

Annual Report 2012

N.V. VSH FOODS



Annual Report 2012

N.V. VSH FOODS



YELLOW BIRD

ALL VEGETABLE MARGARINE

1963 - 2013



Al 50 jaar onmisbaar in uw keuken

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



Employees who are with the Company for more than 20 years.

Name

Richard Abdoellah	25 years
Komissie Akong	35 years
Eddy Djosari	32 years
Anneke Doerahman	25 years
Bartje Jaleti	21 years
Wilfred Kaarsbaan	36 years
Erna Kertokalio-Karsoredjo	24 years
Humphrey Kromokarijo	36 years
Joan Mardan	20 years
Hemantkoemar Oemrawsingh	21 years
Robby Ramadhin	25 years
Edith Sabajo	22 years
Randjietkoemar Sanggam	25 years
Humphrey Tjon	35 years

Table of Contents

SUPERVISORY BOARD AND MANAGEMENT	7
REPORT OF THE SUPERVISORY BOARD	8
SALIENT FIGURES	10
MANAGING DIRECTOR'S REPORT	12
INDEPENDENT AUDITOR'S REPORT	15
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012	16
BALANCE SHEET AT 31 DECEMBER 2012 BEFORE APPROPRIATION OF PROFIT	17
BALANCE SHEET AT 31 DECEMBER 2012 AFTER APPROPRIATION OF PROFIT	18
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012	19
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012	20
NOTES TO THE FINANCIAL STATEMENTS	23





N.V. VSH Foods employees

Supervisory Board and Management



James J. Healy Jr.
Chairman



Stephen Smit
Vice Chairman



Antoine Brahimi



Arthur Tjin A Tsoi



Patrick Healy



Karen Wong Fong Sang
Managing Director



Raffaella Lie Pauw Sam
Sales & Marketing Manager



Melisa Ensberg
Operations Manager

Report of the Supervisory Board

To the Shareholders

Financial Statements and division of profit

The Management has submitted the financial statements 2012 to the Supervisory Board on 8 March 2013.

These financial statements can be found on pages 16 to 34 of this annual report.

Lutchman & Co audited the financial statements. Their report can be found on page 15. The net profit amounts to SRD 1,636,872.

Three quarterly dividends were paid for a total of SRD 0.16 per share of SRD 0.10. The Supervisory Board endorses the recommendation of the Management to pay a cash dividend for the year of SRD 0.60 per share of SRD 0.10. If approved, total dividend will amount to SRD 782,828 and the balance of the net profit amounting to SRD 854,044 will be added to retained earnings.

Supervisory Board changes and appointments

Under article 7.20 of the bylaws all Supervisory Board members retire in the Annual Meeting of Shareholders. All five members, Mr. J.J. Healy Jr., Mr. S. Smit, Mr. A. Brahim, Mr. A. Tjin A Tsoi and Mr. P. Healy were re-elected as members of the Supervisory Board in the Annual Meeting of Shareholders held on 22 March 2012. Being eligible, all board members Mr. J.J. Healy Jr., Mr. S. Smit, Mr. A. Brahim, Mr. A. Tjin A Tsoi and Mr. P. Healy offer themselves for re-election in the Annual Meeting of Shareholders to be held on 22 March 2013.

Management changes and appointments

The Supervisory Board approved the appointments of Ms. Melisa Ensberg as Operations Manager and Ms. Raffaele Lie Pauw Sam as Sales and Marketing Manager effective 1 July 2012. On 1 July 2012 Ms. Kathleen Healy stepped down as Assistant Managing Director to continue her career at N.V. Consolidated Industries Corporation (CIC), a VSH United Group Company. We are grateful for her contributions during her tenure at the Company.

The Management consists of:

Ms. Karen Wong Fong Sang, Managing Director

Ms. Melisa Ensberg, Operations Manager

Ms. Raffaele Lie Pauw Sam, Sales and Marketing Manager

Conversion of shares

The conversion of SRG shares to SRD shares bearing the new name N.V. VSH Foods has taken place on 16 April 2012 in accordance with the resolution approved by the Annual Meeting of Shareholders on 28 March 2007.

Corporate Governance

The Supervisory Board adopted the VSH Foods Code of Conduct on 12 October 2012. The Code of Conduct derives from article 11 of the Corporate Governance Code. The Code of Conduct is a further development of our Core Values and is a guideline for behavior both personally and in dealings with employees, customers, suppliers, service providers and contractors. It indicates what is expected from our employees.

Consultation and decision-making

The Supervisory Board held regular monthly meetings, 12 in total. The subjects discussed in the meetings included the financial position and results, Company strategy, Company policy, business plans and appraisals, health, safety and environment, management development and appointments. In the board meeting held on 12 October 2012 Management presented the operational plans for 2013 and the Board approved capital expenditures for 2013. Management remuneration was evaluated and approved in the board meeting held on 14 December 2012. The Board members regularly attended the board meetings.

Performance of the Supervisory Board

On 11 February 2013 the performance of the Supervisory Board was evaluated through a self-assessment by the members. Based upon individual appraisals by the members the performance was found to be good.

Based on the evaluation the Supervisory Board concluded that the focus in the coming period should be on Risk Management specifically regarding disaster recovery and business liability protection.

