

N.V. VSH FOODS

First Half Year Report 2020

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.

To ensure growth, profitability and continuity of the Company for the benefit of our customers, shareholders, employees and the community:

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

By continuously monitoring and improving, where possible, the production process with the help of our quality system and thereby guaranteeing the market hygienic and safe products that comply with applicable legislation and the demands of our customers.

OUR CORE VALUES

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

- Your success is our desire
- Trust in our relationships and personally responsible for all our actions
- Creating a better company for a better world.

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Managing Director's Report First Half Year 2020

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 margarine and today, Gelebek, 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% of the shares of N.V. VSH FOODS.

THE COMPANY

As a result of the measures taken by the government of Suriname regarding the outbreak of the COVID-19 pandemic, the statutory Annual General Meeting of Shareholders to approve the financial statements 2019 was postponed and is now scheduled for 24 August 2020.

The HIGHLIGHTS

- Overall volume up 11.9%
- Local volume up 0.2%
- Export volume up 58.7%
- Gross profit growth 34.7%
- Earnings before tax resulted in a loss of SRD 2,421,676 (2019: Profit of SRD 1,442,562).

Overall

The first half of 2020 was marked by an economic and monetary crisis, as well as by the COVID-19 pandemic. The COVID-19 outbreak forced the Suriname government to take measures such as a lock down which effected the economy. We anticipated on movement restrictions on out-of-home with a STAY HOME AND BAKE campaign which in part mitigated the negative impact on our business. Our COVID-19 related cost were SRD 165,000 which includes expenses for employee safety protocols and allowances. The exact financial impact of COVID-19 for the full year remains difficult to quantify and will depend on the duration and government measures.

The exchange rate for the US dollar increased from SRD 8.20 on 02 January 2020 to SRD 15.00 on 30 June 2020. The twelvemonth inflation (June 2019 to June 2020) was 35.2%¹. Total personnel expenses increased by 21.6% compared to the same reporting period last year. The administrative expenses increased by 20.46%. Earnings before tax declined to a loss of SRD 2,421,676 (first half year 2019: profit of SRD 1,442,562).

¹Source: General Bureau of Statistics Suriname

Sales

Our overall local retail volume increased by 12.0% compared to the same period last year while bulk volume showed a decline of 10.5%. Overall local volume grew by 0.2% versus the same period last year. Our butter volume grew by 4.2% but the total local market has not recovered since the recession of 2016.

In the first half of the year we had to adjust our prices to maintain profitability because of the increasing exchange rate for the US dollar.

Overall Export volume is growing and has increased with 58.7% versus the same period last year. Driver for this growth is the Trinidad market with 96.7% where we see sustainable growth in retail.

Production

We adapted to the “new normal” and have put measures in place to decrease the risk of COVID-19 infection amongst our personnel and to guarantee production continuity.

In January 2020 we started the final installation phase of the capital investments in the production department. We were able to perform installation activities without any downtime and adjusted our production hours to compensate for the lower production capacity. Commissioning is scheduled in August 2020.

THE OUTLOOK FOR THE SECOND HALF YEAR

We are convinced that the results will improve in the second half of the year. This outlook is strengthened by the sales growth over the first half of the year. A positive result is expected for the full year.

In view of the disappointing first half year result and the reduced cash flow, the management has recommended to suspend interim dividend payments. The Supervisory Board has approved the suspension until short and medium-term prospects improve.

Paramaribo, 20 August 2020

Managing Director
Marlon Telting

Condensed Statement of Financial position at 30 June 2020

	At 30 June 2020	At 31 December 2019
	SRD	SRD
ASSETS		
Non-current assets		
Property, plant and equipment	19,481,365	20,390,340
Intangible assets	154,949	187,007
Subsidiary interest	200,000	200,000
Financial assets	336,411	337,311
Total non-current assets	20,172,725	21,114,658
Current assets		
Inventories	17,490,012	11,765,291
Trade and other receivables	2,214,841	3,086,257
Income tax receivable	75,859	43,342
Deferred tax assets	871,803	-
Cash and cash equivalents	2,687,391	2,303,345
Total current assets	23,339,906	17,198,235
Total assets	43,512,631	38,312,893
EQUITY AND LIABILITIES		
Equity		
Share capital	130,471	130,471
Capital in excess of par value	431,634	431,634
Revaluation reserve	1,311,066	1,343,633
Retained earnings	16,956,341	13,977,925
Net earnings	(1,549,873)	2,946,425
Total equity	17,279,639	18,830,088
Liabilities		
Non-current liabilities		
Deferred taxes	2,410,069	2,428,388
Long-term borrowings	2,597,971	3,089,775
Lease liability	2,128,837	1,378,351
Total non-current liabilities	7,136,877	6,896,514
Current liabilities		
Provisions	352,847	323,153
Short-term borrowings and lease liability	3,151,501	3,272,988
Trade and other payables	15,591,767	8,990,150
Total current liabilities	19,096,115	12,586,291
Total equity and liabilities	43,512,631	38,312,893

The comparison figures are adjusted on long-term borrowings regarding the installments for 2020. This correction is presented on short-term borrowings.

