabilities) for an amount of KUSD 220, the deferred tax assets for an amount of KUSD 64 and the other comprehensive income in the equity for an amount of KUSD 156.

Financial instruments per category

The following table presents the financial instruments per category as per end 2019 and end 2018:

2019 - In KUSD	Carrying amount	IFRS 9 category	Fair value	Fair value hierarchy
Financial assets				
Other investments	73	AC	73	Level 2
Receivables > 1 year				
Other receivables	13 442	AC	13 442	Level 2
Total non-current financial assets	**13 515**		**13 515**	
Trade and other receivables				
Trade receivables	33 284	AC	33 284	Level 2
Investments				
Other investments and deposits	0	AC	0	Level 2
Cash and cash equivalents	10 653	AC	10 653	Level 2
Derivatives	0	FVTPL	0	Level 2
Derivatives	0	Hedging	0	Level 2
Total current financial assets	**43 937**		**43 937**	
Trade and other obligations > 1 year	0	AC	0	Level 2
Financial obligations > 1 year	63 000	AC	63 000	Level 2
Total non-current financial liabilities	**63 000**		**63 000**	

Trade & other obligations < 1 year				
Trade payables	17 292	AC	17 292	Level 2
Advances received	2 377	AC	2 377	Level 2
Financial obligations < 1 year				
Current portion of amounts payable after one year	18 000	AC	18 000	Level 2
Financial obligations	91 239	AC	91 239	Level 2
Derivatives	262	FVTPL	262	Level 2
Derivatives	- 220	Hedging	- 220	Level 2
Total current financial liabilities	**128 949**		**128 949**	

2018 - In KUSD	Carrying amount	IFRS 9 category	Fair value	Fair value hierarchy
Financial assets				
Other investments	77	AC	77	Level 2
Receivables > 1 year				
Other receivables	11 112	AC	11 112	Level 2
Total non-current financial assets	**11 189**		**11 189**	
Trade and other receivables				
Trade receivables	35 001	AC	35 001	Level 2
Investments				
Other investments and deposits	0	AC	0	Level 2
Cash and cash equivalents	29 595	AC	29 595	Level 2
Derivatives	0	FVTPL	0	Level 2
Derivatives	0	Hedging	0	Level 2
Total current financial assets	**64 596**		**64 596**	
Trade and other obligations > 1 year		AC		Level 2
Financial obligations > 1 year	30 000	AC	30 000	Level 2
Total non-current financial liabilities	**30 000**		**30 000**	
Trade & other obligations < 1 year				
Trade payables	19 647	AC	19 647	Level 2
Advances received	450	AC	450	Level 2
Financial obligations < 1 year				
Current portion of amounts payable after one year	10 000	AC	10 000	Level 2
Financial obligations	111 038	AC	111 038	Level 2
Derivatives	1 382	FVTPL	1 382	Level 2
Derivatives	- 611	Hedging	- 611	Level 2
Total current financial liabilities	**141 906**		**141 906**	

27. Leasing

The Group has adopted IFRS 16 from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

The lease payments are discounted using the weighted average cost of capital (WACC) implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Group leases office space, land rights and vehicles under a number of operating lease agreements with a lease term of one year or more. The rent of the office buildings concerns the monthly rental payments for the offices in Indonesia. The rent of the offices and ancillary parking space in Belgium has not been included in the leases due to the short-term exemption. For the land rights the subject of the lease concerns the usufruct of certain land wherefore a fixed annual rental amount is paid. The remaining land rights in PNG have a duration of 99 years for which no rental amount is paid. These assets will be depreciated over a period of 25 years in line with the lifespan of an oil palm. The vehicles concern the limited number of car leases within the Group.

