



**N.V. VSH FOODS**

## **First Half Year Report 2015**

# Mission Statement & Core Values

## Mission Statement

We commit ourselves:

To produce, market and distribute top quality margarine, butter and other foodstuff in a safe and hygienic manner at competitive prices.

To ensure growth, profitability and continuity of the Company for the benefit of our customers, shareholders, employees and the community:

By producing these in an efficient manner from high quality raw materials with motivated and skilled employees and by guaranteeing supply to the market through aggressive marketing and sales channels. By continuously monitoring and improving, where possible, the production process with the help of our quality system and thereby guaranteeing the market hygienic and safe products that comply with applicable legislation and the demands of our customers.

## Core Values

To be a Champion for our Customers, Partners, Shareholders and in the Community we hold fast to these values:

- Your success is our desire
- Trust in our relationships and personally responsible for all our actions
- Creating a better company for a better world

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# Managing Director's Report First Half Year 2015

## COMPANY PROFILE

N.V. VSH FOODS was founded in 1960 in Suriname, South America and produces margarine, butter and shortening. In 1963, the Company started with the production of Gelebek (Yellowbird) margarine and today, Yellowbird, Golden Brand, Marigold, Golden Brand Slim, Baker's Choice and Bake 'n Fry are established brands in Suriname and in the Caribbean. The Company is a member of N.V. Verenigde Surinaamse Holdingmij./United Suriname Holding Company (VSH United). VSH United holds 56.01% of the shares of N.V. VSH FOODS.

## THE COMPANY

On 13 March 2015 the Annual General Meeting of Shareholders approved the financial statements 2014 and proposed dividend 2014 of SRD 0.70 per share. The members of the Supervisory Board James Healy Jr., Stephen Smit, Antoine Brahim, Arthur Tjin a Tsoi and Patrick Healy were re-elected. On 20 March 2015 the final dividend 2014 of SRD 0.46 per share was paid. On 15 May 2015 the Supervisory Board of Directors has approved the payment of interim dividend for the year 2015 at SRD 0.10 per share.

## THE HIGHLIGHTS

- Overall volume down 1.8%
- Revenue up 10.6%
- Domestic gross margin up 6.4%
- Profit before tax up 14.0%

### Overall

The first half year was tough but we managed to deliver a relative strong performance. Our cost reduction program again supported revenue growth.

### Domestic

Our domestic volume is down with 4.1% as a result of weak demand in both the food service category and retail in the domestic market. We adjusted our prices with 1.5%. Our marketing investments increased loyalty for our brands as well as increased attention for the category.

### Export

Overall volumes in our export markets increased with 37.0%. Margarine remains our leading export product and contributes to 98% of our portfolio.

"We will continue our effective marketing initiatives to maintain growth in existing export markets."

### Production

During the past six months we have made major progress in the execution of our planned maintenance program. As a consequence our productivity increased with 15.8%. Our yield is up 0.6%.

## THE OUTLOOK

On May 25<sup>th</sup>2015 the government elections were held. As with every election year in Suriname there was high pressure on the availability of foreign currency. From January to July the exchange rate fluctuated between SRD 3.35 to SRD 3.88 for 1 US Dollar. Government revenues have now reached an absolute minimum as a result of low international prices for commodities. It is expected that the government will take in popular measures to balance their budget. These measures will have an impact on our business and will include a price increase for fuel, electricity and water. It is also expected that interest rates will be increased by the local banks.

It is announced that the Bouterse II government (2015 – 2020) will maintain its social agenda. Business representatives, labor unions and social groups are closely monitoring the initiatives as they are being unveiled.

For the remainder of the year we will continue to invest in our brands. In the fourth quarter of 2015 new pack types will be introduced supported by a national consumer campaign and are planned to improve our portfolio.

Net profit for the year 2015 is expected to be in line with our projections. In line with our approved dividend policy, second quarter interim dividend of SRD 0.10 per share will be payable on 17 August 2015.

