



N.V. VSH FOODS

Annual Report 2018

N.V. VSH FOODS

A photograph of a family of three sitting at a wooden table outdoors. A young boy in a blue shirt is eating a Golden Brand ice cream sandwich. A young girl in a pink shirt is also eating. A woman with curly hair is smiling and holding a Golden Brand ice cream sandwich. On the table is a tub of Golden Brand ice cream, a blue plate, and a silver tray with ice cream. The background shows a wooden pergola and greenery.

55

YEARS
ANNIVERSARY
SINCE 1963

**GOOD FOOD IS THE BASIS
OF TRUE HAPPINESS**

- AUGUSTE ESCOFFIER -



Table of contents

Our Products	04
Company Profile	06
Mission Statement and Core Values	09
Supervisory Board	10
Management	11
Report of the Supervisory Board	12
Salient Figures	14
Managing Director's Report	16
Independent Auditor's Report	24
Statement of income for the year ended 31 December 2018	26
Statement of financial position at 31 December 2018	27
Statement of changes in equity for the year ended 31 December 2018	28
Statement of cash flows for the year ended 31 December 2018	29
Notes to the financial statements	30

N.V. VSH FOODS

Indira Gandhiweg 157
Paramaribo, Suriname
South America

Phone

(597) 482600
Fax: (597) 480301

Email

infofoods@vshunited.com

Website

www.vshfoods.com

Our Products

GOLDEN BRAND
Flavor of the Caribbean

Golden Brand Margarine

is our main brand in the retail segment and celebrated its 45th birthday in 2018. It is the second margarine that N.V. VSH FOODS developed. It has a creamy consistency, a full flavor and is suitable for cooking, spreading and baking. It is 100% vegetable-based, cholesterol free, trans fat free and enriched with vitamins A and D. This line was extended considerably in the course of the years and now contains both refrigerated and non-refrigerated products.

The refrigerated product line contains the following products: Golden Brand wrapper (227g), Golden Brand 2 sticks box (227g), Golden Brand Spreadable margarine tubs (227g & 453g), Golden Brand Slim margarine tubs (227g & 453g) and an industrial edition of 10kg.

The no refrigerated required product line contains the following products: Golden Brand 4 half sticks (227g), Golden Brand tub (453g) and Golden Brand pails (900g, 2.25kg, 4.5kg & 10kg).



Marigold Butter

is widely known in Suriname for its refined flavor and is essential for any home, restaurant or catering service. Because of its rich flavor, it is perfect for roasting meat and sautéing vegetables. It is also great for baking cakes and cookies, and to make creamy garlic and herb butters.

Marigold also has a flavorful spread with the same Buttery taste of Marigold butter. Marigold Butter is available in a wrapper (227g) and an industrial edition of 10kg. Marigold Butter Spread is available in tubs (227g and 453g).



YELLOW BIRD**Yellow Bird Margarine**

celebrated its 55th birthday in 2018 and is the very first product that N.V. VSH FOODS ever produced. It is the second brand in the retail margarine segment. Yellow Bird margarine is suitable for cooking and baking. It is 100% vegetable-based, cholesterol free, trans fat free and enriched with vitamins A and D. It is available in a wrapper (225g) and an industrial edition of 20 kg.

BAKE 'N FRY**Bake 'n Fry Shortening**

is 100% vegetable-based. It contains only oils and fats and is cholesterol free and trans fat free. This product is suitable for frying at a temperature of 180°C and baking bread and pastries. It is also suitable for greasing baking sheets and pans. Bake 'n Fry Shortening can be reused for at least 7 frying cycles. It bakes dry and crispy and is more economic because you can use it multiple times. Bake 'n Fry Shortening comes in a wrapper (225g) and in an industrial edition of 20 kg.

**BAKER'S CHOICE****Baker's Choice Industrial Margarine or "baker's margarine"**

Baker's Choice Industrial Margarine or "baker's margarine" is perfect for baking bread, cakes and pastries. The Baker's Choice products are made of 100% vegetable oils and fats. The line consists of:

- Baker's Choice All Purpose Soft White Margarine
- Baker's Choice All Purpose Soft Yellow Margarine
- Baker's Choice Puff Pastry Margarine
- Baker's Choice Cream Margarine, perfect for decorating cakes and pastries

The Baker's Choice products come in boxes of 20 kg.



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 (Yellow Bird) margarine and today, Yellow Bird, 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 subsidiary 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.







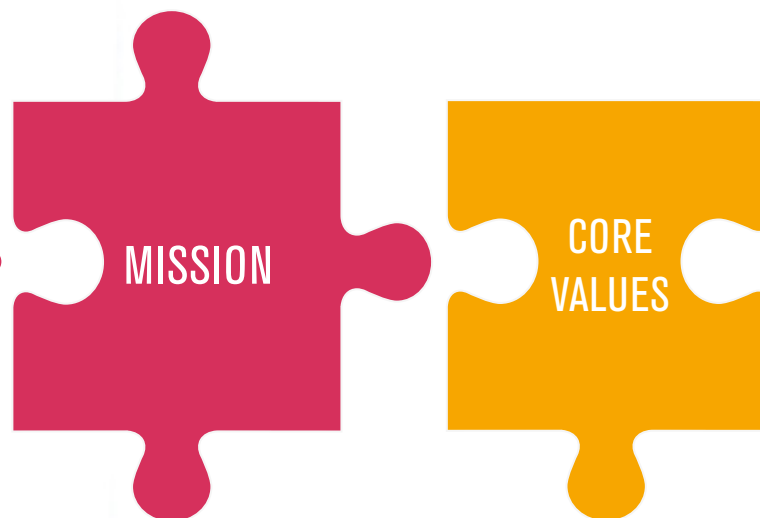
Mission Statement and Core Values

Our 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!

Meet our Supervisory Board



Top left to right
James J. Healy Jr.
Chairman of the
Supervisory Board



Stephen Smit
Vice Chairman of the
Supervisory Board



Antoine Brahim
Member of the
Supervisory Board



Bottom left to right
Patrick Healy
Member of the
Supervisory Board



Arthur Tjin A Tsoi
Member of the
Supervisory Board

Meet our Management

Left to right
Marlon Telting
Managing Director

Marif Sastrodiwirjo
Sales Manager

Left to right
Melisa Ensberg
Operations Manager

Tamira Esajas
Finance Manager



Report of the Supervisory Board to the Shareholders

Financial Statements and division of profit

The Management has submitted the financial statements 2018 to the Supervisory Board on 22 February 2019.

