

N.V. VSH FOODS



## **First Half Year Report 2018**

# Mission Statement & Core Values

## MISSION STATEMENT

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

By producing these in an efficient manner from high quality raw materials with motivated and skilled employees and by guaranteeing supply to the market through aggressive marketing and sales channels.

By continuously monitoring and improving, where possible, the production process with the help of our quality system and thereby guaranteeing the market hygienic and safe products that comply with applicable legislation and the demands of our customers, to ensure growth, profitability and continuity of the Company for the benefit of our customers, shareholders, employees and the community

## OUR CORE VALUES

Your success is our desire.

Trust in our relationships and personally responsible for all our actions.

Creating a better company for a better world.

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

## Contents

Managing Director's Report First Half Year 2018.....	3
Condensed Statement of Income for the six months ended 30 June 2018.....	5
Condensed Statement of Financial position at 30 June 2018 .....	6
Condensed Statement of Changes in Equity for the six months ended 30 June 2018.....	7
Condensed Statement of Cash Flows for the six months ended 30 June 2018.....	8
Notes to the Condensed Interim Financial Statements as at and for the six months ended 30 June 2018.....	9
Independent Auditor's report on review of condensed interim financial information.....	15

# Managing Director's Report First Half Year 2018

## COMPANY PROFILE

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

## THE COMPANY

On 16 March 2018 the Annual General Meeting of Shareholders approved the financial statements 2017 and the proposed dividend 2017 of SRD 0.45 per share. The members of the Supervisory Board Mr. J.J. Healy Jr., Mr. S. Smit, Mr. A. Brahim, Mr. P. Healy and Mr. A. Tjin A Tsoi, were re-elected. On 15 May 2018 the first quarter interim dividend 2018 of SRD 0.10 per share was paid based on our approved dividend policy.

## The HIGHLIGHTS

- Overall volume down 1.5%
- Domestic volume down 3.0%
- Export volume up 4.4%
- Net revenue growth 31.5%
- Cost of sales down 7.0%
- Result before tax up 5581.03% (2018: SRD 1,761,274 versus 2017: - SRD 32,134)

### Domestic

The past six months have been very challenging due to weak consumer purchasing power. In the second quarter we adjusted our prices and made our products in the butter segment more affordable because of a decrease of the price for raw material.

### Export

The first half year of 2018 our export volume increased by 4.4% versus 2017. In the first quarter of 2018 we had to withdraw out of one of our export markets due to a necessary change of product formula. We will explore opportunities to minimize the loss of volume as projected in the second half year of 2018.

### Production

In the first quarter of 2018 we continued our capital investments in the production department, namely the packaging hall.

## THE OUTLOOK FOR THE SECOND HALF YEAR

For the remainder of the year we will continue to invest in our brands. In September 2018 we will start with phase two of the capital investments.

On 16 October 2018 VSH FOODS will celebrate its 55-year anniversary. A national consumer promotion will be executed as our first brand Yellowbird is also celebrating 55 years and Golden Brand is 45 years.

Net profit for the year 2018 is expected to be in line with our projections. In line with our approved dividend policy, second quarter interim dividend of SRD 0.10 per share was paid on 15 August 2018.

Paramaribo, 31 August 2018

Managing Director  
Marlon Telting

## Condensed Statement of Income

### for the six months ended 30 June 2018

	1 January - 30 June 2018	1 January - 30 June 2017
<b>Revenue</b>	SRD	SRD
<i>Industry</i>		
Sales	18,440,098	17,259,068
Cost of sales	10,271,446	11,048,060
	8,168,652	6,211,008
Investment income	12,456	356
Other income	105,078	387,184
	<b>8,286,186</b>	<b>6,598,548</b>
<b>Costs</b>		
Personnel expense	2,833,381	2,319,324
Distribution costs	191,985	132,442
Administrative expense	2,752,976	3,628,523
Interest	152,619	178,245
Depreciation	593,951	351,831
Provision	-	20,317
	<b>6,524,912</b>	<b>6,630,682</b>
<b>Profit before tax</b>	1,761,274	(32,134)
Income tax	629,574	-
<b>Net profit</b>	<b>1,131,700</b>	<b>(32,134)</b>
<b>EARNINGS PER SHARE</b>		
Number of shares outstanding	1,304,714	1,304,714
Earnings per share	0.87	(0.02)

The accompanying notes on pages 9 to 14 are an integral part of these condensed interim financial statements.

