

N.V. VSH FOODS



First Half Year Report 2019

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 2019.....	3
Condensed Statement of Income for the six months ended 30 June 2019	4
Condensed Statement of Financial position at 30 June 2019	5
Condensed Statement of Changes in Equity for the six months ended 30 June 2019	6
Condensed Statement of Cash Flows for the six months ended 30 June 2019	7
Notes to the Condensed Interim Financial Statements as at and for the six months ended 30 June 2019.....	8
Independent Auditor's report on review of interim financial information.....	10

Managing Director's Report First Half Year 2019

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 63.13% (2018: 56.01%) of the shares of N.V. VSH FOODS.

THE COMPANY

On 15 March 2019 the Annual General Meeting of Shareholders approved the financial statements 2018 and the proposed dividend 2018 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 2019 the first quarter interim dividend 2019 of SRD 0.10 per share was paid based on our approved dividend policy. In line with our approved dividend policy, second quarter interim dividend of SRD 0.10 per share was paid on 15 August 2019.

The HIGHLIGHTS

- Overall volume down 0.4%
- Local volume up 1.3%
- Export volume down 6.3%
- Sales down 2.1%
- Cost of sales down 8.0%
- Gross margin growth 5.3%
- Profit before tax down 18.1% (2019: SRD 1,442,562 versus 2018: SRD 1,761,274)

Sales

Local retail volume is down compared to the same period last year. In April we adjusted our prices for Golden Brand block 227 gram making it more affordable. Local volume growth was realized in the food service category.

In the first quarter we experienced slow sales in one of our main export markets and we were not able to recover. The forecasted export volume to Guyana was not realized as we were not able to overcome logistical challenges.

Production

Our capital investments in the production department will commence in August 2019. We expect the new equipment to be operational in the first week of October 2019.

THE OUTLOOK FOR THE SECOND HALF YEAR

For the remainder of the year we will focus on initiatives to increase local retail volume and revenue.

Net profit for the year 2019 is expected to be in line with our projections.

Paramaribo, 16 August 2019

Managing Director
Marlon Telting

Condensed Statement of Income

for the six months ended 30 June 2019

	1 January - 30 June 2019	1 January - 30 June 2018
	SRD	SRD
Revenue		
Sales	18,056,672	18,440,098
Cost of sales	(9,451,870)	(10,271,446)
Gross margin	8,604,802	8,168,652
Costs		
Personnel expenses	(2,812,651)	(2,833,381)
Distribution costs	(212,612)	(191,985)
Administrative expenses	(2,986,295)	(2,752,976)
Depreciation	(859,113)	(593,951)
Total expenses from operating activities	(6,870,671)	(6,372,293)
Finance costs	(397,884)	(152,619)
Investment income	4,824	12,456
Other income	101,491	105,078
Total other income (expense)	(291,569)	(35,085)
Profit before tax	1,442,562	1,761,274
Income tax	(517,586)	(629,574)
Net profit	924,976	1,131,700
EARNINGS PER SHARE		
Number of shares outstanding	1,304,714	1,304,714
Earnings per share	0.71	0.87

Paramaribo, 16 August 2019

Supervisory Board

J.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 2019

	At 30 June 2019 SRD	At 31 December 2018 SRD
ASSETS		
Non-current assets		
Property, plant and equipment	15,339,765	12,055,148
Subsidiary interest	200,000	200,000
Financial assets	343,611	343,611
Hire purchase installments	524,433	671,741
Total non-current assets	16,407,809	13,270,500
Current assets		
Inventories	15,328,344	15,582,474
Trade and other receivables	1,848,342	4,227,813
Income tax receivable	884,747	-
Cash and cash equivalents	2,445,174	5,018,384
Total current assets	20,506,607	24,828,671
Total assets	36,914,416	38,099,171
EQUITY AND LIABILITIES		
Equity		
Share capital	130,471	130,471
Capital in excess of par value	431,634	431,634
Revaluation reserve	1,379,654	1,411,645
Retained earnings	14,210,682	12,405,930
Result for the period	924,976	2,098,939
Total equity	17,077,417	16,478,619
Liabilities		
Non-current liabilities		
Deferred taxes	2,404,323	2,422,318
Long-term borrowings	3,551,055	3,993,287
Hire purchase	1,866,360	2,074,771
Total non-current liabilities	7,821,738	8,490,376
Current liabilities		
Provisions	312,222	314,512
Short-term borrowings	2,497,996	3,257,921
Income tax payable	-	82,853
Trade and other payables	9,205,043	9,474,890
Total current liabilities	12,015,261	13,130,176
Total equity and liabilities	36,914,416	38,099,171