These financial statements can be found on pages 26 to 40 of this annual report.

Lutchman & Co N.V. audited the financial statements. Their report can be found on pages 24 to 25.

The net profit amounts to SRD 2,098,939 (2017: SRD 2,092,678).

Three quarterly dividends were paid for the amount of SRD 0.30 per share of nominal SRD 0.10 per share. The Supervisory Board endorses the recommendation of the Management to pay a cash dividend for the year of SRD 0.45 (2017: SRD 0.45) per share of nominal SRD 0.10 per share. If approved, total dividend will amount to SRD 587,121 and the balance of the net profit amounting to SRD 1,511,818 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 General Meeting of Shareholders. All five members, Mr. J.J. Healy Jr., Mr. S. Smit, Mr. A. Brahim, Mr. P. Healy and Mr. A. Tjin A Tsoi, were re-elected as members of the Supervisory Board in the Annual General Meeting of Shareholders held on 16 March 2018. Being eligible, all board members, Mr. J.J. Healy Jr., Mr. S. Smit, Mr. A. Brahim, Mr. P. Healy and Mr. A. Tjin A Tsoi, offer themselves for re-election in the

Annual General Meeting of Shareholders to be held on 15 March 2019.

Management

In 2018 the Management consisted of:

- Mr. Marlon Telting, Managing Director
- Mr. Marif Sastrodiwirjo, Sales Manager
- Ms. Melisa Ensberg, Operations Manager
- Ms. Tamira Esajas, Finance Manager

Consultation and decision-making

The Supervisory Board held regular monthly meetings, 11 in total. The subjects discussed in the meetings included the financial position and results, company strategy, company policy, business plans, health, safety and environment, management development and succession. In the Board meeting held on 12 Januari 2018 the Internal Auditor reported on the activities of the Internal Audit Department in 2017 and presented their audit plan for 2018. In the board meeting held on 19 October 2018 Management presented the operational plan for 2019 and the Board approved capital expenditures for 2019. Management remuneration was evaluated and approved in the board meeting held on 14 December 2018. The Board members regularly attended the board meetings.

In the meeting of the Supervisory Board held on 18 January 2019 the results of the internal audits 2018 were presented to the Supervisory Board as well as the audit plan for 2019. In the same meeting the Management Letter regarding the interim audit 2018 was discussed with the external Auditor and the Managing Director.

The annual appraisal 2017 was presented by the Managing Director in the Supervisory Board meeting held on 09 February 2018.

The results of the annual appraisal 2018 were presented by the Managing Director in the Supervisory Board meeting held on 08 February 2019.

Performance of the Supervisory Board

On 14 December 2018 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. Areas requiring additional attention were identified and include completion of investment in production and warehouse facility, export growth, succession in key functions and long-term strategic planning.

Dividend Policy and Interim Dividend

The policy of the company is to pay a dividend between 40% and 50% of the net profit from continuing operations. Subject to unforeseen developments the Supervisory Board has approved interim dividend payments for the year 2019 as follows:

1st quarter payable 15 May 2019; SRD 0.10 per share
 2nd quarter payable 15 August 2019; SRD 0.10 per share
 3rd quarter payable 15 November 2019; SRD 0.10 per share

Management performance and Executive Performance Pay

On 14 December 2018 the Supervisory Board evaluated the overall performance of the Managing Director and found the performance to be satisfactory. Areas of improvement discussed included further export development, competition challenges in the local market, improve purchasing planning and

attention to long-term succession in key positions.

Performance of the Managing Director is measured against a yearly minimum target of 20% of Return on Capital Employed. Capital Employed at the beginning of the year amounted to SRD 20,554,725 and the Return on Capital Employed achieved in 2018 was 16.21% (2017: 20.15%). The minimum Return on Capital Employed was not achieved in 2018, so the Managing Director did not earn the short-term bonus. Based on the decline in gross profit during the period 2016-2018 of 6.34%, the Managing Director did not achieve the long-term bonus (target 21.79% growth in gross profit).

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board amounts to SRD 85,250 per year effective 1 April 2018 and was approved in the Annual General Meeting of Shareholders held on 16 March 2018. In the meeting of the Supervisory Board held on 22 February 2019, the Management recommended to increase the remuneration of the Supervisory Board to SRD 100,000 per year effective 1 April 2019. The Supervisory Board endorses this recommendation and requests the approval of the Shareholders.

Appreciation

The Supervisory Board is grateful for the contribution made by management and by all the employees of the Company to the results of 2018.

Paramaribo, 22 February 2019

The Supervisory Board,

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

The net profit amounts to SRD 2,098,939

2017:
 SRD 2,092,678

1

1st Quarter Payable

15 May 2019
 SRD 0.10
 p/share

2

2nd Quarter Payable

15 August 2019
 SRD 0.10
 p/share

3

3rd Quarter Payable

15 November 2019
 SRD 0.10
 p/share

Salient Figures

In SRD	2018	2017	2016	2015	2014
Sales	41,315,073	39,579,745	29,897,814	20,810,501	20,860,790
Profit before tax	3,268,839	3,269,609	2,120,425	3,490,176	3,392,136
Net profit	2,098,939	2,092,678	1,358,505	2,239,189	2,178,135
Cash flow	3,490,658	2,856,826	2,073,474	2,893,589	2,847,146
Paid-in capital	130,471	130,471	130,471	130,471	130,471
Shareholders' equity	16,478,619	15,287,344	13,396,612	12,784,002	11,607,134
Liabilities	21,620,552	16,752,637	14,148,705	5,122,769	4,088,787
Total equity and liabilities	38,099,171	32,039,981	27,545,317	17,906,771	15,695,921
Per share of nominal SRD 0.10					
Earnings	1.61	1.60	1.04	1.72	1.67
Cash dividend	0.45	0.45	0.10	0.80	0.70
Share Price	17.00	17.00	17.00	16.00	15.50
USD exchange rate per end of year	7.60	7.55	7.50	4.20	3.35

Memories From the past



Managing Director's Report

Company Anniversary

On 16 October 2018 N.V. VSH FOODS (formerly Margarine- en Vettenfabriek N.V. / Margarine, Fats and Oil Company Ltd.) celebrated its 55th anniversary and also the anniversary of Yellow Bird / Gelebek and Golden Brand respectively 55 years and 45 years in Suriname.

