

N.V. VSH FOODS



First Half Year Report 2023

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 a 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 2023

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 65.34% of the shares of N.V. VSH FOODS.

THE COMPANY

On 23 Juni 2023 the Annual General Meeting of Shareholders approved the financial statements for 2022 and the payment of a cash dividend of SRD 5.20 per share. This represents a pay-out ratio of 30.1%. The members of the Supervisory Board Mr. S. Smit, Mr. A. Brahim, Mr. P. Healy, Mr. P. Brahim and Mr. A. Venetiaan were re-elected.

BUSINESS ENVIRONMENT

On 1 January 2023 Value Added Tax was introduced which led to increased retail prices. It is a major challenge for the government to effectively enforce this new tax. The successful implementation of Suriname's macroeconomic stabilization program is essential as consumer purchase power continues to decline.

The import of raw materials and packaging is a major challenge for manufacturing companies because there is limited foreign currency available. The exchange rate for the US dollar increased from SRD 31.80 on 02 January 2023 to SRD 37.59 on 30 June 2023. The annual inflation (June 2022 to June 2023) was 54.7%¹.

PERFORMANCE HIGHLIGHTS (compared to the same reporting period last year)

- Sales revenue up by 197.6%
- Gross profit growth of 210.4%
- Earnings before tax up by 221.6 %
- Overall sales volume up by 96.7%
- Export sales volume up by 297.8%

In the first half year of 2023 overall sales volume increased, driven by strong growth in our export markets. Domestic volume declined by 2.6%.

In the reporting period our earnings from operations increased to SRD 60,843,575 (first half year 2022: SRD 13,465,627). Our earnings before tax increased to SRD 64,464,829 (first half year 2022: SRD 20,045,698).

Total personnel expenses increased by 82.1% compared to the same reporting period last year. The administrative expenses increased by 50.3%.

¹ Source: General Bureau of Statistics Suriname
First Half Year Report 2023 N.V. VSH FOODS

THE OUTLOOK FOR THE SECOND HALF YEAR

For the remainder of the year we will maintain our strategic focus on improving our footprint in the export markets. Net earnings for the year 2023 are expected to exceed our budget.

Paramaribo, 11 August 2023

Managing Director
Marlon Telting

Condensed Statement of Financial Position at 30 June 2023

	At 30 June 2023	At 31 December 2022
ASSETS		
Non-current Assets		
Property, plant and equipment	49,364,490	42,106,488
Equity investments	395,073	581,384
Total non-current assets	49,759,563	42,687,872
Current Assets		
Inventories	155,786,716	55,430,413
Trade and other receivables	62,517,289	53,441,205
Cash and cash equivalents	3,141,902	11,171,524
Total current assets	221,445,907	120,043,142
Total assets	271,205,470	162,731,014
EQUITY AND LIABILITIES		
Equity		
Share capital	2,703,995	2,277,049
Share premium	9,473,484	7,977,672
Other reserves	(2,256,645)	(2,256,645)
Retained earnings	57,270,724	31,194,623
Net earnings	42,795,575	31,836,288
Total equity	109,987,133	71,028,987
Liabilities		
Non-current liabilities		
Deferred tax liabilities	21,941,882	21,936,954
Long- term employee benefit obligations	1,256,724	1,256,724
Long-term borrowings	1,333,438	1,474,042
Total non-current liabilities	24,532,044	24,667,720
Current liabilities		
Short- term employee benefit obligations	6,079	239,938
Short-term borrowings	50,872,172	22,761,689
Short-term lease liability	-	2,000,000
Income tax payables	28,802,525	8,312,265
Trade and other payables	57,005,517	33,720,415
Total current liabilities	136,686,293	67,034,307
Total equity and liabilities	271,205,470	162,731,014

