

N.V. VSH FOODS



## **First Half Year Report 2017**

# Mission Statement & Core Values

## MISSION STATEMENT

We commit ourselves to produce, market and distribute top quality margarine, butter and other products derived from, in a safe and hygienic manner at competitive price.

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

## OUR CORE 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.

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

## Contents

Managing Director's Report First Half Year 2017.....	3
Condensed statement of income for the six months ended 30 June 2017.....	5
Condensed balance sheet at 30 June 2017 before appropriation of profit.....	6
Condensed statement of changes in equity for the six months ended 30 June 2017.....	7
Condensed statement of cash flows for the six months ended 30 June 2017.....	8
Notes to the condensed interim financial statements as at and for the six months ended 30 June 2017.....	9
Independent Auditor's report on review of condensed interim financial information.....	13

# Managing Director's Report First Half Year 2017

## 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 23 March 2017 the Annual General Meeting of Shareholders approved the financial statements 2016 and proposed dividend 2016 of 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 16 May 2017 the first quarter interim dividend 2017 of SRD 0.15 per share was paid based on our approved dividend policy.

## THE HIGHLIGHTS

- Overall volume up 33.9%
- Domestic volume down 0.9%
- Export volume up 133.3%
- Net revenue growth 2.4%
- Cost of sales up 121.0%
- Result before tax down by 108.4%

## Overall

The business environment in Suriname has not yet recovered from the steep recession in 2016. The twelve-month inflation (June 2016 to June 2017) was 19.7%\*. Increased raw material prices for butter and margarine together with an increased exchange rate for the US Dollar led to higher cost of sales (+121.0% versus first half year 2016). Price adjustments were necessary to maintain profitability in the face of weak consumer purchasing power in the local market. The exchange rate for the US dollar increased from SRD 7.49 at 02 January to SRD 7.68 before declining to SRD 7.56 at 30 June 2017.

In the reporting period, we increased salaries of our personnel by 15.5%.

Total personnel expenses increased by 29.2% compared to the same reporting period last year. Total administrative expenses decreased by 8.7%, mainly due to foreign currency exchange results.

Result before tax declined to a loss of SRD 32,134 (first half year 2016: SRD 380,755).

## Our performance

Our local market volume is being challenged by a decrease in purchasing power. Our retail volumes are down by 3.2% versus the same period in 2016 while margins are under pressure.

In the first half year of 2017 all export markets performed well. Total export volume increased by 133.3% versus first half year of 2016 and the total export revenues increased by 159.5%.

\* Information source: ABS

## THE OUTLOOK FOR THE SECOND HALF YEAR 2017

Management is committed to a positive conclusion of the 2017 financial year. We will regularly evaluate our price strategy in relation to purchasing power to further improve local market revenue. Export volume looks promising as all markets are expected to continue to perform well in the second half of 2017. Investments planned for 2017 in the production department are being evaluated based on cash flow projections. Some of these investments will be postponed until 2018.

In view of the disappointing first half year result and the 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, 18 August 2017

Managing Director  
Marlon Telting

## Condensed statement of income

### for the six months ended 30 June 2017

	1 January - 30 June 2017	1 January - 30 June 2016
<b>Revenue</b>	SRD	SRD
<i>Industry</i>		
Sales	17,259,068	11,067,443
Cost of sales	11,048,060	4,999,086
<b>Net Revenue</b>	6,211,008	6,068,357
Other income	387,184	740,388
<b>Total Revenue</b>	<b>6,598,548</b>	<b>6,808,745</b>
<b>Costs</b>		
Personnel expense	2,319,324	1,795,214
Distribution costs	132,442	261,070
Administrative expense	3,628,523	3,973,090
Interest	178,245	31,555
Depreciation	351,831	357,158
Provision	20,317	9,903
<b>Total costs</b>	<b>6,630,682</b>	<b>6,427,990</b>
<b>Result before tax</b>	(32,134)	380,755
Income tax	-	137,072
<b>Net result</b>	<b>(32,134)</b>	<b>243,683</b>
<b>EARNINGS PER SHARE</b>		
Number of shares outstanding	1,304,714	1,304,714
Earnings per share	(0.02)	0.19

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

Paramaribo, 18 August 2017

#### 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 2017

### before appropriation of profit

in SRD	At 30 June 2017	At 31 December 2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	9,107,430	6,261,924
Subsidiary interest	200,000	200,000
Financial assets	557,508	548,060
<b>Total non-current assets</b>	<b>9,864,938</b>	<b>7,009,984</b>
<b>Current assets</b>		
Inventories	13,338,326	14,687,638
Trade and other receivables	1,611,592	2,859,526
Income tax receivable	1,836,090	1,785,693
Cash and cash equivalents	733,686	1,202,476
<b>Total current assets</b>	<b>17,519,694</b>	<b>20,535,333</b>
<b>Total assets</b>	<b>27,384,632</b>	<b>27,545,317</b>
<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	1,644,926	1,670,680
Retained earnings	10,999,693	9,805,322
Result for the period/year	(32,134)	1,358,505
<b>Total equity</b>	<b>13,174,590</b>	<b>13,396,612</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred taxes	2,814,506	2,829,643
<b>Current liabilities</b>		
Provisions	243,998	225,996
Borrowings	3,813,414	3,308,239
Trade and other payables	7,338,124	7,784,827
<b>Total current liabilities</b>	<b>11,395,536</b>	<b>11,319,062</b>
<b>Total equity and liabilities</b>	<b>27,384,632</b>	<b>27,545,317</b>

