REPORT

On financial Statements of

FOOD AND AGRICULTURE INDUSTRIES N.V.

for the year ended 31 December 2018

CONTENTS

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To: The Shareholders and Management Board of
FOOD AND AGRICULTURE INDUSTRIES N.V.
Lakatanweg BR. No.173
Jarikaba, Saramacca

Paramaribo, September 25, 2019
C 19/162 NV/JF

Dear Sirs,

In accordance with the agreed engagement to carry out the audit of the financial statements 2018 of Food and Agriculture Industries N.V., we report on the audit work performed. The financial statements are enclosed in this report on the pages 5 up to and including 27.

INDEPENDENT AUDITOR'S REPORT

A. Report on the audit of the financial statements 2018

Disclaimer of opinion

We do not express an opinion on the accompanying financial statements of Food and Agriculture Industries N.V. as of 31 December 2018 and for the year then ended. Because of the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

The financial statements comprise:

1. The statement of financial position as at 31 December 2018;
2. The following statements for 2018:
   The statements of comprehensive income, changes in shareholders' equity and cash flows for the year ended 31 December 2018; and
3. The notes comprising a summary of the significant accounting policies, material risks and uncertainties and other explanatory information.

Emphasis of uncertainty with respect to the going concern assumption

We draw attention to note 2 to the financial statements which indicates that the company incurred a net loss of USD 22,438,444 during the year ended 31 December 2018 and USD 7,021,493 for the year ended 31 December 2017. Substantial operating losses and significant deterioration of assets used to generate cash flows, adverse key financial ratios and significant uncertainty with respect to future cash flows and necessary additional financing cast significant doubt on the entity's ability to continue as a going concern and to continue its operations for the foreseeable future and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Basis for our disclaimer of opinion

Management used the going concern basis of accounting. Under the going concern basis of accounting, the financial information has been prepared on the assumption that the entity is a going concern and will continue its operations for the foreseeable future. When the use of the going concern basis of accounting is appropriate, assets and liabilities are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business. The entity's ability to continue as a going concern depends largely on future funding being available and other significant assumptions made in order to ensure the required increase of production volume, yields, quality of produce and increase of sales prices.

We were unable to obtain sufficient appropriate audit evidence regarding management's use of the going concern basis of accounting in the preparation of the financial information to determine the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial information. Reference is made to the Material Uncertainty Related to Going Concern section of our report.

The fair value of land, infrastructure and buildings is based on the calculated depreciated replacement cost using the cost approach, taking into account the effect of lower market values of land, infrastructure and buildings. There is no evidence of market transaction prices for similar property. The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. We were unable to determine whether any adjustments might have been found necessary in respect of the recorded fair value of land and buildings.

We have not been able to obtain all the information and explanations that we considered necessary for the purpose of our audit. Inadequate records and internal controls over recorded produce, waste of produce and sales caused uncertainty with respect to the calculated waste of produce and recorded sales.

The company's records indicate the possibility of improper revenue recognition due to fraud or error. We were unable to obtain sufficient appropriate audit evidence regarding the relatively large amount of waste of produce and the recorded sales. The results of the external confirmation procedures did not provide all intended relevant audit evidence.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of the recorded assets, income and equity of the company.

B. Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SMEs). Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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 based on these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with International Standards on Auditing, ethical requirements and independence requirements.

Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining 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 company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

For BDO Assurance N.V.

N.T.H. Veerman RA
Partner

Financial Statements

FOOD AND AGRICULTURE INDUSTRIES N.V.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018
(Before appropriation of results)

ASSETS	Notes	2018	2017
		USD	USD
Current assets			
Cash and cash equivalents	5	73,629	525,512
Trade and other receivables	6	3,438,520	2,263,185
Inventories	7	3,578,561	4,513,984
Biological assets	8	-	7,561,327
Total current assets		7,090,710	14,864,008
Non-current assets			
Property, plant and equipment	9	24,696,646	34,390,647
Intangible assets	10	53,514	63,234
Biological assets	8	-	76,230
Deferred tax assets	11	1,792,349	4,538,955
Total non-current assets		26,542,509	39,069,066
Total assets		33,633,219	53,933,074
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdraft	12	3,869,682	3,089,806
Trade and other payables	13	13,990,411	12,496,209
BAM subsidy	14	6,932,570	7,712,816
Total current liabilities		24,792,663	23,298,831
Non-current liabilities			
Government loan	15	2,558,555	2,558,555
Intercompany loans	16	40,759,284	33,396,013
Deferred tax liabilities	11	1,792,349	4,538,955
Provision for Restructuring		-	236,228
Total non-current liabilities		45,110,188	40,729,751
Total liabilities		69,902,851	64,028,582
Equity	17	-36,269,632	-10,095,508
Total equity and liabilities		33,633,219	53,933,074

The accompanying notes form an integral part of these financial statements.

