

N.V. VSH FOODS



First Half Year Report 2024

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.

Contents

Managing Director's Report First Half Year 2024	3
Condensed Statement of Financial Position at 30 June 2024	5
Condensed Comprehensive Statement of Income for the six months ended 30 June 2024	6
Condensed Statement of Changes in Equity for the six months ended 30 June 2024	6
Condensed Statement of Cash Flows for the six months ended 30 June 2024	8
Notes to the condensed interim financial statements as at and for the six months ended 30 June 2024	9

Managing Director's Report First Half Year 2024

COMPANY PROFILE

N.V. VSH FOODS was founded in 1960 in Suriname, South America, producing 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 30 April 2024, the Annual General Meeting of Shareholders approved the financial statements 2023 and the payment of a cash dividend of SRD 6.50 per share of nominal SRD 0.10 per share. This represents a pay-out ratio of 13.4%. Management recommended to deviate from the Company's dividend policy of a 30% to 35% pay-out ratio and make funds available to invest in the approved master plan to facilitate the rapid growth. The members of the Supervisory Board Mr. A. Brahim, Mr. P. Healy, Mr. P. Brahim and Mr. A. Venetiaan were re-elected. Mr. S. Smit has reached the retirement age of the board and stepped down. Mr. M. Merhai was elected as a new member of the Supervisory Board.

BUSINESS ENVIRONMENT

The first quarter of 2024 the Suriname government started a gradual reduction of the subsidy of electricity, which not only impacts general households but also increases the cost of manufacturing. As a consequence consumers may have to pay a higher price for products manufactured in Suriname.

In June 2024, the Suriname government temporarily stopped import duty exemptions for investments in manufacturing to increase revenues. The immediate effective date had and still has an impact on investments that were already ordered and sailing.

In the first half year of 2024, the exchange rate of the local currency against the US dollar started to decline. This resulted in a decrease of our export revenues that need to be matched against higher cost prices of raw- and packaging material already stored in our warehouse. Any further decline will have a greater impact on our profitability.

The exchange rate for the US dollar decreased from SRD 37.00 on 03 January 2024 to SRD 30.97 on 28 June 2024. The annual inflation (June 2023 to June 2024) was 16.2%¹.

We expected the competitors to be aggressive in the export markets in 2024. Due to this expectation, we have included lower export sales volumes in our 2024 budget. VSH FOODS remains market leader in the local market in 2024.

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

On top of the increased competition in the export markets in the first half of 2024, we were unfortunately faced with a breakdown of one of our major packaging lines which leads to insufficient finished product for both local and export markets. We were forced to prioritize the production of pack types and markets.

¹ Source: General Bureau of Statistics Suriname
First Half Year Report 2024
N.V. VSH FOODS

As a consequence, sales and performance in the first half year were not only lower compared to the budget but also to the same period of last year.

Key performance metrics:

- Overall sales volume decline of 25.0%
- Export sales volume decline of 35.6%
- Sales revenue decline of 18.4%
- Earnings before tax decline of 54.5 %
- Gross profit decline of 39.4%

Total personnel expenses increased by 91.3% compared to the same reporting period last year. The administrative expenses increased by 18.9%.

In the reporting period our earnings from operations were SRD 16,844,835 (first half year 2023: SRD 60,843,575). Our earnings before tax were SRD 30,001,552 (first half year 2023: SRD 65,941,083).

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 and with the experience of the recent stagnations in mind, we will do our utmost to prevent them and to optimize production and manage cost effectively.

Our aim in the second half of the year will be to realize net earnings in line with our budget 2024.