Paramaribo, 14 August 2015

Managing Director

Marlon Telting

## Condensed statement of income

### For the six months ended 30 June 2015

In SRD	1 January – 30 June 2015	1 January – 30 June 2014
<b>Revenue</b>		
Sales	9,625,575	9,596,093
Cost of Sales	4,192,397	4,779,541
<b>Gross profit</b>	<b>5,433,178</b>	<b>4,816,552</b>
<b>Other income</b>		
Investment income	13,053	8,266
Real estate rental income	26,520	54,665
Other	41,100	108,159
	<b>5,513,851</b>	<b>4,987,642</b>
<b>Costs</b>		
Personnel expenses	1,360,892	1,389,176
Distribution costs	178,339	208,881
Administrative expenses	1,731,886	1,395,188
Finance expenses	3,919	9,138
Depreciation	324,018	296,688
	<b>3,599,054</b>	<b>3,308,071</b>
Profit before tax	1,914,797	1,679,571
Income tax	684,628	601,670
<b>Net profit for the period</b>	<b>1,230,169</b>	<b>1,077,901</b>
<b>Earnings per share</b>		
Number of shares outstanding	1,304,714	1,304,714
Earnings per share	0.93	0.83

*The accompanying notes on pages 9 to 12 are an integral part of these condensed interim financial statements.*

Paramaribo, 14 August 2015

#### Supervisory Board

J. Healy Jr., Chairman  
S. Smit, Vice Chairman  
A. Brahim  
A. Tjin A Tsoi  
P. Healy

#### Managing Director

M. Telting

Condensed balance sheet at 30 June 2015  
before appropriation of profit

In SRD	At 30 June 2015	At 31 December 2014
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5,887,574	5,224,269
Financial assets	569,040	600,880
	<u>6,456,614</u>	<u>5,825,149</u>
<b>Current assets</b>		
Inventories	4,523,342	4,666,225
Trade and other receivables	492,389	528,227
Cash and cash equivalents	5,142,640	4,676,320
	<u>10,158,371</u>	<u>9,870,772</u>
<b>Total assets</b>	<u><u>16,614,985</u></u>	<u><u>15,695,921</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	130,471	130,471
Capital in excess of par value	431,634	431,634
Revaluation reserve	1,779,981	1,833,938
Retained earnings	8,383,558	7,032,956
Result for the period	1,230,169	2,178,135
	<u>11,955,813</u>	<u>11,607,134</u>
<b>Liabilities</b>		
<i>Non current liabilities</i>		
Deferred taxes	1,691,665	1,707,536
<i>Current liabilities</i>		
Provisions	157,676	157,752
Borrowings	-	363,833
Income tax payable	517,138	565,508
Trade and other payables	2,292,693	1,294,158
	<u>2,967,507</u>	<u>2,381,251</u>
<b>Total equity and liabilities</b>	<u><u>16,614,985</u></u>	<u><u>15,695,921</u></u>

The accompanying notes on pages 9 to 12 are an integral part of these condensed interim financial statements.