Paramaribo, 16 August 2019

Supervisory Board

J.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 2019

in SRD	Share capital	Capital in excess of par value	Revaluation reserve	Retained earnings	Total
Equity at 1 January 2018	130,471	431,634	1,600,461	12,733,364	14,895,930
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	-
Equity at 30 June 2018	130,471	431,634	1,565,039	13,766,674	15,893,818
Net profit	-	-	-	967,239	967,239
Interim dividend	-	-	-	(260,943)	(260,943)
Revaluation	-	-	(121,495)	-	(121,495)
Realized revaluation PP&E	-	-	(31,899)	31,899	-
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					
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
Net profit	-	-	-	924,976	924,976
Interim dividend	-	-	-	(130,471)	(130,471)
Realized revaluation PP&E	-	-	(31,991)	31,991	-
Equity at 30 June 2019	130,471	431,634	1,379,654	15,135,658	17,077,417

Paramaribo, 16 August 2019

Supervisory Board

J.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 2019

	30 June 2019	30 June 2018
	SRD	SRD
Cash flows from operating activities		
Profit before tax	1,442,562	1,761,274
<i>Adjusted for:</i>		
- Depreciation	859,113	593,951
- Investment income	(4,824)	(12,456)
- Interest expenses	397,884	152,619
<i>Changes in working capital:</i>		
- Change in inventories	254,130	(4,579,022)
- Change in trade and other receivables	2,379,471	2,629,928
- Change in trade and other payables	(269,847)	1,867,017
Cash generated from operations	5,058,489	2,413,311
Claims paid	(2,289)	(1,201)
Paid interest	(397,884)	(152,619)
Paid income tax	(1,503,181)	(536,655)
Net cash generated from operating activities	3,155,135	1,722,836
Cash flows from investing activities		
Purchase of property, plant & equipment	(4,143,730)	(1,455,772)
Dividend received	4,824	12,456
Net cash used in investing activities	(4,138,906)	(1,443,316)
Cash flows from financing activities		
Proceeds and repayments from loans	(1,202,157)	358,717
Proceeds and repayments from hire purchase	(61,103)	(118,739)
Dividend	(326,179)	(521,886)
Net cash used in financing activities	(1,589,439)	(281,908)
Net decrease in cash for the year	(2,573,210)	(2,388)
Cash and cash equivalents at 1 January	5,018,384	905,800
Cash and cash equivalents at 30 June	2,445,174	903,412

Paramaribo, 16 August 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 condensed interim financial statements as at and for the six months ended 30 June 2019

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 2019.

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 63.13% (2018: 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 16 August 2019.

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

2. Accounting policies

Basis of preparation

These condensed interim financial statements for the reporting period ended 30 June 2019 have been prepared under guidelines set forth by Accounting Standard IAS 34 'Interim Financial Reporting'.

The accounting policies followed in these condensed interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2018.

These condensed interim financial statements do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2018 annual report.

3. 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 income statement.

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

In SRD	30 June 2019	31 December 2018	30 June 2018
USD	7.90	7.60	7.55
EURO	8.99	8.70	8.80

4. Related party transactions

The Company participates in the VSH Community Fund.

This non-profit foundation was established on 22 August 2008 to finance and coordinate community projects on behalf of the VSH United. The Company contributes on a final monthly basis 1.5% of the profit before tax to the VSH Community Fund. For the six months ended 30 June 2019 a total amount of SRD 33,934 (First half year 2018: SRD 20,567) was contributed by the Company.

5. Dividend

The proposed dividend 2018 was adopted in de Annual General Meeting of Shareholders of 15 March 2019. The final dividend 2018 of SRD 0.15 per share as well as the first quarter interim dividend 2019 of SRD 0.10 per share were declared and paid by the Company during the first half year of 2019.

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To: The Shareholders 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 2019, the condensed statements of income, changes in equity and cash flows for the period of six months ended 30 June 2019, 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 2019 is not prepared, in all material respects, in accordance with generally accepted accounting principles for interim financial reporting.

Paramaribo, 16 August 2019

Lutchman & Co N.V.

Represented and signed by
D. de Keyzer AA chartered accountant