Dividend Policy and Interim Dividend

The policy of the Company is to pay a dividend in the order of 50% of the net profit from continuing operations. Subject to unforeseen developments the Supervisory Board has approved the payment of interim dividend for the year 2013 as follows:

- 1st quarter payable 15 May 2013; SRD 0.08 per share
- 2nd quarter payable 15 August 2013; SRD 0.08 per share
- 3rd quarter payable 15 November 2013; SRD 0.08 per share
- 4th quarter payable 15 February 2014; SRD 0.08 per share

Management performance and Executive Performance Pay

On 14 December 2012 the Supervisory Board evaluated the overall performance of the Managing Director and found the performance to be satisfactory and has set four issues for the Managing Director to work on in 2013: growth in exports, increase in energy and water efficiency, biodiesel project schedule execution, succession Head Technical Department.

Performance of the Managing Director is measured against a yearly minimum target of 20% of Return on Capital Employed and a three year (2010-2012) target of 95.0% for growth in gross profit for the period. Capital Employed at the beginning of the year amounted to SRD 10,549,681 and the Return on Capital Employed achieved in 2012 was 24.2% (2011: 14.7%). The minimum Return on Capital Employed of 20% was achieved in 2012 and thus the short term bonus of SRD 25,513 is due. Over the three year period profit before tax increased from SRD 2,423,539 in 2009 to SRD 2,551,334 in 2012 or by 5.3%. The three year target of growth of 95.0% of profit before tax was not achieved and thus no long term bonus is due.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board amounts to SRD 50,000 per year and was approved in the Annual Shareholders Meeting held on 22 March 2012.

Appreciation

The Supervisory Board is grateful for the contribution made by management and by all the employees of the Company to the results of 2012.

Paramaribo, 8 March 2013

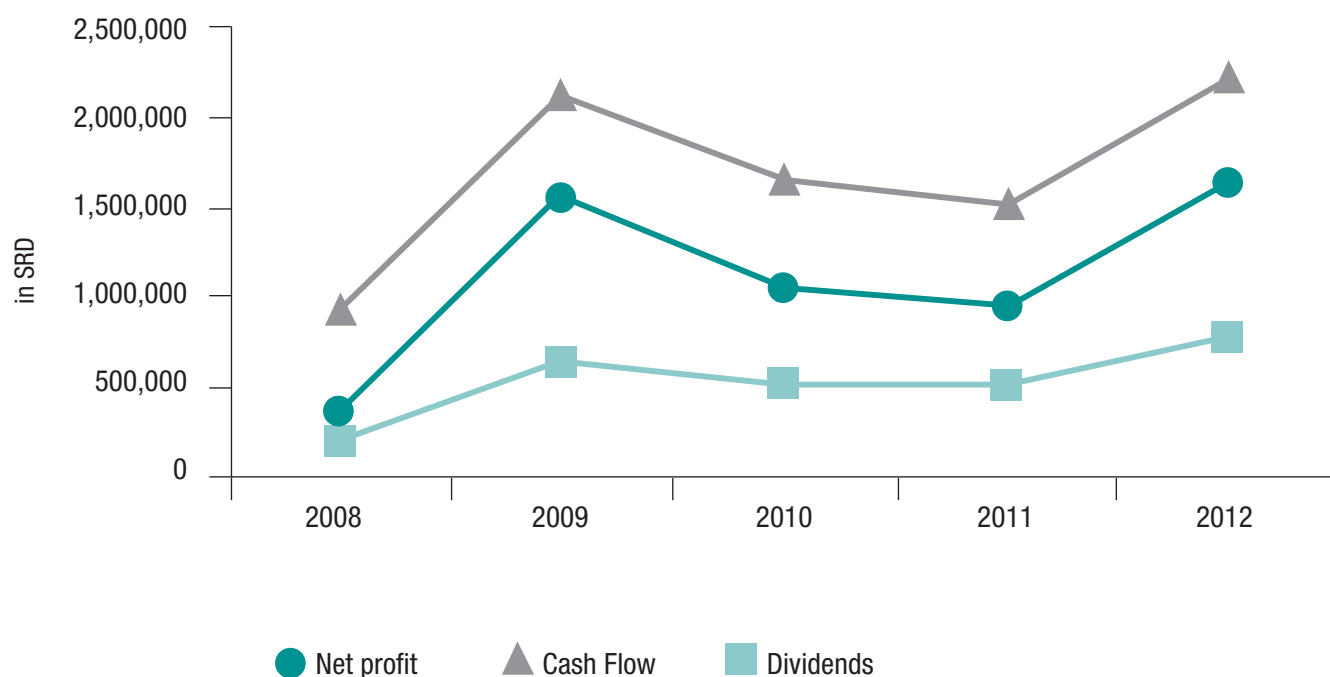
The Supervisory Board,
James J. Healy Jr., Chairman
Stephen Smit, Vice Chairman
Antoine Brahim
Arthur Tjin A Tsoi
Patrick Healy