In the months September thru November 2018 we executed a well-received "Birthday" national consumer promotion "Samen 100 jaar/ Together 100 years" for the two brands Yellow Bird/ Gelebek (55 years) and Golden Brand (45 years).

On 16 October 2018 we celebrated our anniversary with employees and members of the supervisory board on the premises of our company.

55
YEARS
ANNIVERSARY
SINCE 1963



Building Margarine & Vetten Fabriek N.V. 1963



Opening of the Factory in 1963

Business environment

Suriname is recovering from the deep recession of 2015-2016. The economy is now relatively stable but remains fragile and is still heavily dependent on the mineral sector. The introduction of the Value Added Tax (VAT) has been deferred until 2021.

Consumer purchasing power remains a challenge and consumers are switching to cheap imported brands. The exchange rate for the Suriname Dollar was relatively stable, and the official exchange rate reached SRD 7.52¹ for the US Dollar in December 2018 (December 2017: SRD 7.52). In 2018, Suriname recorded a twelve-month inflation rate of 5.4%² (2017: 9.2%).

Annual General Meeting of Shareholders

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 James Healy Jr., Stephen Smit, Antoine Brahim, Patrick Healy and Arthur Tjin A Tsoi were re-elected.

2018 Performance Highlights

0.9%

Overall volume growth

2017: +6.0%

4.4%

Sales growth

2017: +32.4%

Sales 2016 - 2018

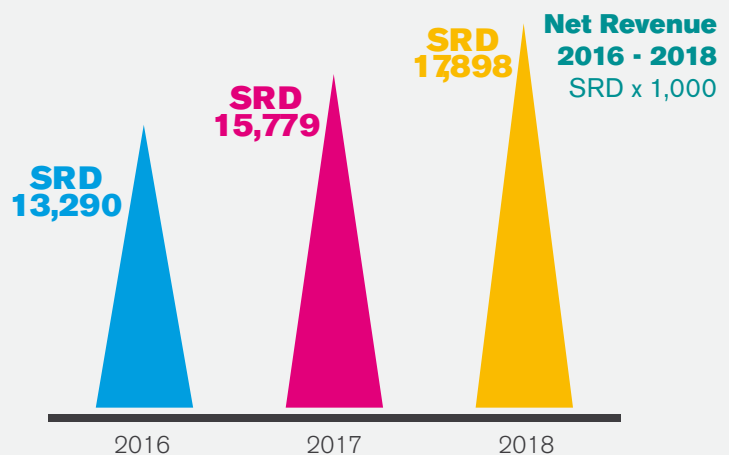
SRD x 1,000



13.4%

Net revenue growth

2017: +18.7%

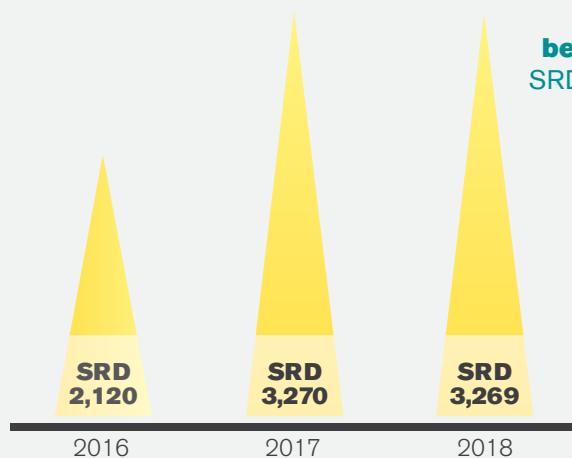


-0.02%

Profit before tax decline

2017: +54.2%

Profit beforeTax
SRD x 1,000



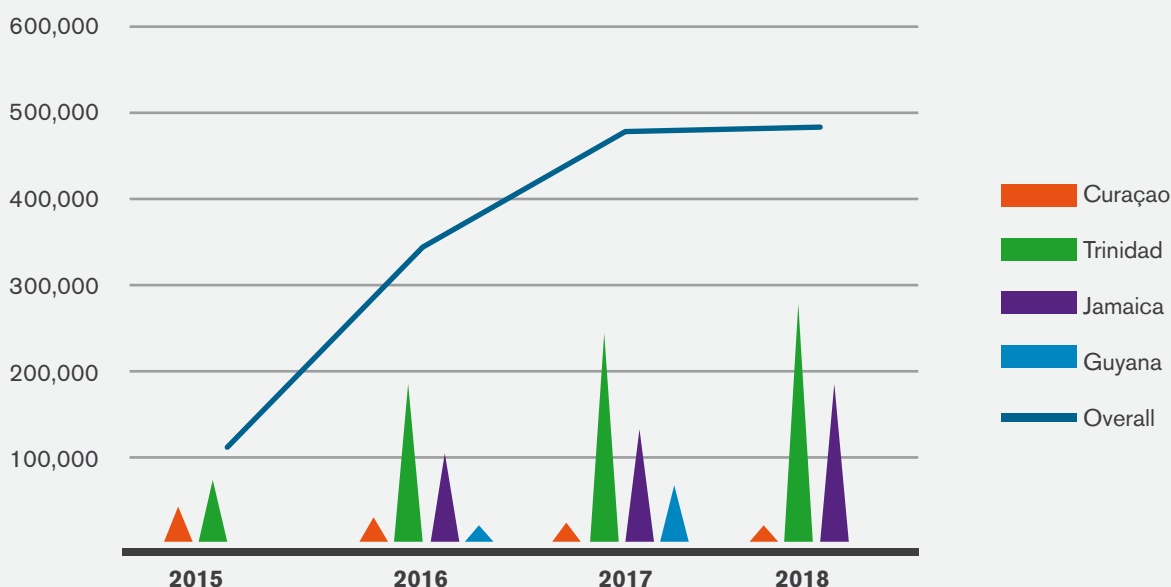
Our domestic performance

In 2018 our overall domestic volume increased by 0.5% compared to 2017. This was realized by sales volume increase in the food service channel by 4.4% compared to 2017. The retail channel showed a decline by 3.3% compared to 2017.

Our overall butter sales volume declined by 18.4% compared to 2017. In line with market developments we lowered our sales prices in the first quarter of 2018.