Paramaribo, 11 August 2023

Supervisory Board

P. Healy, Chairman
S. Smit, Vice Chairman
A. Brahim
P. Brahim
A. Venetiaan

Managing Director

M. Telting

Condensed Comprehensive Statement of Income

for the six months ended 30 June 2023

	1 January - 30 June 2023	1 January - 30 June 2022
Sales	219,384,119	73,706,026
Cost of sales	(131,511,963)	(45,399,915)
Gross profit	87,872,156	28,306,111
Personnel expenses	(7,564,248)	(4,089,494)
Distribution expenses	(4,254,844)	(774,006)
Administrative expenses	(11,984,545)	(8,049,613)
Depreciation /amortization expenses	(3,224,935)	(1,927,371)
Total expenses from operations	(27,028,572)	(14,840,485)
Earnings from operations	60,843,584	13,465,627
Finance costs	(966,179)	(568,778)
Exchange rate (losses)/ gains	(2,200,938)	(326,562)
Investment income	-	5,535
Net monetary gains/losses	6,075,132	6,999,651
Other non-operating income	713,236	470,226
Earnings before tax	64,464,835	20,045,698
Income tax	(21,669,260)	(5,147,783)
Net earnings for the year	42,795,575	14,897,915
Other comprehensive income/ (loss)		
Items that will not be reclassified to profit or loss		
Actuarial loss on post-retirement obligation	-	-
Income tax on defined benefit obligation	-	-
Other comprehensive income net of taxes	-	-
Total comprehensive income	42,795,575	14,897,915

EARNINGS PER SHARE

Weighted average number of shares outstanding	1,280,837	1,280,837
Earnings per share	33.41	11.63

Paramaribo, 11 August 2023

Supervisory Board

P. Healy, Chairman
S. Smit, Vice Chairman
A. Brahim
P. Brahim
A. Venetiaan

Managing Director

M. Telting

Condensed Statement of Changes in Equity

for the six months ended 30 June 2023

in SRD	Share capital	Share premium	Retained earnings	Other Reserves	Total
Equity at 1 January 2022 before appropriation of earnings	1,540,566	5,397,392	33,878,500	(1,032,094)	39,784,364
Appropriation of net earnings					
Final dividend	-	-	(1,934,064)		(1,934,064)
Equity at 1 January 2022 after appropriation of earnings	1,540,566	5,397,392	31,944,436	(1,032,094)	37,850,300
Net result first half year	-	-	14,897,915	-	14,897,915
Other comprehensive income	-	-	-	-	-
Interim dividend	-	-	-	-	-
Hyperinflation adjustments on equity	81,831	286,700	-	-	368,531
Equity investment	-	-	15,233	-	15,233
Equity at 30 June 2022 before appropriation of earnings	1,622,397	5,684,092	46,857,584	(1,032,094)	53,131,980
Net result for the year	-	-	16,938,373	-	16,938,373
Other comprehensive income	-	-	-	(1,224,551)	(1,224,551)
Interim dividend	-	-	(768,502)	-	(768,502)
Hyperinflation adjustments on equity	654,652	2,293,580	-	-	2,948,232
Equity investment	-	-	3,456	-	3,456
Equity at 31 December 2022 before appropriation of earnings	2,277,049	7,977,672	63,030,911	(2,256,645)	71,028,987
Appropriation of net earnings					-
Proposed Final dividend	-	-	(5,891,850)		(5,891,850)
Equity at 31 December 2022 after appropriation of earnings	2,277,049	7,977,672	57,139,061	(2,256,645)	65,137,137
Net result first half year	-	-	42,795,575	-	42,795,575
Income Tax return 2002	-	-	122,902	-	122,902
Interim dividend	-	-	-	-	-
Hyperinflation adjustments on equity	426,946	1,495,812	-	-	1,922,758
Equity investment	-	-	8,761	-	8,761
Equity at 30 June 2023 before appropriation of earnings	2,703,995	9,473,484	100,066,299	(2,256,645)	109,987,133

Paramaribo, 11 August 2023

Supervisory Board
P. Healy, Chairman
S. Smit, Vice Chairman
A. Brahim
P. Brahim
A. Venetiaan