Salient Figures

In SRD	2012	2011	2010	2009	2008
Revenue	18,558,659	18,090,307	14,815,682	13,951,129	13,199,264
Profit before tax	2,551,334	1,481,454	1,641,493	2,423,539	567,821
Net profit	1,636,872	951,674	1,053,168	1,553,368	365,270
Cash flow	2,225,647	1,530,747	1,652,617	2,127,160	940,292
Paid-in capital ¹	130,471	13,047	13,047	13,037	13,037
Shareholders' Equity	9,301,290	8,307,928	7,758,999	7,117,852	6,191,081
Liabilities	5,233,587	3,694,739	4,475,184	4,174,090	3,030,460
Total Equity and Liabilities	14,534,877	12,002,667	12,234,183	11,291,942	9,221,541

Per Share	2012	2011	2010	2009	2008
Earnings	1.25	0.73	0.81	1.19	0.28
Cash dividend	0.60	0.40	0.40	0.50	0.16
Share price	6.10	5.60	5.60	5.60	5.45
USD exchange rates per end of year	3.35	3.35	3.40	2.80	2.80

Net profit, Cash Flow and Dividend



¹ Conversion of SRG shares to SRD shares in 2012 (SRD 0.01 to SRD 0.10 par value)

JJJ+



= Slim!



Managing Director's Report

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 throughout the Caribbean. On 16 October 2013 the Company will celebrate its 50th birthday. This annual report is dedicated to the 50th anniversary of Gelebek margarine and to all the employees of the company especially those who are with the company for more than 20 years.

The Company is a member of the VSH United Group. N.V. Verenigde Surinaamse Holdingmij./United Suriname Holding Company (VSH United), holds 56.01% of the shares of N.V. VSH Foods.

World

In the first half year 2012 prices of vegetable fats and oil were relatively stable. In the second half of 2012 prices declined and remained below the price levels of 2011 due to above average production and increased inventories in South East Asia of Palm Oil. Gold and crude oil prices showed a declining trend in the first half year 2012 but remained relatively high and increased in the second half of 2012. The Alumina price also showed a declining trend in the first half of 2012 and increased in the second half of 2012, but remained low.

Suriname

The Surinamese economy is dominated by the mining industry. Gold, oil and alumina, account for 85% of exports. While the decreasing prices of alumina resulted in lower export revenues, the relatively high prices for gold and oil helped to sustain economic growth estimated at 4.5% in 2012 (2011: 4.2%).

The SRD-USD exchange rate was stable during 2012 and the USD traded at the official exchange rate range of SRD 3.25 to SRD 3.35 (2011: SRD 3.25 – SRD 3.35 per USD).

The inflation decreased in 2012 and the 12-month inflation for 2012 was 4.4%² (2011: 15.3%).

The Company

Annual Shareholders Meeting

On 22 March 2012 the Annual Shareholders Meeting approved the financial statements 2011 and the proposed dividend 2011 of SRD 0.40 per share of SRD 0.01. The members of the Supervisory Board James Healy Jr., Stephen Smit, Antoine Brahim and Arthur Tjin A Tsoi were re-elected. Richard Steenland did not stand for re-election and to fill this vacancy Patrick Healy was appointed as a member of the Supervisory Board.

Shares and dividends

The exchange of old SRG shares Margarine- en Vettenfabriek N.V. (SRD 0.01 per share) to new SRD shares N.V. VSH Foods (SRD 0.10 per share), as was approved by the Annual Shareholders meeting on 28 March 2007, took place as of 16 April 2012. As a result the share capital increased to SRD 130,471 (2011: SRD 13,047) and the capital in excess of par value decreased to SRD 431,634 (2011: SRD 549,058) as presented in the balance sheet at 31 December 2012.

Three quarterly dividends were paid for a total of SRD 0.16 per share of SRD 0.10. The Management recommends paying a cash dividend for the year 2012 of SRD 0.60 per share of SRD 0.10.

IDEAS 2012 contest

In 2012 our company participated in the 2012 IDEAS Energy Innovation Contest for the Caribbean with a biodiesel project proposal. Our company was announced one of the eight winners of the contest. The biodiesel project promotes energy efficiency and access to renewable energy by manufacturing biodiesel made from waste fats. A grant of USD 200,000 was rewarded and will be used to install a biodiesel plant. This plant will be fully operational by the end of 2014.

² Source: General Bureau of Statistics



Code of Conduct

On 12 October 2012 the Company adopted the VSH Foods Code of Conduct. The Code of Conduct derives from article 11 of our Corporate Governance Code. It is a further development of our Core Values and a guideline for behavior both personally and in dealings with employees, customers, suppliers, service providers and contractors. It indicates what is expected from us.

Production

In 2012 we produced a volume of 1,349 ton (2011: 1,413 ton) finished product during 2,441 production hours (2011: 2,658 production hours). The productivity was 0.55 ton per hour (2011: 0.53 ton per hour). The increase in productivity is a result of a decrease in downtime of machines.

Sales and Marketing

Sales volume increased by 1.4 % to 1,372 ton (2011: 1,353 ton). The sales revenue increased with 2.6% to SRD 18,558,659 (2011: SRD 18,090,307). The increase in sales volume and sales revenue is a result of an increase in volumes in both local and export market compared to 2011. The total gross margin was 48.5% (2011: 43.9%). The increase in gross margin is a result of our consistent pricing policy in relation to raw material prices.

In 2012 a new distributor was appointed in Jamaica.

As is our tradition, we exhibited at the annual production fair which was held in December 2012 where products such as Marigold and Golden Brand Slim were promoted. The biodiesel project was also exhibited.