The future operating lease commitments under these non-cancellable operating leases are due as follows:

	In KUSD
Operating lease commitments disclosed as at 31 December 2018	**5 220**
(-) Discounted using the lessee's incremental borrowing rate of at the date of initial application	-2 200
Lease liability recognised as at 1 January 2019	**3 020**
Of which are:	
Current lease liabilities	496
Non-current lease liabilities	2 524
Total lease liability as at 1 January 2019	**3 020**

The movement during the year of the lease liability can be summarised as follows:

	In KUSD
Operating lease commitments disclosed as at 1 January 2019	**3 020**
Acquisitions	233
Financial costs/(income)	251
Lease repayments	- 524
Exchange result	57
Lease liability recognised as at 31 December 2019	**3 037**
Of which are:	
Current lease liabilities	524
Non-current lease liabilities	2 513
Total lease liability as at 31 December 2019	**3 037**

As the Group has opted to apply option 2B: Cumulative catch-up, the right-of-use asset equals the lease liability as at 1 January 2019. Therefore, there is no impact on the retained earnings. The right-of-use assets can be classified as follows:

Movement	In KUSD
Total right-of-use assets as at 1 January 2019	3 020
Acquisition	233
Depreciation	- 358
Total	**2 895**

	Land rights*	Office rent	Car rent	Total
Total right-of-use assets as at 1 January 2019	818	1 778	424	**3 020**
Total right-of-use assets as at 31 December 2019	1 003	1 580	312	**2 895**

** increase in land rights subject to lease in PNG in 2019*

The total depreciation of the right-of-use assets until 31 December 2019 amounts to 358 KUSD and the financial charges to 251 KUSD. Of the depreciation, 47 KUSD was recorded in the Cost of sales of the palm segment of Papua New Guinea and 310 KUSD in the "General and administrative expenses".

28. RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

Guarantees

No guarantees have been issued by third parties as security for the company's account and for the account of subsidiaries during 2019.

Significant litigation

Nihil

Forward sales

The commitments for the delivery of goods (palm products, rubber, tea and bananas and plants) after the year end fall within the normal delivery period of about 3 months from date of sale. Those sales are not considered as forward sales.

29. RELATED PARTY TRANSACTIONS

Transactions with directors and members of the executive committee

Key management personnel are defined as the directors and the Group's management committee. The table below shows an overview of total remuneration received:

In KUSD	2019	2018
Directors' fees		
Fixed fees	401	406
Short-term employee benefits	2 043	2 995
Share based payments	93	119
Post-employment benefits	522	547
Benefits in kind (company car + cell phone)	40	38
Total	**3 100**	**4 105**

The amounts are paid in EUR. The amount paid in 2019 amounts to KEUR 2 772 (2018: KEUR 3 484). The decrease of KEUR 712 is a consequence of a lower variable fee paid in 2019 compared to 2018.

Starting from the financial year 2007 fixed fees shall be paid to the members of the board of directors, the audit committee and the remuneration committee.

Related party transactions are considered immaterial, except for the rental agreement since 1985 between Cabra NV and SIPEF covering the offices and ancillary parking space at Castle Calesberg in Schoten. The annual rent, adjusted for inflation, amounts to KUSD 193 (2018 KUSD 201) and KUSD 78 (2018 KUSD 81) is invoiced for SIPEF's share of maintenance of the buildings, parking space and park area.

SIPEF's relations with board members and management committee members are covered in detail in the "Corporate Governance statement" section.

Other related party transactions

Transactions with related companies are mainly trade transactions and are priced at arms' length. The revenue and expenses related to these transactions are immaterial to the consolidated financial statements as a whole.