Our overall margarine sales volume increased by 3.6% compared to 2017. The increase was driven by the food service channel. Golden Brand is our main retail brand and remains market leader in the retail margarine channel in Suriname. Golden Brand sales volume declined by 2.7% compared to 2017. Yellow Bird/ Gelebek is our second brand in the retail margarine segment and had a good performance in 2018. Yellow Bird/ Gelebek sales volume increased by 22.0% compared to 2017.

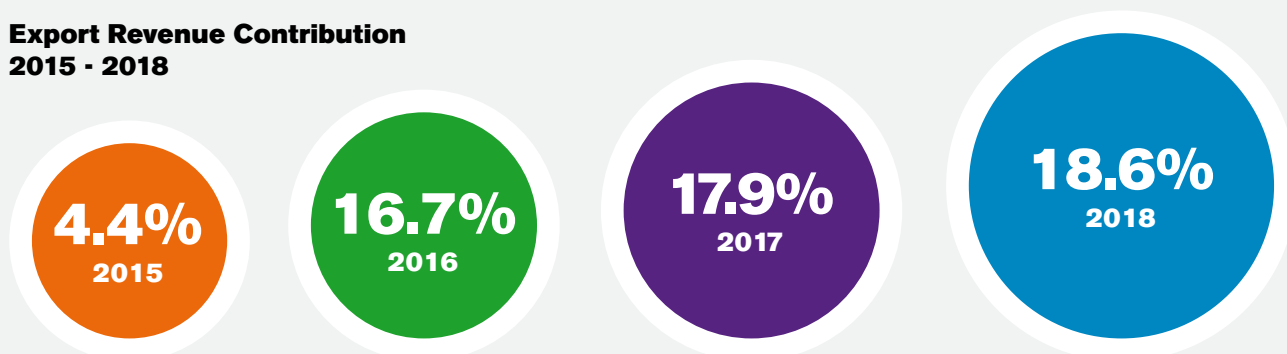
Our export performance



In 2018 our export volume increased by 2.0% compared to 2017. Export contributed to 27.4% of total volume (2017: 27.2%).

Due to commercial challenges we had to discontinue our main export product for the Guyana market. Therefore, we had no export volume to Guyana in 2018. Our export markets Jamaica and Trinidad recorded a volume growth of +22.2% compared to 2017.

Export Revenue Contribution 2015 - 2018

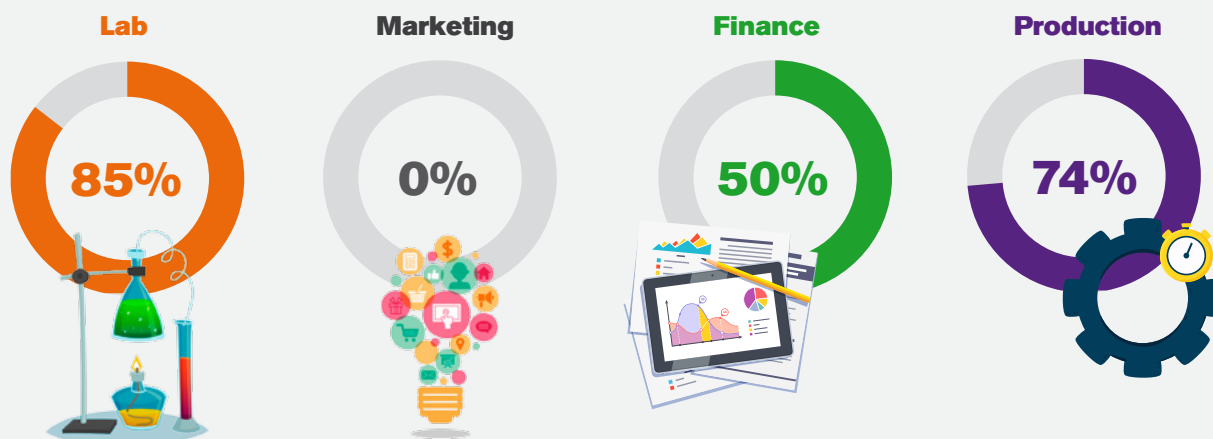


Our Export revenues increased by 10.2% versus 2017. In 2018 export contributed to 18.6% of total revenues (2017: 17.9%).

Our operations performance

In 2018 we invested in our production facility to increase our production capacity. We continued to produce as much as possible while the new machines were being installed and commissioned. This impacted our productivity negatively but enabled us to meet the sales demand with minimal out of stocks. Our aim was to minimize the impact on sales volume, while still achieving our investment goals in the production facility.

Capital Expenditures 2018



Our budgeted capital expenditure (CAPEX) was realized for 74%.

In 2018 we successfully installed new equipment in the packaging department. The investments in the steam room and oil transfer system will be executed and are expected to be completed in September 2019.

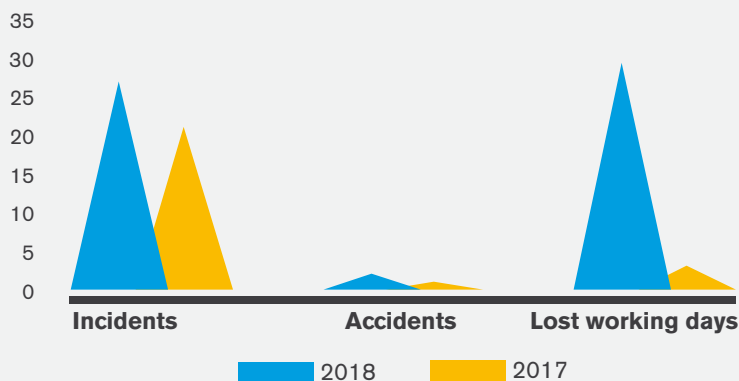
Health, Safety, Environment and Quality

In October 2018 we successfully renewed our ISO 22000: 2015 Food Safety Management System certificate. We proved to be compliant with the standard ensuring that we are in full control of possible food safety hazards and therefore guarantee safe production and distribution.

The monthly Good Manufacturing Practice (GMP) audits with topics on HACCP, ISO, Safety and 5S workplace organizational and housekeeping methodology, increased the involvement and awareness of our personnel, regarding our Food Safety Management System, as well as safety on the work floor. The Good Manufacturing Practice target of 90% was surpassed with an overall score of 91% (2017: 89%).