FOOD AND AGRICULTURE INDUSTRIES N.V.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	notes	2018		2017	
			USD		USD
Revenue	18		23,951,369		32,631,336
Cost of sales	19		37,691,896		33,560,114
Gross margin			-13,740,527		-928,778
Other income			72,568		182,767
			-13,667,959		-746,011
Operating expenses:					
Personnel expenses	20	502,718		495,428	
General and administrative expenses	21	3,224,201		1,966,565	
Housing expenses	22	86,512		77,500	
Depreciation and amortization	23	39,220		64,958	
			-3,852,651		-2,604,451
Operating loss before financial income and expenses			-17,520,610		-3,350,462
Financial income and expenses:					
Interest expenses	24	-3,308,186		-2,759,162	
Foreign exchange loss / gain		491,672		-911,869	
			-2,816,514		-3,671,031
Loss after financial income and expenses			-20,337,124		-7,021,493
Income tax	25		-2,101,320		-
Loss for the period			-22,438,444		-7,021,493
Other comprehensive loss:					
Items that will not be reclassified to profit or loss					
Loss on revaluation of land and buildings			-3,735,680		-
Total comprehensive loss for the year			-26,174,124		-7,021,493

The accompanying notes form an integral part of these financial statements.

FOOD AND AGRICULTURE INDUSTRIES N.V.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018
(indirect method)

	2018	2017
	USD	USD
Cash flows from operating activities		
Loss for the period	-22,438,444	-7,021,493
Adjustment for income tax	2,101,320	-
Adjustment for depreciation and amortization PPE	4,028,273	4,393,841
Adjustment for depreciation intangible assets	9,720	9,720
Adjustment for depreciation biological assets	54,276	69,428
BAM subsidy	-780,246	6,589,869
Adjustment for provision for restructuring	-236,228	-479,310
	-17,261,329	3,562,055
Changes in working capital:		
Trade and other receivables	-1,175,335	-1,061,086
Movements in current biological assets	7,583,280	996,063
Inventories	935,423	1,283,463
Trade and other payables	1,494,203	119,481
Cash generated (used) by operating activities	-8,423,758	4,899,976
Cash flows from investing activities		
Purchases of property, plant and equipment	-171,272	-7,428,475
Movements in biological assets	-	-35,600
Net cash used in investing activities	-171,272	-7,464,075
Cash flows from financing activities		
Proceeds from intercompany loans	7,363,271	1,766,698
Bank overdraft	779,876	1,190,795
Cash generated (used) by financing activities	8,143,147	2,957,493
Net increase (decrease) in cash and cash equivalents	-451,883	393,394
Cash and cash equivalents, January 1	525,512	132,118
Cash and cash equivalents, December 31	73,629	525,512

The accompanying notes form an integral part of these financial statements.

FOOD AND AGRICULTURE INDUSTRIES N.V.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Share premium	Revaluation reserve	Retained Earnings	Total
	USD	USD	USD	USD	USD
Opening balance 1 January 2017	59,746	8,718,032	7,746,140	-19,597,933	-3,074,015
Depreciation of revaluation	-	-	-709,383	709,383	-
Revaluation	-	-	-	-	-
Result for the period	-	-	-	-7,021,493	-7.021.493
Ending balance 31 December 2017	59,746	8,718,032	7,036,757	-25,910,043	-10,095,508
Opening balance 1 January 2018	59,746	8,718,032	7,036,757	-25,910,043	-10,095,508
Depreciation of revaluation			-616,190	616,190	
Loss for the year				-22,438,444	-22,438,444
Other comprehensive loss for the year	-	-	-3,735,680	-	-3,735,680
Ending balance 31 December 2018	59,746	8,718,032	2,684,887	-47,732,297	-36,269,632

The accompanying notes form an integral part of these financial statements

FOOD AND AGRICULTURE INDUSTRIES N.V.

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

Company and activities

Food and Agriculture Industries N.V. (short named as FAI N.V.), hereinafter referred to as the Company is a limited liability entity established on the 3rd of January 2014 in Saramacca, Suriname.

Per the articles of association, the Company is authorized to engage in the following main activities:

- To install and exploit agriculture industries; and
- To buy, process and sell agriculture products.

The operating activities of the Company mainly include: planting, harvesting, packaging and exporting bananas mainly to Europe and on request to Trinidad & Tobago.

The company has two plantation sites, namely, Jarikaba Estate and Nickerie Estate.

Group structure

At the establishment of the company on the 3rd of January 2014, 90% (1,800) of the shares were held by Stichting Behoud Bananen Sector (SBBS) and 10% (200) shares were held by Surinaamse Landbouwbedrijven N.V. (Surland). At concluding the privatization of SBBS on the 23rd of January 2015 Univeg Fruits partners B.V. bought 1,600 shares of SBBS and the 200 shares of Surland. 200 shares held by SBBS were sold to the Republic of Suriname.