Paramaribo, 20 August 2020

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 Profit or Loss for the six months ended 30 June 2020

	1 January - 30 June 2020	1 January - 30 June 2019
	SRD	SRD
Sales	23,150,311	18,056,672
Cost of sales	(11,561,909)	(9,451,870)
Gross profit	11,588,402	8,604,802
Personnel expenses	(3,419,909)	(2,812,651)
Distribution costs	(356,798)	(212,612)
Administrative expenses	(3,731,166)	(3,097,335)
Depreciation /amortization	(967,491)	(859,113)
Provision	(33,744)	-
Total expenses from operations	(8,509,108)	(6,981,711)
Earnings from operations	3,079,294	1,623,091
Finance costs	(407,858)	(397,884)
Exchange rate gains /(losses)	(5,179,019)	111,040
Investment income	-	4,824
Other non-operating income	85,907	101,491
Earnings before tax	(2,421,676)	1,442,562
Income tax	871,803	(517,586)
Net earnings	(1,549,873)	924,976

Paramaribo, 20 August 2020

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 2020

in SRD	Share capital	Capital in excess of par value	Revaluation reserve	Retained earnings	Total
Equity at 1 January 2019	130,471	431,634	1,411,645	14,309,162	16,282,912
Net earnings	-	-	-	923,240	923,240
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	15,133,922	17,075,681
Net earnings	-	-	-	2,023,185	2,023,185
Interim dividend	-	-	-	(260,943)	(260,943)
Unclaimed dividend	-	-	-	18,774	18,774
Correction previous year	-	-	-	(22,577)	(22,577)
Revaluation	-	-	(4,032)	-	(4,032)
Realized revaluation PP&E	-	-	(31,989)	31,989	-
Equity at 31 December 2019 before appropriation of profit	130,471	431,634	1,343,633	16,924,350	18,830,088
Appropriation of profit					
Final dividend	-	-	-	-	-
Equity at 31 December 2019 after appropriation of profit	130,471	431,634	1,343,633	16,924,350	18,830,088
Net earnings	-	-	-	(1,549,873)	(1,549,873)
Revaluation	-	-	(576)	-	(576)
Realized revaluation PP&E	-	-	(31,991)	31,991	-
Equity at 30 June 2020	130,471	431,634	1,311,066	15,406,468	17,279,639

Paramaribo, 20 August 2020

Supervisory Board

J.J. Healy Jr., Chairman
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A. Brahim
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Managing Director

M. Telting

Condensed Statement of Cash Flows for the six months ended 30 June 2020

	30-Jun-20	30-Jun-19
	SRD	
Cash flows from operating activities		
Earnings before tax	(2,421,676)	1,442,562
<i>Adjusted for:</i>		
- Depreciation / amortization	967,491	859,113
- Provisions	33,744	-
- Investment income	-	(4,824)
- Finance costs	407,858	397,884
<i>Changes in working capital:</i>		
- Change in inventories	(5,724,721)	254,130
- Change in trade and other receivables	871,416	2,379,471
- Change in trade and other payables	6,601,617	(269,847)
- Unpaid dividend	-	(35,514)
Cash generated from operations	735,729	5,022,975
Claims paid	(4,050)	(2,289)
Paid finance costs	(407,858)	(397,884)
Paid income tax	(50,512)	(1,503,181)
Net cash generated from operating activities	273,309	3,119,621
Cash flows from investing activities		
Investment in property, plant & equipment	(26,458)	(4,143,730)
Dividend received	-	4,824
Net cash used in investing activities	(26,458)	(4,138,906)
Cash flows from financing activities		
Proceeds and repayments of borrowings	(613,291)	(1,202,157)
Proceeds and repayments of lease liability	750,486	(61,103)
Dividend paid	-	(290,665)
Net cash generated from/ (used in) financing activities	137,195	(1,553,925)
Net increase/ (decrease) in cash and cash equivalents	384,046	(2,573,210)
Cash and cash equivalents at 1 January	2,303,345	5,018,384
Cash and cash equivalents at 30 June	2,687,391	2,445,174

Paramaribo, 20 August 2020

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 2020

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 2020.

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% (first half year of 2019: 63.13%) 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 20 August 2020.

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 2020 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 2019.

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 2019 annual report.

3. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the internal rates derived from 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 profit or loss.

The exchange rates used for the USD and the EURO at reporting date are:

In SRD	30 June 2020	31 December 2019	30 June 2019
USD	15.00	8.20	7.90
EURO	16.81	9.20	8.99

4. Related party 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 salary administration. The Company also purchases goods and services from other subsidiaries of VSH United. The Company participates in the VSH Community Fund.

Charges for services

At 30 June 2020 the intercompany balance with the VSH group is as follows:

The Company owed

- N.V. VSH Transport SRD 732,235
- N.V. VSH Trading SRD 46,003
- VSH United SRD 293,454

These amounts are included in trade payables.

Contribution

The Company contributes on a final monthly basis 1.5% of the profit before tax to 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. For the six months ended 30 June 2020 a total amount of SRD 23,969 (first half year 2019: SRD 33,934) was contributed by the Company.

5. Dividend

As a result of the postponed statutory Annual General Meeting of Shareholders the dividend 2019 has not been adopted at reporting date.

During the first half year of 2020 no dividend was paid.

6. Subsequent Events

The developments around the COVID-19 outbreak forced the Suriname government to tighten measurements. It is still difficult to assess the impact on our business for the second half year.

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED 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 2020, the condensed statements of profit or loss, changes in equity and cash flows for the six months ended 30 June 2020, 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 2020 is not prepared, in all material respects, in accordance with generally accepted accounting principles for interim financial reporting.

Paramaribo, 20 August 2020

Lutchman & Co N.V.

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