Transactions with group companies

Balances and transactions between the Group and its subsidiaries which are related parties of the Group have been eliminated in the consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The following table represents the total of the transactions that have occurred during the financial year between the Group and the joint venture PT Timbang Deli and Verdant Bioscience Pte Ltd at 100%:

	Verdant Bioscience Pte Ltd		PT Timbang Deli	
	2019	2018	2019	2018
Total sales during the financial year	0	0	0	0
Total purchases during the financial year	0	0	1 088	1 261
Total receivables as per 31 December 2019	6 781	5 096	17	38
Total payables as per 31 December 2019	300	700	195	189

30. EARNINGS PER SHARE (BASIC AND DILUTED)

From continuing and discontinued operations	2019	2018
Basic earnings per share		
Basic earnings per share - calculation (USD)	-0.77	2.88
Basic earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	- 8 004	30 089
Denominator: the weighted average number of ordinary shares outstanding	10 434 244	10 454 309
The weighted average number of ordinary shares outstanding is calculated as follows:		
Number of ordinary shares outstanding at January 1	10 436 028	10 455 328
Effect of shares issued / share buyback programs	- 1 784	- 1 019
Effect of the capital increase	0	0
The weighted average number of ordinary shares outstanding at December 31	10 434 244	10 454 309
Diluted earnings per share		
Diluted earnings per share - calculation (USD)	-0.77	2.88
The diluted earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	- 8 004	30 089
Denominator: the weighted average number of dilutive ordinary shares outstanding	10 434 542	10 462 071
The weighted average number of dilutive ordinary shares outstanding is calculated as follows:		
The weighted average number of ordinary shares outstanding at December 31	10 434 244	10 454 309
Effect of stock options on issue	298	7 762
The weighted average number of dilutive ordinary shares outstanding at December 31	10 434 542	10 462 071

From continuing operations	2019	2018
Basic earnings per share		
Basic earnings per share - calculation (USD)	-0.77	2.88
Basic earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	- 8 004	30 089
Denominator: the weighted average number of ordinary shares outstanding	10 434 244	10 462 071
The weighted average number of ordinary shares outstanding is calculated as follows:		
Number of ordinary shares outstanding at January 1	10 436 028	10 455 328
Effect of shares issued / share buyback programs	- 1 784	- 1 019
Effect of the capital increase	0	0
The weighted average number of ordinary shares outstanding at December 31	10 434 244	10 454 309
Diluted earnings per share		
Diluted earnings per share - calculation (USD)	-0.77	2.88
The diluted earnings per share is calculated as follows:		
Numerator: net result for the period attributable to ordinary shareholders (KUSD)	- 8 004	30 089
Denominator: the weighted average number of dilutive ordinary shares outstanding	10 434 244	10 462 071
The weighted average number of dilutive ordinary shares outstanding is calculated as follows:		
The weighted average number of ordinary shares outstanding at December 31	10 434 244	10 454 309
Effect of stock options on issue	298	7 762
The weighted average number of dilutive ordinary shares outstanding at December 31	10 434 542	10 462 071

31. EVENTS AFTER THE BALANCE SHEET DATE

Covid-19
The measures to contain the spread of the Covid-19 virus have an important impact on the global economy and consequently also on our company.

Until today the operating activities of Sipef have not been hampered by this global pandemic. Harvesting, processing and transport of the products continue unabated and as most of these products (oil palm, bananas and tea) are basic products in the food supply chain it is generally expected that this will not change in the foreseeable future.
It goes without saying that the necessary measures have been taken to ensure the health and safety of the employees and various stakeholders in different parts of the world.

Financially, the main impact is the sharp fall in the palm oil price since mid-February 2020, mainly due to a fall in demand for palm oil from the biodiesel sector.

However, the decline in profitability is fully in line with the known sensitivity of SIPEF's results to the evolution of the palm oil price, with an increase / decrease of KUSD 2,600 in the Group's result for every 10 USD / tonne increase / decrease in the palm oil price (excluding the impact of the export tax in Indonesia).The evolution of the palm oil price can be found on the Sipef website and it is regularly updated (https://www.sipef.com/hq/investors/daily-share-price-cpo-price/).

According to current forecasts, the Group has sufficient credit lines to bridge this difficult period and the respect of the existing bank covenants should not be compromised either.