Due to the increased focus on safety the number of incidents reported increased by 29%. The importance of reporting incidents and accidents is better understood by our employees and helps us to create a safer work environment.

Incidents and Accidents 2017 - 2018



N.V. VSH ENERGY

As from 2015 VSH ENERGY is included in the statement of financial position as a subsidiary of VSH FOODS and is dormant.

Our employees

At the end of 2018 we employed 61 persons. We agreed to two salary increases for our personnel amounting to a total increase of 18.3% for 2018.

Our employees are the backbone of the organization. We aim to further develop our employees and offer necessary relevant training.

In 2018 we conducted the following training programs:

Training	Participants	Department
Refreshment Basis Hygiene Training	50	Lab, Production, Sales, HSEQ, Warehouse, Secretary, Marketing and Finance
Refreshment 5S, ISO and HACCP	36	Production, Lab, Warehouse, Sales, HSEQ, Secretary, Purchase, Marketing and Finance
Refreshment BHV training	3	Production and HSEQ
Refreshment Defensive Driving LSR	10	Sales
Refreshment Forklift Truck operation	6	Production, Warehouse, HSEQ and Sales
Training "Requirements for Good Management Practices for Micro, Small and Medium Enterprises (CRS14: 2010)"	2	HSEQ
P2P proces in Exact	2	Purchase and Finance
Awareness Session for evacuation	57	Production, Warehouse, HSEQ, Sales, Secretary, Finance, Lab, Marketing, Technical Department, and Management
Information Security Awareness	30	Management, Production, Technical Department, Lab, Marketing, Secretary, HSEQ, Sales, Finance, Warehouse and Purchase

Our Employees Anniversaries 2018



Top left to right
Richard Abdoellah
30 years

Komissie Akong
40 years

Left
Maureen Alidikromo
20 years



Left to right
Anneke Doerahman
30 years

Rosita Kadir
20 years



Left to right
Joan Mardan
25 years

**Randjietkoemar
Sanggam**
30 years

OUR RESULTS FOR 2018

Profit before Tax amounted to	Net Revenue amounted to	Return on Capital Employed
SRD 3,268,839	SRD 17,897,762	16.2%
2017: SRD 3,269,609	2017: SRD 15,779,357	2017: 20.2%

Our administrative expenses amounted to	Personnel expenses amounted to	Our net profit increased by 0.3%
SRD 6,791,070	SRD 5,750,298	SRD 2,098,939
and were 2.8% under 2017	and were 26.3% above 2017	2017: SRD 2,092,678

Profit before Tax amounted to SRD 3,268,839 (2017: SRD 3,269,609).

Net Revenue amounted to SRD 17,897,762 representing a 13.4% increase (2017: SRD 15,779,357).

Return on Capital Employed 16.2% (2017: 20.2%).

Our administrative expenses amounted to SRD 6,791,070 and were 2.8% under 2017. Personnel expenses amounted to SRD 5,750,298 and were 26.3% above 2017. Our net profit increased by 0.3% to SRD 2,098,939 (2017: SRD 2,092,678).

Dividend

Three quarterly dividends were paid for a total of SRD 0.30 per share of nominal SRD 0.10 per share.

Management recommends payment of a cash dividend for the year 2018 of SRD 0.45 per share of nominal SRD 0.10 per share.

Outlook 2019

We are conservative in our outlook as we do not foresee any significant volume growth for the domestic market. Retail volume will remain under pressure because of limited consumer spending power and a changing competitive landscape.

We will continue to invest in initiatives to maintain market share and volume growth in the local retail segment and our export markets. In the second quarter of 2019 we will restart export to Guyana. Our marketing initiatives will demonstrate our commitment to invest in our brands with emphasis on loyalty of our valued customers.

We will continue our investment program in our manufacturing facilities enabling us to further improve our productivity and strengthen our competitive position.

Appreciation

We wish to thank our Shareholders and the Supervisory Board who have supported us throughout the year. We are grateful to our consumers, clients and distributors for their supportive feedback on the quality of our products, which helped us to take market-oriented actions. We are proud to thank our competent team of employees and managers for their efforts, motivation and positive contribution throughout the year.

Paramaribo, 22 February 2019

**Marlon Telting
Managing Director**

55th Birthday of
N.V. VSH FOODS



Independent Auditor's Report

To the Shareholders of N.V. VSH FOODS, Paramaribo

Opinion

We have audited the accompanying 2018 financial statements of N.V. VSH FOODS, the "Company", in Paramaribo, which comprise the statement of financial position as at 31 December 2018, the statement of income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of N.V. VSH FOODS in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the 2018 financial statements, our responsibility is to read the other information included in the annual report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Based on the procedures performed, the other information included in the annual report is not materially inconsistent with the financial statements and appears not materially misstated.

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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 on the basis of these financial statements.

As part of an audit we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the 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 the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Paramaribo, February 22, 2019
Lutchman & Co N.V., Accountants

Represented and signed by
D. de Keyzer AA chartered accountant

Statement of Income for the year ended 31 December 2018

in SRD	Note	2018	2017
REVENUE			
Industry			
Sales		41,315,073	39,579,745
Cost of sales		(23,417,311)	(23,800,388)
		17,897,762	15,779,357
Costs			
Personnel expenses	6	(5,750,298)	(4,552,292)
Distribution costs		(414,535)	(357,688)
Administrative expenses	7	(6,791,070)	(6,985,569)
Depreciation	11	(1,391,719)	(764,148)
Provision	7	(69,986)	(45,545)
		(14,417,608)	(12,705,242)
Finance costs		(454,180)	(357,881)
Investment income		19,116	356
Other income	5	223,749	553,019
		(211,315)	195,494
Profit before tax		3,268,839	3,269,609
Income tax	8	1,169,900	1,176,931
Net Profit		2,098,939	2,092,678
Earnings per share			
Number of shares outstanding		1,304,714	1,304,714
Earnings per share	9	1.61	1.60
Division of profit			
Interim dividend		391,414	195,707
Final dividend		195,707	391,414
Addition to retained earnings		1,511,818	1,505,557
		2,098,939	2,092,678

The accompanying notes on pages 30 to 40 are an integral part of these financial statements.