Personnel and Organization

In 2012 our employees were given training in team building, product quality, product development, time management, data processing and data analysis, sales techniques, hygiene and first aid.

In 2012, four employees celebrated their anniversary with the Company:

Bartje Jaleti 20 years

Wilfred Kaarsbaan 35 years

Humphrey Kromokarijo 35 years

Hemantkoemar Oemrawsingh 20 years

In December bonuses were paid to employees, based on their performance evaluation and achieved targets.

On 1 July 2012 Kathleen Healy stepped down as Assistant Managing Director, to join our sister company N.V. Consolidated Industries Corporation (CIC). She has been a loyal employee who started working at the Company on 23 May 2005.

We are very grateful for her input and efforts throughout the years. She has made a significant contribution to sales and marketing of our products locally and in the export market.

Raffaella Lie Pauw Sam and Melisa Ensberg were appointed Sales and Marketing Manager and Operations Manager respectively as of 1 July 2012.

At the end of 2012 we employed 60 persons (2011: 57).

Result

Income increased by 13.8% to SRD 9,334,937 (2011: SRD 8,203,744). The total costs increased by 6.7%, which is mainly a result of an increase in personnel expense. Personnel expense increased by 19.4% to SRD 2,723,500 (2011: SRD 2,280,850), due to an increase in salaries in the order of 8% and an increase in the number of employees.

Administrative expense increased by 1.3% to SRD 3,433,559 (2011: SRD 3,388,464).

Net profit increased by 72.0% to SRD 1,636,872 (2011: SRD 951,674) which is mainly due to an increase of gross margin of 4.6 percentage points.

Quality, Safety and Environment

On 19 November 2012 our Food Safety System was certified according to the Food Safety System Certificate 22000 (FSSC 22000). FSSC 22000 combines the requirements of ISO 22000 and Publicly Available Specification (PAS) 220.

Throughout 2012 our safety team continued to improve our safety plan in order to guarantee the safety of our employees. We regret to report that 10 incidents took place during working hours. These incidents did not lead to personal injuries nor to lost working days.

Outlook 2013

Vegetable fats and oil prices are moving upward, but are expected to stay below the price levels of 2011. Concerns have risen regarding abundant rainfall in South East Asia, which could slow down production of vegetable oils and fats. We will continue to follow the trend of the international commodity prices closely and adjust our pricing strategy accordingly.

With a continued focus on increasing volumes in export markets through aggressive marketing strategies and strategic pricing policy, we should be able to increase our volumes and profit in 2013.

Appreciation

We wish to thank our Shareholders and the Supervisory Board who have supported us throughout the year. We are grateful to our customers, clients and distributors for their supportive feedback on the quality of our products, which has helped us to take market oriented action. We are proud to thank our competent team of employees and managers for their efforts, motivation and positive contribution throughout the year. We also thank those who have contributed to 50 successful years.

Paramaribo, 8 March 2013

Karen Wong Fong Sang

Managing Director



Independent Auditor's Report

To: the Shareholders, Supervisory Board and Management of N.V. VSH Foods, Paramaribo

Report on the financial statements

We have audited the accompanying financial statements 2012 of N.V. VSH Foods in Paramaribo, which comprise the balance sheet at 31 December 2012, the income statement, the statement of changes in equity and the cash flow statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements, in accordance with generally accepted accounting principles. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of N.V. VSH Foods at 31 December 2012 and of its result and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Paramaribo, 8 March 2013

Lutchman & Co

Represented and signed by Drs. M. R. A. Lutchman RA

Income statement for the year ended 31 December 2012

	Note	2012	2011
		SRD	SRD
Revenue			
Industry			
Sales		18,558,659	18,090,307
Cost of sales		9,564,051	10,147,534
		8,994,608	7,942,773
Investment income		11,162	10,091
Real estate rental income		141,670	82,868
Other income	5	187,497	168,012
		9,334,937	8,203,744
Costs			
Personnel expense	6	2,723,500	2,280,850
Administrative expense		3,433,559	3,388,464
Interest		15,166	42,546
Depreciation		588,775	579,073
Provisions		22,603	65,549
		6,783,603	6,356,482
Profit from continuing operations		2,551,334	1,847,262
Extraordinary expenses		-	365,808
Profit before tax		2,551,334	1,481,454
Income tax	7	914,462	529,780
Net profit		1,636,872	951,674
EARNINGS PER SHARE			
Number of shares outstanding		1,304,714	1,304,714
Earnings per share	8	1.25	0.73
DIVISION OF PROFIT			
Interim dividend		208,754	156,566
Final dividend		574,074	365,320
Addition to retained earnings		854,044	429,788
		1,636,872	951,674