Paramaribo, 14 August 2015

**Supervisory Board**

J. Healy Jr., Chairman  
S. Smit, Vice Chairman  
A. Brahim  
A. Tjin A Tsoi  
P. Healy

**Managing Director**

M. Telting

## Condensed statement of changes in equity For the six months ended 30 June 2015

In SRD	Share capital	Capital in excess of par value	Revaluation reserve	Retained earnings	Total
<b>Equity at 1 January 2014</b>					
<b>after appropriation of profit</b>	130,471	431,634	1,910,330	7,278,949	9,751,384
Net profit	-	-	-	1,077,502	1,077,502
Interim dividend	-	-	-	(130,471)	(130,471)
Revaluation	-	-	(20,682)	-	(20,682)
Realized revaluation PP&E	-	-	(33,829)	33,829	-
<b>Equity at 30 June 2014</b>					
<b>before appropriation of profit</b>	<b>130,471</b>	<b>431,634</b>	<b>1,855,819</b>	<b>8,259,809</b>	<b>10,677,733</b>
Net profit	-	-	-	1,100,633	1,100,633
Interim dividend	-	-	-	(182,660)	(182,660)
Revaluation	-	-	11,428	-	11,428
Realized revaluation of PP&E	-	-	(33,309)	33,309	-
<b>Equity at 31 December 2014</b>					
<b>before appropriation of profit</b>	<b>130,471</b>	<b>431,634</b>	<b>1,833,938</b>	<b>9,211,091</b>	<b>11,607,134</b>
Final dividend	-	-	-	(600,169)	(600,169)
<b>Equity at 31 December 2014</b>					
<b>after appropriation of profit</b>	<b>130,471</b>	<b>431,634</b>	<b>1,833,938</b>	<b>8,610,922</b>	<b>11,006,965</b>
Net Profit	-	-	-	1,230,169	1,230,169
Interim dividend	-	-	-	(260,943)	(260,943)
Revaluation	-	-	(20,378)	-	(20,378)
Realized revaluation of PP&E	-	-	(33,579)	33,579	-
<b>Equity at 30 June 2015</b>					
<b>before appropriation of profit</b>	<b>130,471</b>	<b>431,634</b>	<b>1,779,981</b>	<b>9,613,727</b>	<b>11,955,813</b>

The accompanying notes on pages 9 to 12 are an integral part of these condensed interim financial statements.

Paramaribo, 14 August 2015

### Supervisory Board

J. Healy Jr., Chairman  
S. Smit, Vice Chairman  
A. Brahim  
A. Tjin A Tsoi  
P. Healy

### Managing Director

M. Telting



## Condensed statement of cash flows

### For the six months ended 30 June 2015

<b>In SRD</b>	<b>1 January – 30 June 2015</b>	<b>1 January – 30 June 2014</b>
<b>Cash flows from operating activities:</b>		
Profit before tax	1,914,797	1,679,571
<i>Adjusted for:</i>		
- Depreciation	324,018	296,688
- Investment income	(13,053)	(8,266)
- Interest paid	3,919	9,138
<i>Changes in working capital</i>		
- Change in inventories	142,883	(690,764)
- Change in trade and other receivables	35,838	203,386
- Change in trade and other payables	998,535	541,694
<i>Cash generated from operations</i>	<u>3,406,937</u>	<u>2,031,447</u>
Claims paid	(75)	(497)
Paid interest	(3,919)	(9,138)
Paid income tax	(737,408)	(193,570)
<b>Net cash from operating activities</b>	<u>2,665,535</u>	<u>1,828,242</u>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant & equipment	(987,323)	(117,333)
Dividends received	13,053	8,266
<b>Net cash used in investing activities</b>	<u>(974,270)</u>	<u>(109,067)</u>
<b>Cash flows from financing activities:</b>		
Proceeds and repayments from loans	(363,833)	(50,540)
Dividend paid	(861,112)	(574,074)
<b>Net cash used in financing activities</b>	<u>(1,224,945)</u>	<u>(624,614)</u>
Net increase in cash during the period	466,320	1,094,561
Cash and cash equivalents at 1 January	4,676,320	3,153,123
<b>Cash and cash equivalents at 30 June</b>	<u><u>5,142,640</u></u>	<u><u>4,247,684</u></u>

The accompanying notes on pages 9 to 12 are an integral part of these condensed interim financial statements.

Paramaribo, 14 August 2015

#### Supervisory Board

J. Healy Jr., Chairman  
S. Smit, Vice Chairman  
A. Brahim  
A. Tjin A Tsoi  
P. Healy

#### Managing Director

M. Telting

# Notes to the condensed interim financial statements as at and for the six months ended 30 June 2015

## 1.) Information on the reporting entity

N.V. VSH FOODS is a company registered and domiciled in Suriname. The Company's registered office is at Indira Gandhiweg 157, Paramaribo City, Suriname. These condensed interim financial statements refer to the Company's condensed interim financial statements as at and for the six months ended 30 June 2015.