Corporate tax in Indonesia
On March 31, 2020, the Indonesian government decided to reduce the corporate income tax from the current 25% to 22% in 2020/2021 and 20% from 2022. This adjustment will have a positive effect on the financial results and cash flow of the Group.

According to our current calculations, the impact on the deferred tax position is estimated as immaterial (less than USD 1.2 million).

32. SERVICES PROVIDED BY THE AUDITOR AND RELATED FEES

The statutory auditor of the SIPEF group is Deloitte Bedrijfsrevisoren CVBA represented by Kathleen de Brabander.
The fees for the annual report of SIPEF were approved by the general meeting after review and approval of the audit committee and by the board of directors. These fees correspond to an amount of KUSD 90 (against KUSD 93 last year). For the Group, Deloitte has provided services for KUSD 503 in 2019 (against KUSD 474 the year before), of which KUSD 108 (2018: KUSD 35) are for non-audit services.

Statutory auditor's report on the consolidated financial statements

Statutory auditor’s report to the shareholders’ meeting of Sipef NV for the year ended 31 December 2019 - Consolidated financial statements

In the context of the statutory audit of the consolidated financial statements of Sipef NV (“the company”) and its subsidiaries (jointly “the group”), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders’ meeting of 14 June 2017, in accordance with the proposal of the board of directors (“bestuursorgaan” / “organe d’administration”) issued upon recommendation of the audit committee. Our mandate will expire on the date of the shareholders’ meeting deliberating on the financial statements for the year ending 31 December 2019. We have performed the statutory audit of the consolidated financial statements of Sipef NV for at least 30 consecutive periods.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 943 125 (000) USD and the consolidated statement of comprehensive income shows a loss for the year then ended of 7 404 (000) USD.

In our opinion, the consolidated financial statements give a true and fair view of the group’s net equity and financial position as of 31 December 2019 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the “Responsibilities of the statutory auditor for the audit of the consolidated financial statements” section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company’s officials the explanations and information necessary for performing our audit.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of goodwill As at 31 December 2019, the carrying amount of goodwill amounted to USD 104 782 (000). The annual goodwill impairment test is significant to our audit because the recoverable value is determined by a value-in-use calculation prepared by management using a discounted cash flow model, which is complex, highly judgmental and subjective. The palm oil segment is identified as a single cash generating unit (CGU) for impairment testing. The recoverable value of the CGU to which the goodwill is attributed, was determined by using the discounted cash flow model. The cash flow model estimates the relevant cash flows, which are expected to be generated in the future, and are discounted to the present value by using a discount rate approximating the weighted average cost of capital. The estimation of future cash flows requires the use of a number of operational and predictive assumptions. Key assumptions in determining the value-in-use estimate are the projected crude palm oil price and the weighted average cost of capital. We refer to the financial statements, including notes to the financial Statements: Goodwill and other intangible assets (note 8).	• We obtained an understanding of the internal control processes around the goodwill impairment exercise, more specifically management's review process of the discounted cash flow model, and the approval of the board of directors of the underlying business plan; • We reviewed the discounted cash flow model to assess the appropriateness of the methodology employed by management and critically evaluated management's assumptions; • We engaged the assistance of our internal valuation expert to assess the reasonableness of the key predictive assumptions such as the projected crude palm oil price and the weighted average cost of capital as discount rate; • We considered the robustness of management's budgeting process by comparing the actual results versus previously forecasted figures; • We also assessed whether the future cash flows were based on the business plan approved by the board of directors; • We reviewed management's analysis of the sensitivity of the value in use amounts to changes in the respective assumptions; • We reviewed the adequacy of the note disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The group's disclosures about goodwill are in Note 8 to the financial statements, which explains that changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future.