### Paramaribo, 31 August 2018

#### Supervisory Board

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

#### Managing Director

M. Telting

## Condensed Statement of Financial position at 30 June 2018

in SRD	At 30 June 2018	At 31 December 2017
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	12,130,324	11,268,505
Subsidiary interest	200,000	200,000
Financial assets	533,447	538,667
Hire purchase installments	995,748	995,748
<b>Total non-current assets</b>	<b>13,859,519</b>	<b>13,002,920</b>
<b>Current assets</b>		
Inventories	17,290,298	12,711,276
Trade and other receivables	1,851,458	4,633,372
Income tax receivable	675,650	786,613
Cash and cash equivalents	903,412	905,800
<b>Total current assets</b>	<b>20,720,818</b>	<b>19,037,061</b>
<b>Total assets</b>	<b>34,580,337</b>	<b>32,039,981</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	130,471	130,471
Capital in excess of par value	431,634	431,634
Revaluation reserve	1,565,039	1,600,461
Retained earnings	12,634,973	11,032,100
Result for the period	1,131,700	2,092,678
<b>Total equity</b>	<b>15,893,817</b>	<b>15,287,344</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Hire purchase	2,538,620	2,538,620
Deferred taxes	2,708,836	2,728,761
<b>Total non-current liabilities</b>	<b>5,247,456</b>	<b>5,267,381</b>
<b>Current liabilities</b>		
Provisions	299,269	300,470
Borrowings	1,689,288	1,330,571
Trade and other payables	11,450,507	9,854,215
<b>Total current liabilities</b>	<b>13,439,064</b>	<b>11,485,256</b>
<b>Total equity and liabilities</b>	<b>34,580,337</b>	<b>32,039,981</b>

The accompanying notes on pages 9 to 14 are an integral part of these condensed interim financial statements.

Paramaribo, 31 August 2018

### Supervisory Board

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

### Managing Director

M. Telting

## Condensed Statement of Changes in Equity for the six months ended 30 June 2018

in SRD	Share capital	Capital in excess of par value	Revaluation reserve	Retained earnings	Total
Equity at 1 January 2017	130,471	431,634	1,670,680	11,163,827	13,396,612
Net Profit	-	-	-	(32,134)	(32,134)
Interim dividend	-	-	-	(195,707)	(195,707)
Revaluation	-	-	5,819	-	5,819
Realized revaluation PP&E	-	-	(31,573)	31,573	-
<b>Equity at 30 June 2017</b>	<b>130,471</b>	<b>431,634</b>	<b>1,644,926</b>	<b>10,967,559</b>	<b>13,174,590</b>
Net profit	-	-	-	2,124,812	2,124,812
Interim dividend	-	-	-	-	-
Revaluation	-	-	(12,058)	-	(12,058)
Realized revaluation PP&E	-	-	(32,407)	32,407	-
<b>Equity at 31 December 2017 before appropriation of profit</b>	<b>130,471</b>	<b>431,634</b>	<b>1,600,461</b>	<b>13,124,778</b>	<b>15,287,344</b>
<b>Appropriation of profit</b>					
Final dividend	-	-	-	(391,414)	(391,414)
<b>Equity at 31 December 2017 after appropriation of profit</b>	<b>130,471</b>	<b>431,634</b>	<b>1,600,461</b>	<b>12,733,364</b>	<b>14,895,930</b>
Net profit	-	-	-	1,131,700	1,131,700
Interim dividend	-	-	-	(130,471)	(130,471)
Revaluation	-	-	(3,341)	-	(3,341)
Realized revaluation PP&E	-	-	(32,081)	32,081	-
<b>Equity at 30 June 2018</b>	<b>130,471</b>	<b>431,634</b>	<b>1,565,039</b>	<b>13,766,673</b>	<b>15,893,817</b>

The accompanying notes on pages 9 to 14 are an integral part of these condensed interim financial statements.