The Company is involved in the manufacturing of butter, margarine and shortening, and distribution of its products. The Company has a manufacturing plant at above mentioned address and sells in Suriname and the Caribbean.

The Company's parent, which is also its ultimate parent entity, is N.V. Verenigde Surinaamse Holdingmij-/United Suriname Holding Company (VSH United). VSH United holds a majority share of 56.01% in the Company.

These condensed interim financial statements have been prepared by the Management of the Company and were authorized for issue by the Supervisory Board on 14 August 2015.

These condensed interim financial statements have been reviewed, not audited.

## 2.) Basis of preparation

### 2.1) Statement of compliance

These condensed interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with generally accepted accounting principles for interim financial reporting.

These condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with generally accepted accounting principles.

### 2.2) Basis of Measurement

Specific basis of measurement are:

Property is valued at costs adjusted for hyperinflation less accumulated depreciation. Plant and equipment are valued at cost less accumulated depreciation. Financial assets are presented at fair value. Other assets and liabilities are stated at face value using the historical cost method. The methods used to measure fair value are discussed further in note 3.

### 2.3) Functional and presentation currency

These condensed interim financial statements are presented in Suriname Dollars (SRD), which is the Company's functional currency. All financial information presented in Suriname Dollars has been rounded to the nearest dollar.

### 2.4) Application of IFRS standards

Certain provisions from the following IFRS standards were applied to these condensed interim financial statements:

- IAS 7 : Statement of Cash Flows
- IAS 16 : Property, Plant and Equipment
- IAS 17 : Leases
- IAS 18 : Revenue
- IAS 19 : Employee Benefits
- IAS 24 : Related Party Disclosures
- IAS 29 : Reporting in Hyperinflationary Economies
- IAS 33 : Earnings per Share

### 3) Accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

#### Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the free market exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated to the functional currency at the exchange rate at that date. Exchange differences arising from the deviation from the official Central Bank of Suriname rate are charged or credited to the condensed statement of income.

The exchange rates used for the US Dollar (USD) and the EURO at balance sheet date are:

	30 June 2015	31 December 2014
	SRD	SRD
USD	3.35	3.35
EURO	3.75	4.07

#### Property, Plant and Equipment (PP&E)

Land is carried at cost adjusted for hyperinflation. Land improvements and buildings are carried at cost adjusted for hyperinflation less accumulated depreciation. All other PP&E is carried at cost less accumulated depreciation.

Depreciation is calculated using the straight-line method to write off the costs of individual assets to their residual values over their estimated useful lives as follows:

Buildings	20-40 years
Land improvements	5-10 years
Machinery and equipment	5-10 years
Other assets	3-5 years

When a major repair or maintenance is performed, its cost is recognized in the carrying amount of the PP&E as a replacement, if the recognition criteria are satisfied. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the condensed statement of income. There are no assets held under financial leases, and assets held under operating leases are not recognized in the Company's condensed balance sheet.

#### Non-current Financial Assets

Non-current financial assets consist of investments in shares of listed companies. The shares are measured at their fair value, which is the closing price of the last trading session of the stock exchange in June 2015, where the shares are listed.

#### Inventories

Inventories are stated at cost, less the write down of unmarketable inventories if applicable. Cost is calculated using the last in first out method. Costs comprise direct materials and all costs incurred to bring inventories to their present location and condition net of discounts, rebates and bonuses.

#### Finished products and work in progress

Finished products and work in progress are valued based on the raw and packaging materials used.

#### Trade and other receivables

Trade and other receivables are stated at nominal value less an allowance for uncollectible amounts, if there is objective evidence that the Company will not be able to collect the receivable if so required. Trade receivables do not carry interest.