Managing Director
M. Telting

Condensed Statement of Cash Flows

for the six months ended 30 June 2023

	30 June 2023	30 June 2022
Cash flows from operating activities		
Earnings before tax	64,464,835	20,045,698
<i>Adjusted for:</i>		
- Depreciation and amortization expenses	3,224,935	1,927,371
- Depreciation cost to inventory	851,167	812,657
- Monetary gains and losses	(6,075,132)	(6,999,651)
- Provision employee benefit obligation	(233,859)	(212,799)
- Revaluation result on lease liabilities	-	99,324
- Maintenance and insurances on lease	-	264,317
- Investment income	-	(5,535)
- Previous years income tax return 2002	122,904	-
- Finance costs	966,179	568,778
<i>Changes in working capital:</i>		
- change in inventories	(100,356,303)	(16,036,419)
- change in trade and other receivables	(9,076,084)	5,210,132
- change in trade and other payables	23,285,102	(1,147,641)
- adjustment regarding payables	91,252	(295,543)
<i>Cash generated/ (used in) from operations</i>	<i>(22,735,004)</i>	<i>4,230,690</i>
Claims paid	-	(1,135)
Payment regarding defined return obligation	(233,859)	-
Paid interest on borrowings	(501,702)	(530,598)
Paid VAT	(7,471,342)	-
Paid income tax	(1,179,000)	(4,354,594)
Net cash generated/ (used in) from operating activities	(32,120,906)	(655,637)
Cash flows from investing activities		
Investment in property, plant and equipment	(3,336,215)	(1,025,178)
Write-off investment in VSH Energy	200,000	-
Dividend received	-	5,535
Net cash used in investing activities	(3,136,215)	(1,019,643)
Cash flows from financing activities		
(Repayments) and proceeds of borrowings	27,227,752	6,694,524
Payments of lease liability	-	(971,576)
Dividend paid	(253)	(1,761,413)
Net cash (used in)/ generated from financing activities	27,227,499	3,961,535
Net (decrease) in cash and cash equivalents for the year	(8,029,622)	2,286,255
Cash and cash equivalents at 1 January	11,171,524	1,405,122
Cash and cash equivalents at 30 June	3,141,902	3,691,377

Paramaribo, 11 August 2023

Supervisory Board

P. Healy, Chairman
S. Smit, Vice Chairman
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Managing Director

M. Telting

Notes to the condensed interim financial statements as at and for the six months ended 30 June 2023

1. Information on the reporting entity

N.V. VSH FOODS (the Company) is registered and domiciled in Suriname. The Company's registered office is at Indira Gandhiweg 157, Paramaribo Suriname. The condensed interim financial statements refer to the Company's financial statements as at and for the six months ended 30 June 2023.

The Company is involved in the manufacturing of butter, margarine and shortening and the sale and distribution of its products. The Company has a manufacturing plant at above mentioned address and sells in Suriname and the Caribbean.

The Company's parent, also its ultimate parent entity, is N.V. Verenigde Surinaamse Holdingmij-/ United Suriname Holding Company (VSH United). VSH United holds a majority share of 65.34% 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 11 August 2023.

These condensed interim financial statements have not been reviewed by the external accountant.

2. Basis of preparation

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in compliance with the revised act on annual reporting (Wet op de Jaarrekening 2017 no 84, zoals laatstelijk gewijzigd bij SB 2022 no 17).

For all periods up to and including the year ended 31 December 2021, the Company prepared its financial statements in accordance with local generally accepted accounting principles (Local GAAP). The financial statements for the year ended 31 December 2022 were the first the Company has prepared in accordance with IFRS.

Basis of preparation

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 2022.

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 2022 annual report.

Basis of measurement

The condensed financial statements have been prepared on a historical cost basis for the following items:

- Financial instruments at fair value
- Employee benefit obligations: Plan assets at fair value, Liability at present value.

Functional and presentation currency

The condensed financial statements are presented in SRD, which is the Company's presentation and functional currency. All financial information presented in SRD has been rounded to the nearest dollar.

Use of estimates, judgments and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

At the time of approving the interim condensed financial statements, management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

3. Foreign Exchange Rates

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 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.

Foreign currency transactions are translated into 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 reporting date are translated to the functional

currency at the exchange rate at that date. Foreign exchange differences are recognized in the statement of income and shown as a separate expense line.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

The exchange rates used for the USD and the EUR at reporting dates are:

In SRD	30 June 2023	31 December 2022	30 June 2022
USD	38.50	32.00	22.80
EUR	41.76	34.13	23.81

4. Significant Transactions

Bank overdraft USD

The overdraft facility of a maximum of USD 500,000 to finance working capital requirements on an ongoing basis has been increased to USD 1,500,000 starting June 2023 due to the growing need of working capital and the availability of the foreign currency. The interest rate is 6%.

- Bank overdraft SRD

The overdraft of SRD 8,000,000 has been rearranged from 15% to 11.5% in June 2023.