Supervisory Board

J.J. Healy Jr.
S. Smit
A. Brahim
A. Tjin A Tsoi
P. Healy

Managing Director

Karen Wong Fong Sang

Balance sheet at 31 December 2012 before appropriation of profit

	Note	2012 SRD	2011 SRD
ASSETS			
Non-current assets			
Property, plant and equipment	10	4,889,093	4,425,638
Financial assets	11	665,865	448,180
		5,554,958	4,873,818
Current assets			
Inventories	13	5,034,568	4,755,753
Trade and other receivables	14	1,526,212	1,309,436
Cash and cash equivalents	15	2,419,139	1,063,660
		8,979,919	7,128,849
		14,534,877	12,002,667
EQUITY AND LIABILITIES			
Equity			
Share capital	16	130,471	13,047
Capital in excess of par value	3/16	431,634	549,058
Revaluation reserve	4/16	2,009,763	1,937,521
Retained earnings		5,666,624	5,221,948
Result for the year		1,636,872	951,674
		9,875,364	8,673,248
Non-current liabilities			
Deferred taxes	7	1,814,494	1,876,433
Current liabilities			
Provisions	17	145,620	142,034
Income tax payable	7	572,603	182,130
Trade and other payables	19	2,126,796	1,128,822
		2,845,019	1,452,986
		14,534,877	12,002,667

Supervisory Board

J.J. Healy Jr.
S. Smit
A. Brahim
A. Tjin A Tsoi
P. Healy

Managing Director

Karen Wong Fong Sang

Balance sheet at 31 December 2012 after appropriation of profit

	2012	2011
	SRD	SRD
ASSETS		
Non-current assets		
Property, plant and equipment	4,889,093	4,425,638
Financial assets	665,865	448,180
	5,554,958	4,873,818
Current assets		
Inventories	5,034,568	4,755,753
Trade and other receivables	1,526,212	1,309,436
Cash and cash equivalents	2,419,139	1,063,660
	8,979,919	7,128,849
	14,534,877	12,002,667
EQUITY AND LIABILITIES		
Equity		
Share capital	130,471	13,047
Capital in excess of par value	431,634	549,058
Revaluation reserve	2,009,763	1,937,521
Retained earnings	6,729,422	5,808,302
	9,301,290	8,307,928
Non-current liabilities		
Deferred taxes	1,814,494	1,876,433
Current liabilities		
Provisions	145,620	142,034
Income tax payable	572,603	182,130
Trade and other payables	2,700,870	1,494,142
	3,419,093	1,818,306
	14,534,877	12,002,667

Supervisory Board

J.J. Healy Jr.

S. Smit

A. Brahim

A. Tjin A Tsoi

P. Healy

Managing Director

Karen Wong Fong Sang



Statement of changes in equity for the year ended 31 December 2012

	Share capital	Capital in excess of par value	Revaluation Reserve	Retained earnings	Total
Equity at 1 January 2011	13,047	549,058	1,888,766	5,308,128	7,758,999
Net Profit	-	-	-	951,674	951,674
Dividend	-	-	-	-521,886	-521,886
Issued shares	-	-	-	-	-
Revaluation	-	-	115,827	-	115,827
Realized revaluation PP&E	-	-	-67,072	67,072	-
Unclaimed dividend	-	-	-	3,314	3,314
Equity at 31 December 2011	13,047	549,058	1,937,521	5,808,302	8,307,928
Net Profit	-	-	-	1,636,872	1,636,872
Interim dividend	-	-	-	-208,754	-208,754
Issued shares	117,424	-117,424	-	-	-
Revaluation	-	-	139,318	-	139,318
Realized revaluation PP&E	-	-	-67,076	67,076	-
Unclaimed dividend	-	-	-	-	-
Equity at 31 December 2012 before appropriation of profit	130,471	431,634	2,009,763	7,303,496	9,875,364
Final dividend	-	-	-	-574,074	-574,074
Equity at 31 December 2012 after appropriation of profit	130,471	431,634	2,009,763	6,729,422	9,301,290

Supervisory Board

J.J. Healy Jr.
S. Smit
A. Brahim
A. Tjin A Tsoi
P. Healy

Managing Director

Karen Wong Fong Sang

Cash flow statement for the year ended 31 December 2012

in SRD	2012	2011
Operating activities		
Profit before tax	2,551,334	1,481,454
<i>Adjusted for:</i>		
- Depreciation	588,775	579,073
- Revaluation results	-	-2,095
- Provisions	22,603	65,549
- Investment income	-11,162	-10,091
- Interest expense	15,166	42,546
- Unclaimed dividend	-	3,314
<i>Changes in working capital:</i>		
- Change in inventories	-278,815	-234,534
- Change in trade and other receivables	-220,796	-327,740
- Change in trade and other payables	997,974	-467,509
<i>Cash generated from operations</i>	3,665,079	1,129,967
Claims paid	-14,997	-41,078
Interest paid	-15,166	-42,546
Income tax paid	-664,295	-211,739
Cash flow from operating activities	2,970,621	834,604
Investing activities		
Decrease/increase of non-current financial assets	-	21,197
Purchase of property, plant and equipment	-1,052,230	-648,032
Interest received non-current financial assets	-	248
Dividends received	11,162	9,843
Cash flow from investing activities	-1,041,068	-616,744
Financing activities		
Repayments and proceeds from loans	-	-368,574
Redundancy payments	-	-79,507
Dividend paid	-574,074	-521,886
Cash flow from financing activities	-574,074	-969,967
Net cash flow for the year	1,355,479	-752,107
Cash and cash equivalents at 1 January	1,063,660	1,815,767
Cash and cash equivalents at 31 December	2,419,139	1,063,660



2012 year
together WE

FSSC 22000 certification on 19 November 2012



Golden Brand Slim Zumbathon on 10 November 2012

Notes to the financial statements

1.) Information on the reporting entity

N.V. VSH Foods is a company domiciled in Suriname. The address of the Company's registered office is Indira Gandhiweg 157, Paramaribo. The financial statements refer to the Company at and for the year ended 31 December 2012.