Paramaribo, 16 August 2024

Managing Director
Marlon Telting

Condensed Statement of Financial Position at 30 June 2024

	at 30 June 2024	at 31 December 2023 ²
ASSETS		
Non-current Assets		
Property, plant and equipment	83,364,616	71,393,687
Equity investments	2,511,128	749,626
Total non-current assets	85,875,744	72,143,313
Current Assets		
Inventories	167,487,122	209,625,060
Trade and other receivables	49,171,537	42,780,580
Cash and cash equivalents	6,090,938	7,394,139
Total current assets	222,749,597	259,799,779
Total assets	308,625,341	331,943,092
EQUITY AND LIABILITIES		
Equity		
Share capital	20,928,957	20,928,957
Share premium	16,141,664	16,141,664
Other reserves	(5,323,689)	(5,323,689)
Retained earnings	101,965,961	47,230,250
Net earnings	18,038,016	61,165,288
Total equity	151,750,909	140,142,470
Liabilities		
Non-current liabilities		
Deferred tax liabilities	31,329,071	31,329,071
Long- term employee benefit obligations	2,164,809	2,164,809
Long-term borrowings	62,618,633	24,986,339
Total non-current liabilities	96,112,513	58,480,219
Current liabilities		
Short- term employee benefit obligations	124,952	385,020
Short-term borrowings	14,055,929	52,040,146
Income tax payables	10,786,846	26,153,111
Trade and other payables	35,160,051	54,742,126
Total current liabilities	60,127,778	133,320,403
Total equity and liabilities	308,625,341	331,943,092

Paramaribo, 16 August 2024

Supervisory Board

P. Healy, Chairman
A. Brahim, Vice Chairman
P. Brahim
A. Venetiaan
M. Merhai

Managing Director

M. Telting

² Restated in accordance with IAS 29 Hyperinflation to 30 June 2024.

Condensed Comprehensive Statement of Income for the six months ended 30 June 2024

	1 January - 30 June 2024	1 January - 30 June 2023 ³
Sales	179,046,445	219,384,119
Cost of sales	(125,765,736)	(131,511,963)
Gross profit	53,280,709	87,872,156
Personnel expenses	(14,474,111)	(7,564,248)
Distribution expenses	(2,694,080)	(4,254,844)
Administrative expenses	(14,245,947)	(11,984,545)
Depreciation /amortization expenses	(5,021,736)	(3,224,935)
Total expenses from operations	(36,435,874)	(27,028,572)
Earnings from operations	16,844,835	60,843,584
Finance costs	(2,790,782)	(966,179)
Exchange rate (losses)/ gains	12,771,423	(2,200,938)
Investment income	-	-
Net monetary gains/(losses)	86,015	7,551,380
Other non-operating income	3,090,061	713,236
Earnings before tax	30,001,552	65,941,083
Income tax	(11,963,536)	(21,669,260)
Net earnings for the year	18,038,016	44,271,823
Other comprehensive income/ (loss)		
Items that will not be reclassified to profit or loss		
Other comprehensive income net of taxes	-	-
Total comprehensive income	18,038,016	44,271,823
EARNINGS PER SHARE		
Weighted average number of shares outstanding	1,280,837	1,280,837
Earnings per share	14.08	34.56

Paramaribo, 16 August 2024

Supervisory Board

P. Healy, Chairman
A. Brahim, Vice Chairman
P. Brahim
A. Venetiaan
M. Merhai

Managing Director

M. Telting

³ Restated in accordance with IAS 29 Hyperinflation to 30 June 2024.

Condensed Statement of Changes in Equity for the six months ended 30 June 2024

in SRD	Share capital	Share premium	Retained earnings	Other Reserves	Total
Restated equity at 01 January 2023 after appropriation of earnings	18,009,594	13,890,076	46,163,925	(2,256,645)	75,806,950
Net result for the first half year	-	-	42,795,575	-	42,795,575
Corrections previous years	-	-	122,905	-	122,905
Equity at 30 June 2023 before appropriation of earnings	18,009,594	13,890,076	89,082,405	(2,256,645)	118,725,430
Net result for the second half year	-	-	18,369,713	-	18,369,713
Other comprehensive income	-	-	-	(3,067,044)	(3,067,044)
Interim dividend	-	-	(768,502)	-	(768,502)
Equity investment	-	-	235,674	-	235,674
Hyperinflation restatements	2,919,363	2,251,588	1,476,248	-	6,647,199
Equity at 31 December 2023 before appropriation of earnings	20,928,957	16,141,664	108,395,538	(5,323,689)	140,142,470
Appropriation of net earnings	-	-	-	-	-
Final dividend 2023	-	-	(7,556,938)	-	(7,556,938)
Equity at 31 December 2023 after appropriation of earnings	20,928,957	16,141,664	100,838,600	(5,323,689)	132,585,532
Net result for the year	-	-	18,038,016	-	18,038,016
Equity investment	-	-	1,127,361	-	1,127,361
Equity at 30 June 2024 before appropriation of earnings	20,928,957	16,141,664	120,003,977	(5,323,689)	151,750,909