Recoverability of deferred tax assets	
The group recognized deferred tax assets amounting to USD 11 032 (000) on unutilized tax losses. The group exercised its judgement to determine the amount of deferred tax assets that can be recognized, to the extent it is probable that future taxable profit will be available. We refer to the financial statements, including notes to the financial statements: Income taxes (note 23).	• We considered the internal controls implemented by management and we carried out testing relating to the design and implementation of controls over the recoverability of deferred tax assets; • We challenged group and local management in respect of the recognition of deferred tax assets and tax provisions by utilizing both internal as well as external tax experts in Indonesia and Papua New Guinee in order to help understand the potential impacts of local tax regulations on the group's operations; • We assessed, tested and challenged management's assumptions to determine the probability that deferred tax assets will be recovered through taxable income in future years, including comparing the consistency of management's forecasts of taxable income as used in the deferred tax analysis, with those included in the financial budgets as approved by the board of directors; • We assessed the historical accuracy of management's assumptions and estimation process by comparing the forecasted results against actual results of operations to determine the probability that deferred tax assets will be recovered through taxable income in future years; • We assessed the adequacy of the disclosure Note 23 in the financial statements.

Responsibilities of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium. The scope of the audit does not comprise any assurance regarding the future viability of the company nor regarding the efficiency or effectiveness demonstrated by the board of directors in the way that the company's business has been conducted or will be conducted.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, including the statement of non-financial information and other matters disclosed in the annual report on the consolidated financial statements.

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, including the statement of non-financial information and other matters disclosed in the annual report on the consolidated financial statements, as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 3:32 of the Code of companies and associations.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements, i.e.:

- Annual report 2019 – part 1 - corporate governance report;
- Annual report 2019 – part 1 - other company information;
- Annual report 2019 – part 2 – comments on the consolidated financial statements

are free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement.

The non-financial information as required by article 3:32, § 2 of the Code of companies and associations, has been disclosed in the the directors' report on the consolidated financial statements (part 3 – sustainability report). This non-financial information has been established by the company in accordance with international reporting frameworks (RSPO and SDG). In accordance with article 3:80 § 1, 5° of the Code of companies and associations we do not express any opinion on the question whether this non-financial information has been established in accordance with these frameworks.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the group during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit, as defined in article 3:65 of the Code of companies and associations, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Antwerp, 16 April 2020

The statutory auditor

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL
Represented by Kathleen De Brabander

Parent company summarised statutory accounts

The annual accounts of SIPEF are given below in summarized form. In accordance with the Belgian Code on Companies, the annual accounts of SIPEF, together with the management report and the auditor's report will be deposited with the National Bank of Belgium.

These documents may also be obtained on request from:

SIPEF, Calesbergdreef 5, B-2900 Schoten

Only the consolidated annual financial statements as set forth in the preceding pages present a true and fair view of the financial position and performance of the SIPEF-group.

The statutory auditor's report is unqualified and certifies that the annual accounts of SIPEF NV give a true and fair view of the company's net equity and financial position as of 31 December 2019 and of its results for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

The balance sheet total of the company as per 31 December 2019 amounts to KUSD 473 371 compared to KUSD 439 739 in previous year.

The 'financial assets – receivables from affiliated companies' increased with KUSD 30 087, mainly due to the financing of the further expansion in Indonesia.

The equity of SIPEF before profit appropriation amounts to KUSD 262 720, which corresponds to 24.83 USD per share.

The individual result of SIPEF are large determined by dividends and capital gains/losses. As SIPEF does not directly hold all of the Group's participating interest, the consolidated result of the Group is a more accurate reflection of the underlying economic development.

The financial income (KUSD 35 266) for the financial year 2019 was strongly influenced by the share buyback of Hargy Palm Oils Ltd shares. A capital gain of KUSD 28 448 was realized on this share buyback.

The statutory profit for the year 2019 amounts to KUSD 30 827 compared to a profit of KUSD 19 291 in the previous year.

The Board of Directors proposes to allocate the result (in KUSD) as follows:

- Profit carried forward from previous year: KUSD 65 443
- Profit of the year: KUSD 30 827
- Total available for appropriation: KUSD 96 270
- Addition to the legal reserve: KUSD 0
- Additional to the other reserves: KUSD - 695
- Compensation of the capital: KUSD 0
- Result to be carried forward: KUSD 95 575

The board of directors proposes not to pay out a dividend for the financial year 2019.