The Company is involved in the manufacturing of butter, margarine and shortening and sale and distribution of its products.

2.) Basis of preparation

2.1) Statement of compliance

The financial statements have been prepared in accordance with generally accepted accounting standards. The Company has started with adopting several IFRS standards.

The financial statements have been prepared by the Management of the Company and were authorized for issue by the Supervisory Board on 8 March 2013, and will be submitted for approval to the Annual General Meeting of Shareholders on 22 March 2013.

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 and 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 2.6.

2.3) Functional and presentation currency

These 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) Use of estimates and judgments

The preparation of 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.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in note 17.

2.5) Application of IFRS standards

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

- IAS 1 : Presentation of 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

2.6) Summary of significant accounting policies

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 31 December are:

in SRD	2012	2011
USD	3.35	3.35
EURO	4.42	4.37

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 income statement. There are no assets held under financial leases, and assets held under operating leases are not recognized in the Company's balance sheet.

Non-current financial assets

Non-current financial assets consist mostly of shares in companies. The shares are measured at their fair value, which is the closing price of the last trading session of the stock exchange in December 2012, 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 product 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. Trade receivables do not carry interest.

Cash and cash equivalents

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



Shareholders' equity

The Company approved an amendment to the bylaws to change the nominal value of the shares from SRD 0.01 per share (SRG 10 per share) to SRD 0.10 per share and the issued capital from SRD 13,047 to SRD 130,471. This change was implemented on 16 April 2012.

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 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 income statement 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. Dividend payments 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 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 income statement on a straight-line basis over the term of the lease.

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 at 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 at 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.

Earnings per share

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

Securities and guarantees

The Company has provided a Bank guarantee of SRD 6,000 to the Collector of Customs and Excise for import duties. The Bank has provided a contra guarantee. The Company provides securities for their bank overdraft facility.

3.) Capital in excess of par value

The capital in excess of par value relates to the difference between nominal value and issue price of shares issued in 2001 and 2010 minus the amount paid up by disbursement of SRD 0.09 nominal value per share with regards to the conversion of SRG to SRD shares in 2012.

4.) Revaluation reserve

The revaluation reserve relates to the revaluation of property less yearly transferred depreciation and less deferred taxes related hereto and revaluation of financial assets less deferred taxes. The realized part of the reserve due to annual depreciation is transferred to and presented as retained earnings.

5.) Other income

in SRD	2012	2011
Bank interest	5,910	1,207
Income related to previous years	16,970	32,898
Proceeds from sales of empty drums	149,041	152,437
Promo activities	15,576	-18,530
Total other income	187,497	168,012

6.) Personnel expense

in SRD	2012	2011
Salaries and wages	1,587,410	1,349,805
Vacation allowances	133,738	109,220
Bonuses	336,374	287,032
Remuneration of Supervisory Board	48,750	45,000
Medical insurance	188,590	157,648
Contribution to pension plan	134,735	115,204
Training	108,218	78,473
Other personnel expense	185,685	138,468
Total personnel expense	2,723,500	2,280,850

7.) Income tax payable and deferred tax

Income tax

A tax rate of 36% is used to determine (current) income tax payable.

Iron Inventory

The application of the Iron Inventory valuation method is adjusted based on the actual situation during the year.

The fiscal application of the Iron Inventory valuation method used by the Company was being investigated by the Tax Authorities in 2010. The Tax Authorities accepted the applied Iron Inventory valuation method until 2009. On 14 June 2011 the Company formally requested the Tax Authorities for a method to be used to determine the Iron Inventory starting 2010.

At the date of these financial statements no official response was received regarding this matter.

Participation shareholding exemption

For the calculation of the income tax 2012, the participation shareholding exemption has been taken into consideration for dividend income to the amount of SRD 11,162 (2011: SRD 9,843).

The income tax payable is specified as follows:

in SRD	2012	2011
Payable/receivable at 1 January	182,130	-270,425
Paid during the year	-664,295	-211,739
Due for the year	914,462	529,780
Inventory adjustments	61,386	51,852
Depreciation of PP&E	37,730	37,728
Accelerated depreciation	41,190	44,934
Payable at 31 December	572,603	182,130

Deferred tax

Deferred tax relate to tax liabilities arising from the differences between valuation for commercial and for tax purposes. In 2002, 2003, 2004 and 2005 requests for the application “accelerated depreciation” according to the Investment Code 2001 were submitted to the Ministry of Finance for part of the investments made in PP&E from 2002 to 2005. In the financial statements it is assumed that part of the requests will be granted. This assumption is based on the approvals and rejections received from the Ministry of Finance.