### Paramaribo, 31 August 2018

#### Supervisory Board

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

#### Managing Director

M. Telting



## Condensed Statement of Cash Flows

### for the six months ended 30 June 2018

in SRD	2018
<b>Cash flow from operating activities</b>	
Profit before tax	1,761,274
<i>Adjusted for:</i>	
- Depreciation	593,951
- Provisions	-
- Investment income	(12,456)
- Interest paid	152,619
<i>Changes in working capital:</i>	
- Change in inventories	(4,579,022)
- Change in trade and other receivables	2,629,928
- Change in trade and other payables	1,867,017
- Adjustments regarding inventories and other payables	-
<b>Cash generated from operations</b>	<b>2,413,311</b>
Claims paid	(1,201)
Paid interest	(152,619)
Paid income tax	(536,655)
<b>Net cash generated from operating activities</b>	<b>1,722,836</b>
<b>Cash flows from investing activities</b>	
Purchase of property, plant & equipment	(1,455,772)
Transfer of property, plant & equipment	-
Dividends received	12,456
<b>Net cash used in investing activities</b>	<b>(1,443,316)</b>
<b>Cash flows from financing activities</b>	
Proceeds and repayments from loans	358,717
Proceeds and repayments from hire purchase	(118,739)
Dividend	(521,886)
<b>Net cash used in financing activities</b>	<b>(281,908)</b>
Net decrease in cash for the year	(2,388)
Cash and cash equivalents at 1 January	905,800
<b>Cash and cash equivalents at 30 June</b>	<b>903,412</b>

The accompanying notes on pages 9 to 14 are an integral part of these condensed interim financial statements.

### Paramaribo, 31 August 2018

#### Supervisory Board

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

#### Managing Director

M. Telting

# Notes to the condensed interim financial statements as at and for the six months ended 30 June 2018

## 1. Information on the reporting entity

N.V. VSH FOODS is a company registered and domiciled in Suriname.

The Company's registered office is at Indira Gandhiweg 157, Paramaribo City, Suriname. The condensed interim financial statements refer to the Company's financial statements as at and for the six months ended 30 June 2018.

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

The Company has a manufacturing plant at above mentioned address and sells in Suriname and the Caribbean.

N.V. VSH Energy is a 100% subsidiary of the Company. There were no activities during the period.

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

These condensed interim financial statements have been prepared by the Management of the Company and were authorized for issue by the Supervisory Board on 17 August 2018.

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

## 2. Basis of preparation

### 2.1 *Statement of compliance*

These condensed interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting.

These condensed interim financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with generally accepted accounting principles.

## *2.2 Basis of Measurement*

Specific basis of measurement:

Property is valued at costs adjusted for hyperinflation less accumulated depreciation.

Plant and equipment are valued at cost less

accumulated depreciation. Financial assets are presented at fair value. Other assets and liabilities are stated at face value using the historical cost method.

The methods used to measure fair value are discussed further in note 2.5.

## *2.3 Functional and presentation currency*

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

## *2.4 Application of IFRS standards*

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

IAS 7: Statement of Cash Flows

IAS 19: Employee Benefits

IAS 16: Property, Plant and Equipment

IAS 24: Related Party Disclosures

IAS 17: Leases

IAS 29: Reporting in Hyperinflationary Economies

IAS 18: Revenue

IAS 33: Earnings per Share

## *2.5 Accounting policies*

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

### *Subsidiary*

The subsidiary is the entity over which the Company has control, defined as the power to govern the financial and operating policies so as to obtain benefits from their activities. In 2014 N.V. VSH Energy was established. As of 2015 N.V. VSH Energy is recognized as subsidiary in the condensed statement of financial position and valued at equity.

### *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 reporting date are translated to the functional currency at the exchange rate at that date. Exchange differences arising are charged or credited to the condensed statement of income.

*The exchange rates used for the US Dollar (USD) and the EURO at 30 June are:*

In SRD	30 June 2018	31 December 2017
USD	7.55	7.55
EURO	8.80	9.04

### *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:

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

When a major repair or maintenance is performed, its cost is recognized in the carrying amount of the PP&E as a replacement, if the recognition criteria are satisfied. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the condensed statement of income.