As per January 23, 2015 the issued shares of FAI N.V. are 90% (1,800) shares held by Univeg Fruit partners B.V. (a company organized under the law of the Netherlands) and 10% (200) shares held by the Republic of Suriname.

Univeg Fruit partners B.V. is a 100% subsidiary of Univeg Holding B.V. Univeg Holding B.V. is a 100% subsidiary of Fieldlink N.V. of which the main shareholder is De Weide Blik N.V. (95.4%). On December 10th, 2015, The Fruit Farm Group B.V. (TFFG) was established and funded, which is a 100% subsidiary of De Weide Blik N.V. Subsequently on December 17, 2015 Global Farms B.V., which is a 100% subsidiary of TFFG took over the 90% of the issued shares of the Company (1,800) shares from Univeg Fruit partners.

As of December 17, 2015, FAI N.V. is not a subsidiary of Univeg Fruit partners B.V. anymore.

The financial statements of the year ended December 31, 2018 are subject to approval by the board of directors.

FOOD AND AGRICULTURE INDUSTRIES N.V.

2. Summary of significant accounting policies

The financial statements are prepared by Food and Agriculture Industries N.V. and are in accordance with the 'IFRS for Small and Medium-sized Entities' issued by the International Accounting Standards Board in 2015. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities issued by the International Accounting Standards Board in 2015. The financial statements have been prepared on the historical cost basis, unless otherwise indicated.

Going concern

The financial statements have been prepared on a going concern basis, which assumes that the company will be able to meet the mandatory repayment terms of the banking facilities as disclosed in note 11. The company incurred a net loss of USD 22,438,444 for the year ended December 31, 2018 compared to USD 7,021,493 for the year ended December 31, 2017. The cash flow from operating activities amounts to negative USD 8,423,758. There is a sharp drop in equity to negative USD 36,269,632.

The effects of the Moko bacterial disease and negative effects of adverse farming practices including water management and overdue maintenance caused significant deterioration of assets used to generate cash flows. As a result, production volume decreased, and impairment of assets occurred. In the course of the year 2018, changes in and reinforcement of the management team took place in order to achieve operational improvements and turnaround.

Management will continue carrying out operational improvements to improve its performance in 2019. The key improvements that are taking place within the operation are the following:

- Eradication of areas affected by Moko and improvement of disease control;
- Implementing agriculture practices and techniques to improve productivity, increase yields and quality of produce including improvement of soil and water management, drainage systems, effective fertilizer application, fruit protection, reduction of waste, improvement of harvesting and packing processes;
- Training personnel (foremen and supervisors), thereby increasing their ability to perform in a more professional and purposeful manner, achieving higher standards of quality.
- Cost control and cost reduction, reduction of quality claims.

Based on the business plan, the entity's ability to continue as a going concern depends largely on future funding being available and other significant assumptions made in order to ensure the required increase of production volume, yields, quality of produce and increase of sales prices.

FOOD AND AGRICULTURE INDUSTRIES N.V.

Other topics under discussion relate to a capital increase (transfer of the TFFG loan to equity for an amount of USD 32 million and an additional capital increase of USD 3.6 million), extension of the working capital financing with a mortgage registration and a more competitive interest rate and substantial financial support from the Inter-American Development Bank for a 5-year period. The possibility of divestments of assets is also taken into account. Also, management is in the process of negotiating the extension of contract and with the main purchaser of crops and the delivery conditions including prices and volumes.

Functional and presentation currency

The financial statements are presented in United States Dollar (USD). All values are rounded to the nearest USD except when otherwise indicated.

Use of estimates and Judgments

The preparation of financial statements in conformity with IFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in note 3.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.
Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date.
Foreign currency differences are recognized in the Statement of Comprehensive Income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost in a foreign currency remain translated into the functional currency using the exchange rates as at the dates of the initial transactions.

Cash and cash equivalents

Cash and cash equivalents include cash at banks, cash on hand, demand deposits and other short-term highly liquid-investments with original maturities of three months or less.
Bank overdrafts and short-term loans are included in current liabilities in the statement of financial position.

FOOD AND AGRICULTURE INDUSTRIES N.V.

Non-derivative financial instruments

The Company only uses non-derivative financial instruments.

Financial instruments comprise trade and other receivables, cash and cash equivalents, government loan, intercompany loans, bank overdrafts and trade and other payables.

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

Financial assets, trade and other receivables and cash and cash equivalents are classified as financial assets at fair value through profit and loss. Financial liabilities that are not at fair value through profit or loss include intercompany loans, trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable costs.

Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for bad debt. A provision of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts in accordance with the original terms of the receivables. The amount of the provision is recognized in the profit and loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of the business, less applicable variable selling expenses.

Property, plant and equipment

Items of property, plant and equipment are initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items.

Freehold land and buildings are subsequently carried at fair value, based on periodic valuations by an independent appraiser. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Changes in fair value are recognized in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognized in profit or loss.

FOOD AND AGRICULTURE INDUSTRIES N.V.

Freehold land is not depreciated. Depreciation is provided on all other items of property, plant and equipment to write off their carrying value to their residual values over their expected useful economic lives.

It is provided at the following rates:

Land improvements	- 6.67% - 20% per annum straight line
Buildings	- 5% per annum straight line
Infrastructure	- 5% - 33.33% per annum straight line
Machineries, vehicles and equipment	- 20% - 33.33% per annum straight line
Furniture, fixtures and tools	- 33% per annum straight line

At the date of revaluation, the accumulated depreciation on the revalued property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

The excess depreciation on revalued freehold buildings, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when freehold land and buildings are expensed through the consolidated statement of comprehensive income (e.g. through depreciation, impairment). On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

The leasehold rights are amortized over the lease term which amortization rate ranges from 4.28% to 6.93% per year.

Assets under construction represent property, plant and equipment which are not yet completed, or which yet not have been put into use. These assets are transferred to the relevant category of property, plant and equipment at the date on which they are effectively put into use.

Intangible assets

Intangible assets are goodwill and purchased computer software.

Goodwill

The entity took over the activities of Stichting Behoud Bananen Sector on 24 January 2014 based on the privatization agreement signed on 23 January 2014.

Based on the privatization agreement, the company as an entity established and domiciled in Suriname acquired the inventories, biological assets and property, plant and equipment including leasehold rights relevant to the operations of the Stichting Behoud Bananen Sector (including land leasehold rights owned by Surland N.V.).

The goodwill raises from the fair values of the net identifiable assets and liabilities acquired from Stichting Behoud Bananen Sector and Surland N.V. at the date of the acquisition.

FOOD AND AGRICULTURE INDUSTRIES N.V.

Software

Software is measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization is charged to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The following useful lives are used for the amortization of intangibles:
Software - 3 - 5 years

If there is an indication that there has been a significant change in amortization rate or residual value of an asset, the amortization of that asset is revised prospectively to reflect the new expectations.

Biological assets

Biological assets include fruit to be harvested after the end of the period. Any resultant gain or loss on remeasuring to fair value less costs to sell at each reporting date is recognised in profit or loss.

Biological assets whose fair value cannot be readily determined without undue cost or effort, are carried at cost less accumulated depreciation and any accumulated impairment losses. Cost represents the historical cost of acquisition. The pre-harvest cost of cultivation, chemicals, fertilization charges, fruit protection etc. are capitalized as part of current biological assets.

In 2016 and 2017, the biological assets, hence the value of the fruit is measured at fair value, rather than at cost. The fair value is based on the expected gross margin contribution of the young fruit already present on the plants at the end of the period, based on the expected income and on accrued and remaining costs to take the fruit to the market. The main reasons why this procedure is followed in Suriname are the following:

- The stable climate of Suriname, as a result of its unique location (regular tropical climate, not prone to hurricanes or other climatic events);
- The relatively stable price evolution of the banana. As the banana is a tropical staple crop (regular year-long supply), its supply/demand shifts are smoother than in other crops produced by the Group;
- An acceptable level of quality of the operations in Suriname was achieved from 2017, as a result of the operational turnaround;
- The fruit measured at fair value is only that which is already present on the plant at the end of the period. This fruit will be sold in the subsequent 11 weeks (shipment data is already available at the time of analysis).

In 2018, the fair value of fruit to be harvested and the biological assets carried at cost are fully impaired as a result of substantial operating losses and significant detoriation of assets used to generate cash flows.

The following useful economic lives are used for biological assets:

Biological assets	Useful economic life
Banana	5 years

The bearer plants are measured at historic cost less any accumulated depreciation on a straight-line basis and any impairment losses.

FOOD AND AGRICULTURE INDUSTRIES N.V.

Impairment of assets

At each reporting date, financial and non-financial assets not carried at fair value, are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell.

If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Trade and other payables

Trade and other payables are obligations on the basis of normal credit terms and do not bear interest.

BAM subsidy

The cost of an asset may be financed by means of government grants. The grant is recognized as deferred income on the balance sheet once received or receivable. The deferred income is amortized as income to the income statement on a systematic basis over the useful life of the relating asset to which.