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Paramaribo, 18 August 2017

#### 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 2017

in SRD	Share capital	Capital in excess of par value	Revaluation reserve	Retained earnings	Total
Equity at 1 January 2016	130,471	431,634	1,696,894	9,872,645	12,131,644
Net result	-	-	-	1,358,505	1,358,505
Interim dividend	-	-	-	(130,471)	(130,471)
Revaluation	-	-	36,934	-	36,934
Realized revaluation PP&E	-	-	(63,148)	63,148	-
<b>Equity at 31 December 2016 before appropriation of profit</b>	<b>130,471</b>	<b>431,634</b>	<b>1,670,680</b>	<b>11,163,827</b>	<b>13,396,612</b>
<b>Appropriation of profit</b>					
Final dividend	-	-	-	-	-
<b>Equity at 31 December 2016 after appropriation of profit</b>	<b>130,471</b>	<b>431,634</b>	<b>1,670,680</b>	<b>11,163,827</b>	<b>13,396,612</b>
Net result	-	-	-	(32,134)	(32,134)
Interim dividend	-	-	-	(195,707)	(195,707)
Revaluation	-	-	5,819	-	5,819
Realized revaluation PP&E	-	-	(31,573)	31,573	-
<b>Equity at 30 June 2017 before appropriation of profit</b>	<b>130,471</b>	<b>431,634</b>	<b>1,644,926</b>	<b>10,967,559</b>	<b>13,174,590</b>

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

### Paramaribo, 18 August 2017

#### 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 2017

in SRD	1 January - 30 June 2017
<b>Cash flow from operating activities</b>	
Result before tax	(32,134)
<i>Adjusted for:</i>	
- Depreciation	351,831
- Provisions	20,317
- Investment income	(356)
- Interest paid	178,245
<i>Changes in working capital:</i>	
- Change in inventories	1,349,312
- Change in trade and other receivables	1,247,934
- Change in trade and other payables	(446,703)
<b><i>Cash generated from operations</i></b>	<b>2,668,446</b>
Claims paid	(2,315)
Paid interest	(178,245)
Paid income tax	(68,807)
<b><i>Net cash generated from operating activities</i></b>	<b>2,419,079</b>
<b>Cash flows from investing activities</b>	
Purchase of property, plant & equipment	(3,197,337)
<b><i>Net cash used in investing activities</i></b>	<b>(3,197,337)</b>
<b>Cash flows from financing activities</b>	
Proceeds and repayments from loans	505,175
Dividend	(195,707)
<b><i>Net cash generated from financing activities</i></b>	<b>309,468</b>
Net decrease in cash for the period	(468,790)
Cash and cash equivalents at 1 January	1,202,476
<b>Cash and cash equivalents at 30 June</b>	<b>733,686</b>

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

Paramaribo, 18 August 2017

#### 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 2017

## 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 2017.

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 18 August 2017.

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 2017 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 2016, which have been prepared in accordance with generally accepted accounting principles.

### 2.2) Basis of Measurement

Specific basis of measurement is:

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 are charged or credited to the income statement.

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

	30 June 2017	31 December 2016
	SRD	SRD
USD	7.65	7.50
EURO	8.73	7.93

#### 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.

#### Subsidiaries

The subsidiary is the entity over which the Company has control, defined as the power to govern the financial and operating policies so as to obtain benefits from their activities. The subsidiary is recognized at equity value and the Company's share in the profit or loss is recognized in the income statement.

#### 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 2017, 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 are kept in a pension fund foundation which is a separate legal entity. The Company's contribution is booked towards personnel expense in the income statement. 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, proceeds from sales of empty drums and raw materials, revaluation gain on inventory 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 2016 was adopted in the Annual General Meeting of Shareholders of 23 March 2017. The first quarter interim dividend 2017 was declared and paid by the Company of SRD 0.15 per share (First half year 2016: SRD 0.10 per share).

#### 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 2017 total amount posted to the administrative expense in the condensed statement of income was SRD 198,438 (First half year 2016: SRD 108,629).

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 2017 a total amount of SRD 3,366 (First half year 2016: SRD 7,029) 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 2017, the condensed statements of income, changes in equity and cash flows for the period of six months ended 30 June 2017, 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 2017 is not prepared, in all material respects, in accordance with generally accepted accounting principles for interim financial reporting.

Paramaribo, 18 August 2017

## Lutchman & Co

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