A tax rate of 36% is used for the determination of this liability.

in SRD	2012	2011
Balance at 1 January	1,876,433	1,945,794
Revaluation of non-current financial assets	78,367	65,153
Inventory adjustments	-61,386	-51,852
Release depreciation of PP&E	-37,730	-37,728
Release accelerated depreciation	-41,190	-44,934
Balance at 31 December	1,814,494	1,876,433

8.) Earnings per share

All shares of the Company are ordinary shares with a par value of SRD 0.10. The calculation of earnings per share at 31 December 2012 was based on the profit attributable to ordinary Shareholders of the Company of SRD 1,636,872 (2011: SRD 951,674) and a weighted average number of ordinary shares outstanding during the year of 1,304,714 (2011: 1,304,714).

	2012	2011
Number of shares	1,304,714	1,304,714
Earnings per share in SRD	1.25	0.73

9.) Dividends paid and proposed

The following dividends were declared and paid by the Company:

in SRD	2012	2011
Final dividend previous year SRD 0.28 per share of SRD 0.01 (2011: SRD 0.28 per share of SRD 0.01)	365,319	365,319
First quarter interim dividend SRD 0.04 per share of SRD 0.10 (2011: SRD 0.04 per share of SRD 0.01)	52,189	52,189
Second quarter interim dividend SRD 0.04 per share of SRD 0.10 (2011: SRD 0.04 per share of SRD 0.01)	52,189	52,189
Third quarter interim dividend SRD 0.08 per share of SRD 0.10 (2011: SRD 0.04 per share of SRD 0.01)	104,377	52,189
	574,074	521,886

in SRD	2012	2011
Management proposes total dividend for 2012 of SRD 0.60 per share of SRD 0.10 (2011: SRD 0.40 per share of SRD 0.01)	782,828	521,886

The proposed dividend 2011 was adopted by the Shareholders' meeting of 22 March 2012.

10.) Property, plant and equipment (PP&E)

Changes in PP&E in 2012 are as follows:

in SRD	Total	Property	Plant	Equipment	Investments in Progress
Book value 1 January 2011	4,356,679	2,966,635	1,082,841	307,203	-
Investment	648,032	8,315	91,457	214,212	334,048
Depreciation	579,073	135,899	330,218	112,956	-
Disposal	-	-	-	-	-
Book value 31 December 2011	4,425,638	2,839,051	844,080	408,459	334,048
Investment	1,386,278	99,283	799,996	198,197	288,802
Depreciation	588,775	139,364	314,986	134,425	-
Disposal	334,048	-	-	-	334,048
Book value 31 December 2012	4,889,093	2,798,970	1,329,090	472,231	288,802
Consists of:					
Current Value	10,775,387	4,667,126	4,262,303	1,557,156	288,802
Accumulated Depreciation	5,886,294	1,868,156	2,933,213	1,084,925	-
Book value 31 December 2012	4,889,093	2,798,970	1,329,090	472,231	288,802

The property, plant and equipment are insured against fire up to USD 4,104,504 (SRD 13,750,088).

11.) Financial assets

Non-current financial assets comprise of shares in companies. The shares are measured at their fair value, which is the closing price of the last trading session in December 2012 of the Suriname stock exchange.

FUNDS	NUMBER OF SHARES	PRICE	CURRENCY	2012 VALUE IN SRD	2011 VALUE IN SRD
Assuria N.V	3,600	78.00	SRD	280,800	165,600
DSB Bank N.V	3,980	96.75	SRD	385,065	282,580
Total financial assets				665,865	448,180

12.) Pensions

For the employees that have joined the pension foundation “Stichting VSH Pensioenfonds”, the Company contributes 12% and the employees 5% of the base salary to the pension fund foundation. The Company’s pension contribution in 2012 amounted to SRD 134,735 (2011: SRD 120,561). This amount is recognized under personnel expense.

The plan maintained by the foundation is a defined benefit plan, with the following maximum base salaries per year:

Personnel	SRD 50,000
Staff	SRD 125,000
Management	SRD 200,000

Pension liabilities of the foundation at 31 December 2012 amounted to SRD 16,896,802³ and the total equity amounted to SRD 29,805,331³.

13.) Inventories

in SRD	2012	2011
Raw materials and packaging	2,300,766	2,044,544
Trading goods	123,939	119,804
Finished goods	401,741	688,284
Supplies and spare parts	379,751	320,965
Prepaid goods in transit	1,828,371	1,582,156
Total inventories	5,034,568	4,755,753

A provision for unmarketable goods was not considered necessary. The inventories are insured against fire up to USD 1,110,000 (SRD 3,718,500).

14.) Trade and other receivables

In SRD	2012	2011
Trade receivables	1,322,475	1,147,573
<i>Other receivables :</i>		
Rental billboard	2,124	3,395
Deposits	1,967	1,967
Medical insurance	26,210	25,323
Fire insurance	31,248	31,020
Prepaid parts	54,135	46,232
Dividend tax	3,241	3,241
Other receivables	84,812	50,685
Total trade and other receivables	1,526,212	1,309,436

At 31 December 2012 trade receivables are shown net of an allowance for uncollectible amounts of SRD 4,020 (2011: SRD 0).

