

N.V. VSH FOODS



First Half Year Report 2016

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

Contents

| | |
|---|----|
| Managing Director's Report First Half Year 2016..... | 3 |
| Condensed statement of income for the six months ended 30 June 2016..... | 5 |
| Condensed balance sheet at 30 June 2016 before appropriation of profit..... | 6 |
| Condensed statement of changes in equity for the six months ended 30 June 2016..... | 7 |
| Condensed statement of cash flows for the six months ended 30 June 2016..... | 8 |
| Notes to the condensed interim financial statements as at and for the six months ended 30 June 2016 | 9 |
| Independent Auditor's report on review of condensed interim financial information..... | 13 |

Managing Director's Report First Half Year 2016

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 VSH United. N.V. Verenigde Surinaamse Holdingmij.-/United Suriname Holding Company (VSH United), holds 56.01% of the shares of N.V. VSH FOODS.

THE COMPANY

On 18 March 2016 the Annual General Meeting of Shareholders approved the financial statements 2015 and proposed dividend 2015 of SRD 0.80 per share of nominal SRD 0.10 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 24 March 2016 the final dividend 2015 of SRD 0.50 per share of nominal SRD 0.10 per share was paid. On 19 May 2016 the first quarter interim dividend 2016 of SRD 0.10 per share of nominal SRD 0.10 per share was paid and is based on our approved dividend policy.

THE HIGHLIGHTS

- Overall volume up 4.9%
- Revenue growth 23.5%
- Profit before tax down 80.1%

Overall

The first six months of 2016 have been very challenging. The business environment in Suriname is under pressure as a result of high inflation and a rapid decrease in purchasing power. The exchange rate increased from SRD 4.20 at 1 January 2016 to SRD 7.15 at 30 June 2016 for the US Dollar. Costs have increased by 78.6% compared to the same period last year and is mainly caused by higher administrative expenses due to the purchase of foreign currency at a higher exchange rate than the internal exchange rate. As a result, profit before tax declined to SRD 380,755 (first half 2015: SRD 1,914,797).

Domestic

Although the past six months have been very challenging due to declining margins we managed to increase our domestic volume by 2.5% versus the same period in 2015. In the second quarter of 2016 we launched Golden Brand Spreadable margarine in two convenient retail pack types as part of our innovation strategy. The innovation volume (sticks, spreadable and non-refrigerated margarine) contributed to the growth versus 2015.

Export

The first half year 2016 our export volume increased by 34% versus the first half year of 2015. In the first quarter of 2016 we had to change from distributor in one of our markets. A new distributor has been appointed and successfully implemented a smooth transition. The projected volumes for the second half of the year are expected to be met for this export market.

Production

During the past six months we completed 29% of our investment plan 2016. Our productivity is down by 11% due to the new product mix. Our yield is the same as during the first half year 2015.

THE OUTLOOK

It is clear that the implementation of the agreement with the International Monetary Fund (IMF) will further fuel inflation which amounted to 64% on a year to year basis at the end of June. The exchange rate has been relatively stable following the flotation of the Suriname dollar. The elimination of subsidies will further increase utility and fuel prices leading to a further decrease of consumer purchasing power.

As the volume growth opportunity in de local market is being challenged by the decrease in purchasing power of consumers, we will execute a price strategy that will allow our company to maintain a healthy revenue position.

With regards to our export we can announce that for the remainder of the year the volumes look promising. We are on target with implementing our export strategy which includes new market penetration. Forecast analysis on volume show that we will have to do additional short term investments in the production department to be able to meet the demand in our export markets.

In view of the disappointing first half result and reduced cash flow the management has recommended to suspend interim dividend payments. The Board has approved the suspension until short and medium term prospects improve.

Paramaribo, 17 August 2016

Managing Director

Marlon Telting

Condensed statement of income

for the six months ended 30 June 2016

| | 1 January – 30 June 2016 | 1 January – 30 June 2015 |
|----------------------------------|-----------------------------|-----------------------------|
| In SRD | | |
| Revenue | | |
| Sales | 11,067,443 | 9,625,575 |
| Cost of Sales | 4,999,086 | 4,192,397 |
| Gross profit | 6,068,357 | 5,433,178 |
| Other income | | |
| Investment income | - | 13,053 |
| Real estate rental income | - | 26,520 |
| Other | 740,388 | 41,100 |
| | 6,808,745 | 5,513,851 |
| Costs | | |
| Personnel expenses | 1,795,214 | 1,360,892 |
| Distribution costs | 261,070 | 178,339 |
| Administrative expenses | 3,973,090 | 1,731,886 |
| Finance expenses | 31,555 | 3,919 |
| Depreciation | 357,158 | 324,018 |
| Provisions | 9,903 | - |
| | 6,427,990 | 3,599,054 |
| Profit before tax | 380,755 | 1,914,797 |
| Income tax | 137,072 | 684,628 |
| Net profit for the period | 243,683 | 1,230,169 |
| Earnings per share | | |
| Number of shares outstanding | 1,304,714 | 1,304,714 |
| Earnings per share | 0.19 | 0.94 |