Paramaribo, 22 February 2019

Supervisory Board

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

Managing Director

M. Telting

Statement of Financial Position at 31 December 2018

in SRD	Note	At 31 December 2018	At 31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	11	12,055,148	11,268,505
Subsidiary interest		200,000	200,000
Financial assets	12	343,611	538,667
Hire purchase installments	18	671,741	995,748
Total non-current assets		13,270,500	13,002,920
Current Assets			
Inventories	14	15,582,474	12,711,276
Trade and other receivables	15	4,227,813	4,633,372
Income tax receivable	8	-	786,613
Cash and cash equivalents	16	5,018,384	905,800
Total current assets		24,828,671	19,037,061
Total assets		38,099,171	32,039,981
EQUITY AND LIABILITIES			
Equity			
Share capital	17	130,471	130,471
Capital in excess of par value	3/17	431,634	431,634
Revaluation reserve	4/17	1,411,645	1,600,461
Retained earnings		12,405,930	11,032,100
Net profit		2,098,939	2,092,678
Total equity		16,478,619	15,287,344
LIABILITIES			
Non-current liabilities			
Deferred taxes	8	2,422,318	2,728,761
Long-term borrowings	20	3,993,287	-
Hire purchase	18	2,074,771	2,538,620
Total non-current liabilities		8,490,376	5,267,381
CURRENT LIABILITIES			
Provisions	19	314,512	300,470
Short-term borrowings	20	3,257,921	1,869,641
Income tax payable	8	82,853	-
Trade and other payables	21	9,474,890	9,315,145
Total current liabilities		13,130,176	11,485,256
Total equity and liabilities		38,099,171	32,039,981

The accompanying notes on pages 30 to 40 are an integral part of these financial statements.

Paramaribo, 22 February 2019

Supervisory Board

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

Managing Director

M. Telting

Statement of Changes in Equity for the year ended 31 December 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	-	-	-	2,092,678	2,092,678
Interim dividend	-	-	-	(195,707)	(195,707)
Revaluation	-	-	(6,239)	-	(6,239)
Realized revaluation PP&E	-	-	(63,980)	63,980	-
Equity at 31 December 2017 before appropriation of profit	130,471	431,634	1,600,461	13,124,778	15,287,344
Appropriation of profit					
Final dividend	-	-	-	(391,414)	(391,414)
Equity at 31 December 2017 after appropriation of profit	130,471	431,634	1,600,461	12,733,364	14,895,930
Net profit	-	-	-	2,098,939	2,098,939
Interim dividend	-	-	-	(391,414)	(391,414)
Revaluation	-	-	(124,836)	-	(124,836)
Realized revaluation PP&E	-	-	(63,980)	63,980	-
Equity at 31 December 2018 before appropriation of profit	130,471	431,634	1,411,645	14,504,869	16,478,619
Appropriation of profit					
Proposed Final dividend	-	-	-	(195,707)	(195,707)
Equity at 31 December 2018 after appropriation of profit	130,471	431,634	1,411,645	14,309,162	16,282,912

The accompanying notes on pages 30 to 40 are an integral part of these financial statements.

Paramaribo, 22 February 2019

Supervisory Board

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

Managing Director

M. Telting

Statement of Cash Flows for the year ended 31 December 2018

in SRD	2018	2017
Cash flows from operating activities		
Profit before tax	3,268,839	3,269,609
<i>Adjusted for:</i>		
- Depreciation	1,391,719	764,148
- Provisions	69,986	45,545
- Investment income	(19,116)	(356)
- Interest expenses	454,180	357,881
<i>Changes in working capital:</i>		
- Change in inventories	(2,871,198)	1,976,362
- Change in trade and other receivables	405,559	(1,524,909)
- Change in trade and other payables	159,745	1,530,318
- Adjustments regarding inventories and other receivables	(53,383)	34,527
Cash generated from operations	2,806,331	6,453,125
Claims paid	(2,561)	(5,598)
Paid interest	(454,180)	(357,881)
Paid income tax	(536,657)	(275,223)
Net cash generated from operating activities	1,812,933	5,814,423
Cash flows from investing activities		
Purchase of property, plant & equipment	(2,178,362)	(5,770,729)
Dividends received	19,116	-
Net cash used in investing activities	(2,159,246)	(5,770,729)
Cash flows from financing activities		
Proceeds and repayments from loans	5,381,567	(1,438,598)
Proceeds and repayments from hire purchase	(139,842)	1,293,935
Dividend	(782,828)	(195,707)
Net cash generated from / used in financing activities	4,458,897	(340,370)
Net increase / decrease in cash for the year	4,112,584	(296,676)
Cash and cash equivalents at 1 January	905,800	1,202,476
Cash and cash equivalents at 31 December	5,018,384	905,800

The accompanying notes on pages 30 to 40 are an integral part of these financial statements.

Paramaribo, 22 February 2019

Supervisory Board

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

Managing Director

M. Telting

Notes to the Financial Statement

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 financial statements refer to the Company's financial statements as at and for the year ended 31 December 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 and it is dormant.

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 financial statements have been prepared by the Management of the Company and were authorized for issue by the Supervisory Board on 22 February 2019 and will be submitted for approval to the Annual General Meeting of Shareholders on 15 March 2019.

2 Basis of preparation

2.1 Statement of compliance

The financial statements 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 2.6.

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 judgements

The preparation of financial statements requires Management to make judgements, 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 judgements in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in note 19.

2.5 Application of IFRS standards

Certain provisions from the following IFRS standards were applied to these 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

2.6 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 a subsidiary in the 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 statement of income.

The exchange rates used for the US Dollar (USD) and the EURO at 31 December are:

In SRD	2018	2017
USD	7.60	7.55
EURO	8.70	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
Equipment	5 - 10
Motor vehicles	5
Motor vehicles in hire purchase	5
Land is not depreciated	

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

Investments in progress are carried at cost on the basis of expenditure up to 31 December 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 December 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 last landed costs of 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 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.

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 statement of income 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 statement of financial position 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 payable

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 statement of income. The Company has no obligations for long-term employee benefits.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term benefits, if the Company has a present legal or constructive obligation to pay this amount, as a result of past service provided by the employee and the obligation can be estimated reliably.

Revenue

Sales 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 statement of income when the amount of revenue can be measured reliably, the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of products can be estimated reliably, and there is no continuing management involvement with the products.

Investment income

Dividends received during the year are recognized as investment income.