Borrowings

Borrowings, regarding government loan and Intercompany loans, are recognized initially at the transaction price. Borrowings are subsequently stated at amortized cost. Interest expense is recognized on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Current and deferred income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

FOOD AND AGRICULTURE INDUSTRIES N.V.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax basis (known as temporary differences). Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognized in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Employee benefits

The company has a defined benefit plan, of which the pension rights are entrusted to an insurance company. The insurance company calculates the annual premium and bears the responsibility to the employees as stipulated in the defined benefit pension scheme. The company's contributions to the insurer are treated as if the pension scheme is a defined contribution.

Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are recognized as an expense as the related employee service received.

Retirement benefits and/or post-employment benefits

Obligations for contributions to defined benefit pension schemes are recognized as an expense in the statement of comprehensive income as services from employees are received. Under such schemes, the company has no obligation to make further contributions to these schemes beyond the contracted amounts. Prepaid contributions are recognized as an asset to the extent that service has not yet been received.

Provisions

Provisions for restructuring costs and legal claims are recognized when: the company has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise costs for land that has been infected with the Moko Bacteria. Provisions are not recognized for future operating losses.

FOOD AND AGRICULTURE INDUSTRIES N.V.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Share Capital

Ordinary shares are classified as equity.

Revenue recognition

Revenue comprises the fair value of the sale of bananas, net of value added tax and excise duties, rebates and discounts and after eliminating sales within the company.
The sales of bananas are recognized when it is probable that economic benefits associated with the transaction will flow to the company and the amount of the revenue can be measured reliably.

3. Key sources of estimation uncertainty and judgments

Use of estimates and judgments

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Valuation of land and buildings

The fair value of land and buildings is derived from a 'cost approach', since there are no current market prices of comparable real estate. The valuation has been made by an independent appraiser in Suriname. The independent appraiser has a policy that focuses on transparency, quality, reliability and good reputation.

Income taxes

Significant judgement is required in determining the Company's provision on income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company will adjust any differences between the actual tax liabilities and the accrued income tax liabilities in the statement of income in the period in which they are identified.

Deferred tax assets and liabilities are recorded for the expected future tax consequences of temporary differences recognized in the financial statements and tax returns. Deferred tax assets are recognized when there is sufficient evidence in management's view that sufficient taxable income will be generated in future periods prior to the expiration of the losses which generated the deferred tax assets.

4. Material risks and uncertainties

The company is exposed through its operations to the following risks:

- Agricultural risk
- Weather and climate risk
- Brand risk
- Customer and market risk
- Risk as a result of Regulatory changes
- Labor risk

Agricultural risk
FAI's portfolio is limited to bananas. Pests and diseases have a potentially serious negative impact on banana production. A number of insect pests and banana plant diseases can affect banana plants. The Moko disease badly impacted the performance of the two estates of FAI. Once the banana plants are infected, eradication and disease management are time consuming and expensive. The Moko disease has a negative impact on FAI's business and the ability to continue as a going concern.

Weather and climate risk
Changes in weather, climate or water availability can cause price, yield and quality volatility for FAI. FAI's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. Protected cropping reduces the risk of disease and the impact of weather, this risk is still apparent. Possible changes in climate may also have an adverse impact on FAI's business. If FAI is unable to secure sufficient water, this could negatively impact on FAI's operational and financial performance.

Brand risk

Quality issues, contamination, disputes or adverse media coverage could damage FAI's brands or their image which could adversely impact FAI's financial performance.

Customer and market risk
FAI's largest customer comprised approximately 90% of FY2018 produce sales. While FAI seeks additional channels for its produce and seeks to manage the security of its existing customer arrangements, the nature of the market means that most customer arrangements are uncontracted and are supplied at market prices which are subject to fluctuation. Any contractual agreements have supply periods typically for 1 year.

Regulatory changes
FAI is a beneficiary of the ACP-EU Partnership Agreement or the "Cotonou Agreement", which was signed in 2000 and is due to expire in 2020. Any changes could have an adverse impact on margins and volumes.

Labor risk
FAI uses employment models to meet the needs of growing and harvesting a product that is perishable. The majority of FAI's employees are covered by agreements which periodically require renegotiation and renewal. Disputes may arise in the course of renegotiations which have the potential to lead to strikes and other industrial action, which may disrupt FAI's operations. Any renegotiations could also result in increased labor costs. FAI also ensures that all employment instruments and agreements comply with legal minimum pay and conditions. Increase of legal minimum pay and conditions would result in increased labor costs.