There are no assets held under financial leases, and assets held under operating leases are not recognized in the Company's condensed statement of financial position.

Investments in progress are carried at cost on the basis of expenditure up to 30 June 2018. Investments in progress is not depreciated. Upon completion the total costs are transferred to the relevant fixed assets.

### *Financial assets*

Financial assets consist of investments in shares of listed companies. The shares are measured at their fair value, which is the closing price of the last trading session of the stock exchange in June 2018, where the shares are listed.

### *Inventories*

Inventories are stated at cost, less the write down of unmarketable inventories if applicable. Cost is calculated using last landed costs 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 less a provision for the reduced marketability of inventories if applicable.

### *Trade and other receivables*

Trade and other receivables are stated at fair 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.

### *Share Capital*

Ordinary shares are classified as equity.

### *Hire purchase*

Hire purchase transactions which confer rights and obligations to the company are recognized in the statement of financial position.

The assets are treated as if they had been purchased outright and depreciated over their useful lives. The amount included in the cost of property, plant and equipment represents the capital elements payable during the hire purchase term. Future obligations are recorded as liabilities, while the financing costs are charged to the profit and loss account over the contract period to produce a constant rate of charge on the balance of capital repayments outstanding. Ownership of the asset transfers to the Company at the end of the hire purchase contract.

### *Provisions*

Provisions are recognized for actual (legal or constructive) obligations, existing at the reporting 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 based on past experience and industry averages for defective products.

#### *Trade and other payables*

Trade and other payables are stated at fair 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 services 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. Dividends received during the year are recognized as dividend income.

#### *Other income*

Other income comprises of bank interest received and proceeds from sales of empty drums. Interest income is recognized when earned.

#### *Expenses*

##### *Borrowing costs*

All borrowing costs are recognized as an expense when incurred.

##### *Operating lease payments*

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

### *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 or paid to the Tax Authorities. The tax rates and the tax laws used are those that are enacted or substantively enacted at the reporting 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 reporting 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 reporting 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 result attributable to Shareholders of the Company by the weighted average number of shares outstanding during the year.

### *Securities and guarantees*

The Company provides securities for their bank overdraft facility.

## **3. Dividend**

The proposed dividend 2017 was adopted in the Annual General Meeting of Shareholders of 16 March 2018. The final dividend 2017 of SRD 0.30 as well as the first quarter interim dividend 2018 of SRD 0.10 were declared and paid by the Company during the first half year of 2018 (Final dividend 2016: SRD 0. First quarter 2017: SRD 0.15 per share).

## **4. Related party transaction**

VSH United provides IT and salary administration services to the Company. These services are provided against market prices and conditions. For the six months ended 30 June 2018 total amount posted to the administrative expense in the condensed statement of income was SRD 293,808 (First half year 2017: SRD 198,438).

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

The Company participates in the VSH Community Fund.

This non-profit foundation was established on 22 August 2008 to finance and coordinate community projects on behalf of the VSH United. The Company contributes on a monthly basis 1.5% of the profit before tax to the VSH Community Fund. For the six months ended 30 June 2018 a total amount of SRD 12,076 (First half year 2017: SRD 3,366) was contributed by the Company.

# INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

To: The Shareholders, Supervisory Board, and Managing Director of N.V. VSH FOODS  
Paramaribo, Suriname

## Introduction

We have reviewed the accompanying condensed interim financial information of N.V. VSH FOODS in Paramaribo, which comprises the condensed statement of financial position at 30 June 2018, the condensed statement of income, changes in equity and cash flows for the period of six months ended 30 June 2018, and the notes to the condensed interim financial information.

Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with generally accepted accounting principles for interim financial reporting.

Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

## Scope of review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information at 30 June 2018 is not prepared, in all material respects, in accordance with generally accepted accounting principles for interim financial reporting.

Paramaribo, 31 August 2018

Lutchman & Co

Represented and signed by  
D. de Keyzer AA. chartered accountant