15.) Cash and cash equivalents

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

in SRD	2012	2011
Denominated in SRD	2,063,187	922,562
Denominated in USD	199,942	75,221
Denominated in EURO	156,010	65,877
Total cash and cash equivalents	2,419,139	1,063,660

16.) Share capital, capital in excess of par value and revaluation reserve

Share capital

On 28 March 2007 the Annual Shareholders Meeting approved the proposition to convert all ordinary shares of SRD 0.01 (SRG 10) to SRD 0.10 nominal value per share. The approval of the change in the bylaws was published in the official Gazette of the Republic of Suriname on 10 March 2009. On 16 April 2012 the issuance of new shares took place as follows:

- Redemption of 1,304,714 old shares at SRD 0.01 (SRG 10) nominal value per share (Margarine- en Vettenfabriek N.V.)
- Issuance of 1,304,714 new shares at SRD 0.10 nominal value per share (N.V. VSH Foods)
- Paid up by disbursement of SRD 0.09 nominal value per share out of capital in excess of par value

At 31 December 2012 the issued share capital comprised of 1,304,714 shares (2011: 1,304,714 shares) with a par value of SRD 0.10 each. All issued shares are fully paid up.

Capital in excess of par value

The capital in excess of par value relates to the difference between nominal value and the price of the shares issued in 2001 and 2010 minus the amount paid up by disbursement of SRD 0.09 nominal value per share with regards to the conversion of SRG to SRD shares in 2012.

Revaluation reserve

This reserve has arisen from the revaluation of property less the deferred taxes and yearly realized depreciation and revaluation of financial assets less deferred taxes. The yearly realized transfer of the revaluation reserve of the property is based on the difference between the commercial depreciation and fiscal depreciation.

17.) Provisions and commitments

Provision for product liability

This provision represents Management's best estimate of the Company's possible liability under warranties granted for its products, based on past experience and industry averages for defective products. For 2012 a provision of 0.75%, as was agreed with the Tax Authorities, of the gross sales of margarine, shortening and butter was provided amounting to SRD 145,620.

The movement of the provision for product liability is as follows:

in SRD	2012	2011
Balance at 1 January	142,034	117,563
Used during the year	14,997	41,078
	127,037	76,485
Addition	18,583	65,549
Balance at 31 December	145,620	142,034

Commitments

Operational leases

The total commitment for future minimum lease payments under non-cancelable operational leases per balance sheet date amount to:

in SRD	2012	2011
Due within one year (USD 105,994)	355,080	406,791
Between one and five years (USD 119,314)	399,702	424,147
Total	754,782	830,938

Non-cancelable operating lease payments represent rentals payable by the Company for use of computer hardware and vehicles.

Stock option

In 2007 an Executive performance evaluation system was introduced. With this system a significant part of Management's bonuses will be based on the rate of return on capital employed (ROCE) in the short term and the growth of profit before tax in the long term. The Managing Director will be given the opportunity to buy shares in the Company at the market price with the proceeds of his/her long term bonus. The Supervisory Board has approved the issuance of 7,000 shares with a par value of SRD 0.10 for this purpose.

Ordered goods

At 31 December 2012 no goods were ordered (31 December 2011: SRD 746,438).

18.) Borrowings

Borrowings are short term and comprise of one secured bank overdraft facility from the DSB Bank N.V.

On 19 June 2008, the Company obtained an overdraft facility of a maximum of USD 250,000 from the DSB Bank N.V. to finance working capital requirements on an ongoing basis during the year. The fixed rate is 9% per annum.

The securities given to the bank are:

- Pledge of securities
- Fiduciary assignment of inventories
- Fiduciary assignment of machinery and equipment

19.) Trade and other payables

In SRD	2012	2011
Trade payables	1,519,460	741,544
<i>Other payables:</i>		
Marine Insurance	-	23,602
Other taxes payable	90,326	78,493
Employee benefits	178,060	139,538
Biodiesel project	61,796	-
Other payables	277,154	145,645
Total trade and other payables before profit distribution	2,126,796	1,128,822
Proposed dividend	574,074	365,320
Total trade and other payables after profit distribution	2,700,870	1,494,142

20.) Related party disclosure

Supervisory Board

The remuneration of the Supervisory Board is approved by the Annual Shareholders Meeting. In 2012 the total remuneration amounted to SRD 48,750 (2011: SRD 45,000).

Management

The remuneration of key management personnel of the Company is determined by the Supervisory Board. The remuneration consists of a fixed monthly salary and an end of year bonus based on the performance and Company's results.

Related parties transactions

The Company is a 56.01% subsidiary of United Suriname Holding Company (VSH United). The Managing Director of VSH United is the Chairman of the Supervisory Board of the Company. The Company is charged by VSH United for IT related services and salary administration. The Company also purchases goods and services from other subsidiaries of VSH United. The Company contributes on a final monthly basis 1.5% of the profit before tax to the VSH Community Fund.

Conditions related party transactions

Services

The services and transactions are against market prices and conditions. Balances are not secured, do not carry interest and are settled with cash and cash equivalents.

The yearly charges for services are:

In SRD	2012	2011
IT related services and salary administration	80,410	25,531

At 31 December 2012 the Company owed VSH United SRD 36,653 and SRD 10,465 was due from VSH United. These amounts are included in trade payables and trade receivables.

Contribution

In 2012 the total contribution to the VSH Community Fund amounted to SRD 38,939 (2011: SRD 27,455).





Annual Report 2012

Concept & design

Alpha Omega concept & design
Paramaribo, Suriname

N.V. VSH Foods

Indira Gandhiweg 157
Paramaribo, Suriname

www.mavefa.com