FOOD AND AGRICULTURE INDUSTRIES N.V.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
(All amounts in USD unless otherwise stated)

5. Cash and cash equivalents

	2018	2017
Cash at bank	71,817	524,150
Cash in hand	1,812	1,362
	73,629	525,512

6. Trade and other receivables

Trade receivables	2,132,936	1,711,556
Related party trade receivables	1,137,216	489,773
Advances to suppliers	42,933	21,903
Other receivables	125,435	39,953
	3,438,520	2,263,185

Related party trade receivables regard Agrisol SA

7. Inventories

Packing material	1,446,489	948,016
Chemicals	802,597	669,410
Parts	789,014	904,644
Fertilizers	303,609	1,520,115
Personnel protected equipment	86,790	96,569
Fuel and lubricants	17,760	28,013
Small tools and equipment	26,809	26,942
Fruit protection materials	102,229	87,059
	3,575,297	4,280,768
Goods in transit	3,264	11,822
Stock of Green Bananas at the Port	-	221,394
	3,578,561	4,513,984

8. Biological assets

The entity owns banana plantations through its operations in the Jarikaba and Nickerie Estates. Due to the impact of the Moko disease an important part of the plantation was affected and eradicated to avoid further expansion of the disease. As a result of substantial operating losses and significant detoriation of assets used to generate cash flows the biological assets are fully impaired in 2018.

Fair value (un-harvested fruit)	-	1,998,619
Biological assets carried at cost	-	5,562,708
Bearer plants	-	76,230
	-	7,637,557

FOOD AND AGRICULTURE INDUSTRIES N.V.

9. Property, plant and equipment

	Land leasehold rights	Land improve-ments	Buildings	Machineries, vehicles and equipment	Furniture, fixtures and tools	Assets under construction	Total
	USD	USD	USD	USD	USD	USD	USD
Opening balance:							
Cost	4,228,107	19,549,233	10,585,564	14,858,755	796,063	1,283,969	51,301,691
Revaluation surplus	2,279,546	5,130,682	5,333,585	-	-	-	12,743,813
Accumulated depreciation	-1,134,757	-7,705,333	-6,515,473	-13,538,564	-760,730	-	-29,654,857
Carrying amount at January 1, 2018	5.372.896	16.974.582	9.403.676	1.320.191	35.333	1.283.969	34.390.647
Movements during the year							
Additions	-	-	31,462	31,453	18,154	90,203	171,272
Transfers	-	-	27,315	13,000	-	-40,315	-
Revaluation (impairment)	-	-2,776,000	-3,061,000	-	-	-	-5,837,000
Depreciation	-220,492	-1,789,456	-575,864	-464,976	-29,501	-	-3,080,289
Depreciation revaluation	-102,384	-509,836	-335,764	-	-	-	-947,984
	-322,876	5,075,292	3,941,851	-420,523	-11,347	49,918	-9,694,001
Cost	4,228,107	19,549,233	10,617,026	14,890,208	814,217	1,374,172	51,472,963
Revaluation surplus	2,279,546	2,354,682	2,272,585	-	-	-	6,906,813
Accumulated depreciation	-1,457,633	-10,004,625	-7,427,101	-14,003,540	-790,231	-	-33,683,130
Closing balance	5,050,020	11,899,290	5,462,510	886,668	23,986	1,374,172	24,696,646

Land and buildings classified as property, plant and equipment were revalued on 31 December 2018 using generally accepted principles carried out by external independent qualified valuers. The estimation of the carrying value of the revalued land and buildings is based on the replacement cost using the cost approach, taking into account the effect of lower market values of land, infrastructure and buildings.

10. Intangible assets

	2018	2017
Goodwill		
Opening balance	41,479	41,479
Changes	-	-
Closing balance	41,479	41,479
Software		
Opening balance	21,755	31,475
Additions	-	-
Amortization	-9,720	-9,720
Closing balance	12,036	21,755
Total	53,515	63,234

FOOD AND AGRICULTURE INDUSTRIES N.V.

11. Deferred tax

The following are the deferred tax (liabilities)/assets and valuation allowances recognized by entity:

2017	Property, plant and equipment
Opening balance	4,218,480
Deferred tax movements	719,503
Release	-399,028
Closing balance	4,538,955
2018	
Opening balance	4,538,955
Deferred tax movements (depreciation of revalued assets and adjustment)	-645,286
Charged to profit or loss	-2,101,320
Closing balance	1,792,349

Losses of the first three years of operation are compensable for an indefinite period. Deferred tax assets are recognized to the amount of the deferred tax liabilities. The decline of deferred tax assets is charged to profit or loss.

12. Bank overdraft

	2018	2017
Bank overdraft	3,869,682	3,089,806

FAI NV continues using a working capital line of USD 2.5 million and EUR 2.5 million established in 2018 with a local bank, with an interest rate of 7%, secured with a guarantee from TFFG BV. The amount drawn per 31 December 2018 was EUR 3.4 million.

13. Trade and other payables

	2018	2017
Trade payables	1,783,197	1,290,033
Related party trade payables	3,562,652	666,569
Accrued liabilities	2,713,155	8,317,091
Other payables	5,931,407	2,222,516
	13,990,411	12,496,209

Related party trade payables regard Green Supply Chain Services B.V.