#### Cash and cash equivalents

Cash and cash equivalents comprise of cash in banks and cash on hand.

#### Share Capital

Ordinary shares are classified as equity.

## Provisions

Provisions are recognized for actual (legal or constructive) obligations, existing at the balance sheet date and arising from past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation. The Company provides warranties on products sold. Provisions are made for the estimated costs arising under these warranties upon the date of sale of the relevant products.

## Trade and other payables

Trade and other payables are stated at nominal value. Trade payables do not carry interest.

## Employee benefits

The Company participates in a defined benefit pension plan. Pensions of the employees who have chosen to participate are kept in a pension fund foundation which is a separate legal entity. The Company's contribution is booked towards personnel expenses in the condensed statement of income. The Company has no obligations for long term employee benefits.

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term benefits, if the Company has a present legal or constructive obligation to pay this amount, as a result of past service provided by the employee and the obligation can be estimated reliably.

## Revenue

Revenue from the sale of products in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of sales taxes, customer discounts and other sales related discounts. Revenue from the sale of products is recognized in the condensed statement of income when the amount of revenue can be measured reliably, the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of products can be estimated reliably, and there is no continuing management involvement with the products. Dividends received during the year are recognized as dividend income.

## Other income

Other income comprises of bank interest received, income related to previous years items, gain on revaluation of inventories, proceeds from sales of empty drums and proceeds from promo activities. Interest income is recognized when earned.

## Expenses

### Borrowing costs

All borrowing costs are recognized as an expense when incurred.

### Operating lease payments

Payments made under operating leases are recognized in the condensed statement of income on a straight-line basis over the term of the lease.

## Earnings per share

Earnings per share are calculated by dividing the net profit or net loss attributable to ordinary Shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

## 4) Use of estimates and judgments

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods, if affected.

## 5) Income tax

Taxes on income are accrued in the same period as the revenues and expenses to which they relate. Current tax receivables or payables for the current and prior periods are measured at the amount expected

to be recovered from the Tax Authorities. The tax rates and the tax laws used are those that are enacted or substantively enacted by the balance sheet date.

Deferred taxes are recorded, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for commercial purposes and the amounts used for taxation purposes. Deferred tax is measured using the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## 6) Dividend

The proposed dividend 2015 was adopted in the Annual General Meeting of Shareholders of 13 March 2015. The first quarter interim dividend 2015 was declared and paid by the Company of SRD 0.10 per share (First half year 2014: SRD 0.08).

## 7) Related party transaction

VSH United provides IT and salary administration services to the Company. These services are provided against market prices and conditions. For the six months ended 30 June 2015 total amount posted to the administrative expense in the condensed statement of income was SRD 86,096 (First half year 2014: SRD 76,654)

The Company also purchases goods from other subsidiaries of VSH United.

The Company participates in the VSH Community Fund.

This non-profit foundation was established on 22 August 2008 to finance and coordinate community projects on behalf of the VSH United. The Company contributes on a final monthly basis 1.5% of the profit before tax to the VSH Community Fund. For the six months ended 30 June 2015 a total amount of SRD 27,879 (First half year 2014: SRD 25,182) was contributed by the Company.

# Independent Auditor's Report on review of condensed interim financial information

To: the Shareholders, Supervisory Board of Directors and Management of N.V. VSH FOODS  
Paramaribo, Suriname

## Introduction

We have reviewed the accompanying condensed interim financial information of N.V. VSH FOODS, in Paramaribo, which comprises the condensed balance sheet at 30 June 2015, the condensed statements of income, changes in equity and cash flows for the period of six months ended 30 June 2015 and the notes to the condensed interim financial position. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with generally accepted accounting principles for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information at 30 June 2015 is not prepared, in all material respects, in accordance with generally accepted accounting principles for interim financial reporting.

Paramaribo, 14 August 2015

## Lutchman & Co

was signed by  
Drs. M.R.A. Lutchman RA, chartered accountant