Expenses**Finance costs**

Finance costs comprises of borrowing costs, bank interest and bank charges and are recognized when incurred. All borrowing costs are recognized as an expense when incurred.

Operating lease payments

Payments made under operating leases are recognized in the 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 reporting date 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 statement of financial position 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 and for an investment loan.

3 Capital in excess of par value

The capital in excess of par value relates to the difference between nominal value and issued price of shares.

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	2018	2017
Proceeds from sales of empty drums	223,749	553,019

6 Personnel Expenses

in SRD	2018	2017
Salaries and wages	3,499,628	2,986,029
Bonuses	811,438	533,661
Medical insurance	347,788	285,235
Contribution to pension plan	327,947	295,271
Vacation allowances	245,103	218,799
Remuneration of Supervisory Board	77,688	55,000
Training	45,734	2,620
Other personnel expenses	394,972	175,677
Total personnel expenses	5,750,298	4,552,292

7 Administrative expenses and provisions**Administrative expenses**

in SRD	2018	2017
Marketing	960,053	1,088,610
Maintenance	821,376	671,333
Office costs	685,808	754,082
ICT costs	605,767	389,580
Utilities expenses	465,240	433,482
Manufacturing	461,646	452,574
Other administrative expenses	2,791,180	3,195,908
Total administrative expenses	6,791,070	6,985,569

Provisions

in SRD	2018	2017
Uncollectible amounts	38,000	-
Reduced marketability	16,603	80,072
Impairment loss / (gain) on inventory	15,383	(34,527)
Total provisions	69,986	45,545

8 Income tax payable / (receivable) and deferred tax

Income tax

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

Iron Inventory

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

Dividend withholding exemption

For the calculation of the income tax 2018, dividend withholding exemption has been taken into consideration for dividend income to the amount of SRD 19,116 (2017: SRD 356).

The income tax payable / (receivable) is specified as follows:

in SRD	2018	2017
Balance at 1 January	(786,613)	(1,785,693)
Paid during the year	(536,657)	275,223
Due for the year	1,169,900	1,176,931
Iron Inventory Adjustments	198,934	60,083
Depreciation of PP&E	35,989	35,989
Accelerated depreciation	1,300	1,300
Balance at 31 December	82,853	(786,613)

Deferred tax

Deferred tax relates 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. In this financial year part of the investment made in PP&E was fully depreciated. A tax rate of 36% is used for the determination of this liability.

in SRD	2018	2017
Balance at 1 January	2,728,761	2,829,643
Revaluation of non-current financial assets	(70,220)	(3,510)
Iron inventory adjustments	(198,934)	(60,083)
Release depreciation of PP&E	(35,989)	(35,989)
Release accelerated depreciation	(1,300)	(1,300)
Balance at 31 December	2,422,318	2,728,761

9 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 2018 was based on the profit attributable to ordinary Shareholders of the Company of SRD 2,098,939 (2017: SRD 2,092,678) and a weighted average number of ordinary shares outstanding during the year of 1,304,714 (2017: 1,304,714).

	2018	2017
Number of shares	1,304,714	1,304,714
Earnings per share in SRD	1.61	1.60

10 Dividends paid and proposed

The following dividends were declared and paid by the Company:

	2018	2017
Final dividend previous year SRD 0.30 per share (2016: SRD 0.00)	391,414	-
First quarter interim dividend SRD 0.10 per share (2017: SRD 0.15)	130,471	195,707
Second quarter interim dividend SRD 0.10 per share (2017: SRD 0.00)	130,471	-
Third quarter interim dividend SRD 0.10 per share (2017: SRD 0.00)	130,472	-
	782,828	195,707

Management proposes total dividend for 2018 of SRD 0.45 per share (2017: SRD 0.45)

587,121 587,121

The proposed dividend 2017 was adopted by the Annual General meeting of Shareholders 16 March 2018.

11 Property, plant and equipment (PP&E)

Changes in PP&E in 2018 are as follows:

in SRD	Total	Property	Plant	Equipment	Motor vehicles	Motor vehicles in hire purchase	Investments in Progress
Book value 1 January 2017	6,261,924	2,334,389	2,714,849	485,503	-	-	727,183
Investment	5,770,729	-	-	-	-	1,871,268	3,899,461
Depreciation	(764,148)	(120,905)	(367,622)	(221,143)	(8,091)	(46,387)	-
Transfer	-	10,054	68,261	258,053	100,408	-	(436,776)
Book value 31 December 2017	11,268,505	2,223,538	2,415,488	522,413	92,317	1,824,881	4,189,868
Investment	2,178,362	-	-	-	-	89,956	2,088,406
Depreciation	(1,391,719)	(134,586)	(551,391)	(383,187)	(21,413)	(301,142)	-
Transfer	-	749,827	3,278,849	1,520,876	-	-	(5,549,552)
Book value 31 December 2018	12,055,148	2,838,779	5,142,946	1,660,102	70,904	1,613,695	728,722
Consists of:							
Current Value	22,387,930	5,491,346	10,134,910	3,971,320	100,408	1,961,224	728,722
Accumulated Depreciation	(10,332,782)	(2,652,567)	(4,991,964)	(2,311,218)	(29,504)	(347,529)	-
Book value 31 December 2018	12,055,148	2,838,779	5,142,946	1,660,102	70,904	1,613,695	728,722

The property, plant and equipment are insured against fire up to USD 4,104,504 (SRD 31,194,230).

The motor vehicle is insured for all risks up to USD 11,250 (SRD 85,500).

The motor vehicles in hire purchase are insured for all risks up to USD 342,500 (SRD 2,603,000).

12 Financial assets

Non-current Financial assets consists of shares in listed companies. The shares are measured at their fair value, which is the closing price of the last trading session in December 2018 of the Suriname stock exchange.

in SRD	Numbers of shares	Price	Currency	2018	2017
Funds					
Assuria N.V.	3,600	85.00	SRD	306,000	339,120
De Surinaamsche Bank N.V.	4,179	9.00	SRD	37,611	199,547
Total financial assets				343,611	538,667

13 Pension

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 2018 amounted to SRD 327,947 (2017: SRD 295,271). This amount is recognized under personnel expenses.

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

Personnel	SRD 78,000
Staff	SRD 162,500
Management	SRD 260,000

Pension liabilities of the foundation at 31 December 2018 amounted to SRD 49,430,278³ and the total equity amounted to SRD 73,902,812³.