14. BAM Subsidy

Opening balance	7,712,816	1,122,947
EU Financing	-	7,056,345
Reversal depreciation EU financing	-780,246	-466,476
Closing balance	6,932,570	7,712,816

The BAM Subsidy (project "Banana Accompanying Measures") regards an agreement between the government of Suriname and the European Union to improve the operations of FAI N.V.

FOOD AND AGRICULTURE INDUSTRIES N.V.

15. Government loan

	2018	2017
Non-current liability	2,558,555	2,558,555

This regards the liability of Stichting Behoud Bananen Sector assumed by the company as stipulated in the privatization agreement signed on January 23, 2014. In the privatization agreement is written that further agreements will be made. For 2018 the Government loan is subjected to interest based on the LIBOR rate.

16. Intercompany loans

	2018	2017
Intercompany loan with The Fruit Farm Group B.V.	40,759,284	33,396,013
Current liability	26,088,344	13,099,013
Non-current liability	14,670,940	20,297,000
Total	40,759,284	33,396,013

All intercompany loans are internal transferred to one loan.

Intercompany loan with The Fruit Farm Group B.V.

On December 16th, 2014, The Fruit Farm Group B.V. signed an agreement for a loan of USD 10,050,000. The rate of interest on the loan applicable to each interest period shall be equal to the sum of (i) the applicable LIBOR rate and (ii) a margin depending on the cost of funding of the Univeg Group and (iii) a margin of 0.50%. For the avoidance of doubt, the Univeg Group will inform the Borrower and Lender of the interest period and shall communicate the interest rate applicable to the interest period two days in advance of such interest period. The loan shall be repaid on November 15, 2020.

On January 9th, 2015, The Fruit Farm Group B.V. signed an agreement for a loan of EUR 5,000,000. The rate of interest on the loan applicable to each interest period shall be equal to the sum of (i) the applicable EURIBOR rate and (ii) a margin depending on the cost of funding of the Fruit Farm Group. For the avoidance of doubt, the Fruit Farm Group shall determine the interest rate applicable to interest period two days in advance of such interest period. On December 18th, 2018, the loan has been increased up to EUR 7,500,000 following an amendment made to the Revolving Loan Agreement on March 21, 2017. The term of maturity is also extended for an additional period of five years, until December 17, 2023.

FOOD AND AGRICULTURE INDUSTRIES N.V.

17. Equity

Reference is made to the Statement of Changes in Shareholders' Equity.

Share Capital

	2018	2017
Authorized share capital, 10,000 shares at SRD 100 per value	298,507	298,507
Subscribed share capital, 2,000 shares at SRD 100 per value	59,746	59,746
Paid-up share capital, 100% of 2,000 shares at SRD 100	59,746	59,746

Revaluation reserve

Changes in fair value regarding Property, plant and equipment are accumulated in the revaluation reserve, taking in account the impact of income tax. Reference is made to section 2 summary of significant accounting policies.

As at 1 January	7,036,757	7,746,140
Loss on revaluation of land and buildings	-3,735,680	
Depreciation on revaluation reserve	-616,190	-709,383
As at 31 December	2,684,887	7,036,757

18. Revenue

Export sales	24,170,544	32,884,154
Quality control	-118,860	-177,284
Quality claims	-1,638,974	-1,127,607
	22,412,710	31,539,263
Local Sales	1,538,659	1,052,073
	23,951,369	32,631,336

FOOD AND AGRICULTURE INDUSTRIES N.V.

19. Cost of Sales

Cost of sales includes export and productions costs. Details are as follows:

	2018	2017
Export costs:		
Sea freight	6,974,988	8,099,475
Handling cost	951,951	1,597,734
Inland transport	654,551	851,104
Sales commission	1,054,151	755,967
Ripening expenses	-	-
Plugging	219,339	307,327
Transit cost	204,410	238,407
Insurance expenses	114,916	147,458
Import duties & clearing	3,126	3,351
	10,177,432	12,000,823
Production costs:		
Personnel expenses (Note 20)	6,542,683	6,655,054
Depreciation and impairment losses (Note 23)	10,834,131	4,937,618
Packing material expenses	4,730,484	5,503,946
Fertilizers	1,790,756	1,514,821
Chemicals	1,982,848	1,984,875
Fuel and Lubricants	558,027	535,664
Spraying costs	535,295	448,939
Parts	217,450	272,378
Personnel protection equipment	123,341	130,311
Tools and equipment	62,355	90,905
Fruit care	51,453	39,615
Transport rejected fruits	78	698
Stock revaluation	315,902	-98,283
Realization MOKO Provision	-230,339	-457,250
	27,514,464	21,559,291
Total cost of sales	37,691,896	33,560,114

FOOD AND AGRICULTURE INDUSTRIES N.V.