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

Paramaribo, 17 August 2016

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 2016

before appropriation of profit

| In SRD | At 30 June 2016 | At 31 December 2015 |
|-------------------------------------|--------------------|------------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 5,448,068 | 5,651,874 |
| Subsidiary interest | 200,000 | 200,000 |
| Financial assets | 556,020 | 490,350 |
| | 6,204,088 | 6,342,224 |
| Current assets | | |
| Inventories | 12,968,407 | 5,476,181 |
| Trade and other receivables | 1,368,879 | 781,848 |
| Cash and cash equivalents | 2,007,782 | 5,306,518 |
| | 16,345,068 | 11,564,547 |
| Total assets | 22,549,156 | 17,906,771 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 130,471 | 130,471 |
| Capital in excess of par value | 431,634 | 431,634 |
| Revaluation reserve | 1,705,476 | 1,696,894 |
| Retained earnings | 9,775,621 | 8,285,814 |
| Results for the period | 243,683 | 2,239,189 |
| | 12,286,885 | 12,784,002 |
| Liabilities | | |
| <i>Non-current liabilities</i> | | |
| Deferred taxes | 1,561,616 | 1,561,821 |
| <i>Current liabilities</i> | | |
| Provisions | 167,207 | 157,304 |
| Borrowings | 397,952 | 845,186 |
| Income tax payable | 508,147 | 669,313 |
| Trade and other payables | 7,627,349 | 1,889,145 |
| | 8,700,655 | 3,560,948 |
| Total equity and liabilities | 22,549,156 | 17,906,771 |

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

Paramaribo, 17 August 2016

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 2016

| In SRD | Share capital | Capital in excess of par value | Revaluation reserve | Retained earnings | Total |
|--|----------------|--------------------------------|---------------------|-------------------|-------------------|
| Equity at 1 January 2015 | 130,471 | 431,634 | 1,833,938 | 8,610,922 | 11,006,965 |
| 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 | -- |
| Equity at 30 June 2015 | 130,471 | 431,634 | 1,779,981 | 9,613,727 | 11,955,813 |
| Net profit | - | - | - | 1,009,020 | 1,009,020 |
| Interim dividend | - | - | - | (130,470) | (130,470) |
| Revaluation | - | - | (50,361) | - | (50,361) |
| Realized revaluation of PP&E | - | - | (32,726) | 32,726 | - |
| Equity at 31 December 2015 before appropriation of profit | 130,471 | 431,634 | 1,696,894 | 10,525,003 | 12,784,002 |
| Final dividend | - | - | - | (652,358) | (652,358) |
| Equity at 31 December 2015 after appropriation of profit | 130,471 | 431,634 | 1,696,894 | 9,872,645 | 12,131,644 |
| Net Profit | - | - | - | 243,683 | 243,683 |
| Interim dividend | - | - | - | (130,471) | (130,471) |
| Revaluation | - | - | 42,029 | - | 42,029 |
| Realized revaluation of PP&E | - | - | (33,447) | 33,447 | - |
| Equity at 30 June 2016 before appropriation of profit | 130,471 | 431,634 | 1,705,476 | 10,019,304 | 12,286,885 |

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

Paramaribo, 17 August 2016

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 2016

| In SRD | 1 January – 30 June 2016 |
|--|-----------------------------|
| Cash flows from operating activities | |
| Profit before tax | 380,755 |
| <i>Adjusted for:</i> | |
| - Depreciation | 357,158 |
| - Investment income | - |
| - Provisions | 9,903 |
| - Financial expenses | 31,555 |
| <i>Changes in working capital</i> | |
| - Change in inventories | (7,492,226) |
| - Change in trade and other receivables | (580,391) |
| - Change in trade and other payables | 5,731,563 |
| <i>Cash generated from operations</i> | <u>(1,561,683)</u> |
| Paid Financial expenses | (31,555) |
| Paid income tax | (322,084) |
| Net cash from operating activities | <u>(1,915,321)</u> |
| Cash flows from investing activities | |
| Purchase of property, plant & equipment | <u>(153,352)</u> |
| Net cash used in investing activities | <u>(153,352)</u> |
| Cash flows from financing activities | |
| Proceeds and repayments from loans | (447,234) |
| Dividend paid | (782,829) |
| Net cash used in financing activities | <u>(1,230,063)</u> |
| Net increase in cash during the period | (3,298,736) |
| Cash and cash equivalents at 1 January | 5,306,518 |
| Cash and cash equivalents at 30 June | <u><u>2,007,782</u></u> |

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

Paramaribo, 17 August 2016

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 2016

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, 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 2016.

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 17 August 2016.

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 2016 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 2015, 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 2016 | 31 December 2015 |
|------|--------------|------------------|
| | SRD | SRD |
| USD | 7.15 | 4.20 |
| EURO | 7.96 | 4.58 |

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 condensed balance sheet.

Financial Assets

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 2016, 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 18 March 2016.

The first quarter interim dividend 2016 was declared and paid by the Company of SRD 0.10 per share

(First half year 2015: SRD 0.10).

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 2016 total amount posted to the administrative expense in the condensed statement of income was SRD 108,629 (First half year 2015: SRD 86,096)
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 2016 a total amount of SRD 7,029 (First half year 2015: SRD 27,879) was contributed by the Company.

Independent Auditor's report on review of condensed interim financial information

To: the Shareholders, Supervisory Board and Managing Director 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 2016, the condensed statements of income, changes in equity and cash flows for the period of six months ended 30 June 2016, and the notes to the condensed interim financial information.

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 2016 is not prepared, in all material respects, in accordance with generally accepted accounting principles for interim financial reporting.

Paramaribo, 17 August 2016

Lutchman & Co

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