14 Inventories

in SRD	2018	2017
Raw materials and packaging	7,928,016	6,406,884
Trading goods	248,318	219,618
Finished goods	751,731	722,853
Supplies and spare parts	603,069	560,047
Prepaid goods in transit	6,051,340	4,801,874
Total inventories	15,582,474	12,711,276

The impairment loss recognized in the current year was SRD 15,383 (2017: impairment gain SRD 34,527). The prepaid goods in transit are insured against loss or damage up to USD 100,000 any one conveyance for machinery, equipment, packaging and other raw materials.

15 Trade and other receivables

in SRD	2018	2017
Trade receivables	3,790,457	4,273,189
Other receivables:		
Deposits	11,722	4,068
Medical insurance	35,884	-
Fire insurance	86,524	82,035
Marine Insurance	5,910	16,570
Financing costs hire purchase	284,724	248,937
Other receivables	12,592	8,573
Total trade and other receivables	4,227,813	4,633,372

At 31 December 2018 trade receivables are shown net of an allowance for uncollectible amounts of SRD 931,193 (2017: SRD 893,193).

The impairment loss recognized in the current year was SRD 38,000 (2017: SRD 0).

16 Cash and cash equivalents

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

in SRD	2018	2017
Denominated in SRD	1,339,181	625,514
Denominated in USD	3,645,385	214,938
Denominated in EURO	33,818	65,348
Total cash and cash equivalents	5,018,384	905,800

The cash and cash equivalents are freely available; an amount of SRD 3,627,642, denominated in USD, is allocated for investments.

17 Share capital, capital in excess of par value and revaluation reserve

Share capital

At 31 December 2018 the issued share capital comprised of 1,304,714 shares (2017: 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.

18 Hire purchase

In 2017 the company entered into a hire purchase contract with Fernandes Autohandel N.V. for its distribution trucks. The company agreed upon an installment plan which divides the financial obligation into sixty monthly payments with a final payment of 15% at the end of contract period.

The installment for the total obligation is as follows:

in SRD	2018	2017
Balance at 1 January	3,077,690	-
Movements:		
Revaluation loss	16,811	-
Proceed	109,440	3,167,225
Installments	(419,188)	(64,973)
Interest	(145,454)	(24,562)
Balance at 31 December	2,639,299	3,077,690
Consists of:		
Due within one year (USD 74,280)*	564,528	539,070
Between one and five years (USD 272,996)	2,074,771	2,538,620

*the short-term portion is incorporated in short-term borrowings

19 Provisions and commitments

Product warranty

This warranty 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 2018 a provision of 0.75%, as was agreed with the Tax Authorities, of the gross sales of margarine, shortening and butter was recognized amounting to SRD 314,512.

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

in SRD	2018	2017
Balance at 1 January	300,470	225,996
Used during the year	(2,561)	(5,598)
	297,909	220,398
Addition	16,603	80,072
Balance at 31 December	314,512	300,470

Commitments

Operational leases

The total commitment for future minimum lease payments under non-cancelable operational leases per statement of financial position date amount to:

in SRD	2018	2017
Due within one year (USD 15,196) (2017: USD 43,595)	115,490	329,142
Between one and five years (USD 0) (2017: USD 12,887)	-	97,297
Total	115,490	426,439

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

Stock option

An Executive performance system is in place within the Company. With this system an important part of Managing Director's bonuses is 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.

20 Borrowings

Borrowings consists of a long-term loan for investments in buildings and machinery and a short-term loan which comprise of one collateral bank overdraft facility.

On 17 Augustus 2018 a five-year loan in the amount of SRD 5,000,000 was signed with a local financial institute. The interest rate is 11%.

The collateral encompasses:

- a mortgage on land at Indira Gandhiweg 157
- first beneficiary on the fire insurance

On 19 June 2018, the Company obtained an overdraft facility from a local financial institute of a maximum of USD 250,000 to finance working capital requirements on an ongoing basis during the year. The balance at year end amounted to USD 247,040 (SRD 1,877,501) (2017: USD 176,235).

The fixed rate is 9.05% per annum. The collateral given to the bank are:

- pledge of fixed assets
- fiduciary assignment of inventories
- fiduciary assignment of machinery and equipment

21 Trade and other payables

in SRD	2018	2017
Trade payables	8,085,413	7,995,606
<i>Other payables:</i>		
Employee benefits	428,762	357,674
Medical insurance	-	70,000
Other payables	960,715	891,865
Total trade and other payables before profit distribution	9,474,890	9,315,145
Proposed final dividend	195,707	391,414
Total trade and other payables after profit distribution	9,670,597	9,706,559

22 Related party disclosure

Supervisory Board

The remuneration of the Supervisory Board is approved by the Annual General Meeting of Shareholders. In 2018 the total remuneration amounted to SRD 77,688 (2017: SRD 55,000).

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 a bonus. Performance of the Managing Director is measured against a yearly minimum target of 20% of Return on Capital Employed (short-term) and a three-year target of 21.79% for growth in gross profit (long-term).

Capital Employed at the beginning of the year amounted to SRD 20,554,725 and the Return on Capital Employed achieved in 2018 was 16.21% (2017: 20.15%). The minimum return on Capital Employed was not achieved in 2018 so the Managing Director did not earn the short-term bonus.

Over the three-year period profit before tax decreased from SRD 3,490,176 in 2015 to SRD 3,268,868 in 2018. Therefore, the long-term target was not achieved.

Related parties' transactions

The Chief Executive Officer of VSH United is a member of the Supervisory Board of the Company. The Company is charged by VSH United for IT related services and payroll services. 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

The related party transactions are executed on an arm's length basis. Outstanding balances are not secured, do not carry interest and are settled with cash and cash equivalents.

The yearly charges for services are:

in SRD	2018	2017
IT related services and payroll services	605,766	393,732

At 31 December 2018 the Company owed VSH Transport SRD 266,242. These amounts are included in trade payables.

Contribution

In 2018 the total contribution to the VSH Community Fund amounted to SRD 41,155 (2017: SRD 60,278).





N.V. VSH FOODS

Indira Gandhiweg 157, Paramaribo, Suriname | South America

Phone (597) 482600 | **Fax** (597) 480301 | **Email** infofoods@vshunited.com | **Website** www.vshfoods.com