20. Personnel expenses

	2018	2017
Salaries and wages	5,595,855	5,778,868
Health Insurance	503,055	484,400
Transport allowance	395,372	371,521
Incentive	-	11,535
Pension premium	213,326	87,372
Productivity and quality bonus	-	20,013
Holidays allowance	228,122	274,030
Food allowance	101,313	113,439
Performance premium	-	-
Training and other social costs	8,358	9,304
	7,045,401	7,150,482
Allocated to cost of sales (Note 19)	6,542,683	6,655,054
	502,718	495,428

21. General and administrative expenses

Management fees	1,372,265	586,278
Professional fees	1,130,978	690,611
Repair and maintenance	167,247	155,066
Travel and mission	175,764	110,722
Bank charges	38,637	87,606
Insurance	79,911	83,523
Representation	79,915	85,949
Office supplies	25,109	28,233
Mail and telecommunications	55,564	64,245
Advertising and publications	4,336	11,752
Rentals	10,262	-
Sponsorship and donations	11,966	1,577
Studies and research	22,334	22,158
Others	49,913	38,845
	3,224,201	1,966,565

22. Housing expenses

Electricity	70,169	60,422
Maintenance and kitchen products	13,832	16,416
Gas and water supplies	2,511	662
	86,512	77,500

23. Depreciation and amortization

	2018	2017
Property, plant and equipment (Note 8)	4,028,273	4,393,841
Reversal depreciation EU financing (BAM Subsidy)	-780,246	-466,476
Biological assets (Note 7)	7,615,604	1,065,491
Software (Note 9)	9,720	9,720
	10,873,351	5,002,576
Allocated to cost of sales (note 19)	10,834,131	4,937,618
	39,220	64,958

The fair value movement of un-harvested fruit and impairment losses of biological assets are allocated to cost of sales.

24. Interest expenses

Interest on Government loan (Note 14)	165,608	165,155
Interest on Bank Loans	278,972	177,277
Interest on Intercompany loans (Note 15)	2,863,606	2,416,730
	3,308,186	2,759,162

25. Income tax

The company's taxable profit is subject to the income tax rate of 36%. For the period ended 31 December 2018 the company's operations resulted in a loss of USD 22,438,444 hence no income tax is due. Losses of the first 3 years of operation are compensable for an indefinite period and to be applied chronologically. Reference is made to note 11: the decline of deferred tax assets is charged to profit or loss.

26. Contingencies

For group financing purposes, the Company provided a first-ranking receivables assignment in respect of certain bank accounts and receivables.

27. Related party transactions and balances

	2018	2017
Sales		
Agrisol SA	21,385,769	25,472,082
Greenyard Fresh Belgium N.V.	57,889	889,536
Greenyard Fresh Poland S.A.	-	27,977
Purchases of goods and services		
Greenyard Supply Chain Services B.V.	8,250,854	2,460,937
De Weide Blik N.V.	1,617,022	481,846
Interest		
Interest expenses on Intercompany loans	2,863,606	2,416,730
Interest expenses on Government loans	165,608	165,155

FOOD AND AGRICULTURE INDUSTRIES N.V.

Management fees

The management fees for the period ended December 31, 2018 paid to the managing directors amounted to USD 1,372,265 (2016: USD 586,278).

Related party balances

As at December 31, 2018 the following are the related party balances:

	2018	2017
Receivables - Agrisol SA	1,137,216	489,773
Receivable - Greenyard Fresh Belgium N.V.	-	178,617
Payable - Greenyard Supply Chain Services B.V.	3,562,652	666,569
Payable - De Weide Blik N.V.	36,136	147,321
Intercompany Loans	40,759,284	33,396,013
Government loan	2,588,555	2,588,555
Accrued interest- intercompany loans	523,223	7,198,533
Accrued interest- Government loan	802,135	636,528

The Greenyard Supply Chain Services B.V. payables relate to pre-payments regarding ocean freight costs.

28. Event(s) after end of the reporting period

There were no subsequent events that required adjustment to the financial statements. At the time of release of the financial statements, the planted area in Nickerie significantly decreased after the end of the reporting period as a result of eradication and leaving fallow of Moko area. To a lesser extent, the planted area in Jarikaba decreased after the end of the reporting period.

FOOD AND AGRICULTURE INDUSTRIES N.V.

OTHER INFORMATION

Statutory appropriation of result

In accordance with article 14 of incorporation the result for the year is at the disposal of the Annual General Meeting of Shareholders, who then determines how and when the profit distribution will be made available.

Appropriation of result

Awaiting a decision by the General Meeting of Shareholder, the net result for the year ended December 31, 2018 has been presented separately under accumulated deficit in the statement of changes in equity.