Condensed balance sheet

(after appropriation)

In KUSD	2019	2018
Assets		
Fixed assets	**357 140**	**333 609**
Formation expenses	0	0
Intangible assets	517	441
Tangible assets	450	530
Financial assets	356 173	332 638
Current assets	**116 231**	**106 130**
Amounts receivable after more than one year	1 829	3 900
Stocks and contracts in progress	508	1 104
Amounts receivable within one year	102 244	91 260
Investments	9 409	8 003
Cash at bank and in hand	2 183	1 792
Other current assets	58	71
Total assets	**473 371**	**439 739**
Liabilities		
Equity	**262 720**	**231 892**
Capital	44 734	44 734
Share premium account	107 970	107 970
Reserves	14 441	13 745
Profit/ (loss) carried forward	95 575	65 443
Provisions and deferred taxation	**0**	**26**
Provisions for liabilities and charges	0	26
Creditors	**210 651**	**207 821**
Amounts payable after more than one year	63 000	30 000
Amounts payable within one year	147 185	176 582
Accrued charges and deferred income	466	1 239
Total liabilities	**473 371**	**439 739**

Condensed income statement

In KUSD	2019	2018
Operating income	160 695	267 563
Operating charges	- 159 791	- 264 979
Operating result	**904**	**2 584**
Financial income	35 266	20 512
Financial charges	- 5 321	- 2 748
Financial result	**29 945**	**17 764**
Result for the period before taxes	**30 849**	**20 348**
Income taxes	- 22	- 1 057
Result for the period	**30 827**	**19 291**

Appropriation account

In KUSD	2019	2018
Profit/ (loss) to be appropriated	96 270	73 460
Profit / (loss) for the period available for appropriation	30 827	19 291
Profit / (loss) brought forward	65 443	54 169
Appropriation account	**96 270**	**73 460**
Transfers to legal reserve	0	584
Transfers to other reserves	695	774
Result to be carried forward	95 575	65 443
Dividends	0	6 659
Remuneration to directors	0	0

For further information

SIPEF

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Dit jaarverslag is ook verkrijgbaar in het Nederlands.

Translation: this annual report is available in Dutch and English. The Dutch version is the original; the other language version is a free translation. We have made every reasonable effort to avoid any discrepancies between the different language versions. However, should such discrepancies exist, the Dutch version will take precedence.

Concept and realisation: Focus advertising

Photography:
Portraits of the chairman, the members of the board of directors and the members of the executive committee © Wim Kempenaers
Some images of estates and products © Jez O'Hare Photography, © Adrian Tan Photography and © Hien Bamouroukoun

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Responsible persons

RESPONSIBILITY FOR THE FINANCIAL INFORMATION

François Van Hoydonck
managing director

Johan Nelis
chief financial officer

DECLARATION OF THE PERSONS RESPONSIBLE FOR THE FINANCIAL STATEMENTS AND FOR THE MANAGEMENT REPORT

Baron Luc Bertrand, chairman and François Van Hoydonck, managing director declare that, to their knowledge:

- the consolidated financial statements for the financial year ended on 31 December 2019 were drawn up in accordance with the 'International Financial Reporting Standards' (IFRS) and provide an accurate picture of the consolidated financial position and the consolidated results of the SIPEF group and its subsidiary companies that are included in the consolidation;
- the financial report provides an accurate overview of the main events and transactions with affiliated parties, which occurred during the financial year 2019 and their effects on the financial position, as well as a description of the main risks and uncertainties for the SIPEF group.

STATUTORY AUDITOR

Deloitte Bedrijfsrevisoren CVBA/
Réviseurs d'Entreprises SCRL

Represented by
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Notes

www.sipef.com

SIPEF