Paramaribo, 16 August 2024
Supervisory Board
P. Healy, Chairman
A. Brahim, Vice Chairman
P. Brahim
A. Venetiaan
M. Merhai

Managing Director
M. Telting

Condensed Statement of Cash Flows

for the six months ended 30 June 2024

	30 June 2024	30 June 2023 ⁴
Cash flows from operating activities		
Earnings before tax	30,001,552	65,941,083
<i>Adjusted for:</i>		
- Depreciation and amortization expenses in operational expenses	5,021,736	3,224,935
- Depreciation cost in cost of sales	450,036	851,167
- Monetary gains and losses	(86,015)	(7,551,380)
- Finance costs	2,790,782	966,179
- Previous years income tax benefits 2002	-	122,904
- Personnel costs related to jubilee	-	(233,859)
<i>Changes in working capital:</i>		
- change in inventories	42,137,938	(107,827,645)
- change in trade and other receivables	(6,390,957)	(9,076,084)
- change in trade and other payables	(19,582,075)	23,285,102
- adjustment regarding payables	-	90,999
- unpaid dividend	(802,726)	-
Cash generated/ (used in) from operations	53,540,271	(30,206,599)
Payment regarding defined benefit obligation	(260,068)	(233,859)
Paid interest on borrowings	(2,790,782)	(501,702)
Paid income tax	(27,329,803)	(1,179,000)
Net cash generated/ (used in) from operating activities	23,159,618	(32,121,159)
Cash flows from investing activities		
Investment in property, plant and equipment	(16,276,937)	(3,336,215)
Paid interest to be capitalized	(1,079,749)	-
Write-off investment in VSH Energy	-	200,000
Net cash used in investing activities	(17,356,686)	(3,136,215)
Cash flows from financing activities		
(Repayments) and proceeds of borrowings	(351,922)	27,227,752
Dividend paid	(6,754,212)	-
Net cash (used in)/ generated from financing activities	(7,106,134)	27,227,752
Net (decrease) in cash and cash equivalents for the year	(1,303,201)	(8,029,622)
Cash and cash equivalents at 1 January	7,394,139	11,171,524
Cash and cash equivalents at 30 June	6,090,938	3,141,902

Paramaribo, 16 August 2024

Supervisory Board

P. Healy, Chairman
A. Brahim, Vice Chairman
P. Brahim
A. Venetiaan
M. Merhai

Managing Director

M. Telting

⁴ Restated in accordance with IAS 29 Hyperinflation to 30 June 2024.

Notes to the condensed interim financial statements as at and for the six months ended 30 June 2024

1. Information on the reporting entity

The Company, N.V. VSH FOODS, is registered and domiciled in Suriname. The Company's registered office is at Indira Gandhieweg 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 2024.

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 16 August 2024.

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

2. Basis of preparation

Basis of accounting

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).

The Company believes that it has adopted IFRS to the best of its abilities and will further improve the application robustness of IFRS in their accounting system and comprehensive financial statements.

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 2023.

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 2023 annual report.

Basis of measurement

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

- Financial instruments at current cost;
- Equity instrument at fair value;
- Employee benefit obligations: plan assets at fair value, liabilities 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 currency transactions

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 comprehensive 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 2024	31 December 2023	30 June 2023
USD	31.25	37.50	38.50
EUR	33.42	41.52	41.76

4. Significant Transactions and Events

Bank loan

On 14 April 2023 the first phase, warehouse and offices, of a masterplan to build a new facility was approved by the Supervisory Board. To finance this project the company signed an 8.5 year loan of USD 4,230,000 with a bank on 30 March 2024. On reporting date the company has drawn USD 1,500,000 for the first phase of the masterplan.

Pension fund adjustment

As per 1 January 2024 the Stichting VSH Pensioenfonds (Pension Fund) increased the maximum base salaries per year as follows:

in SRD	2023	2022
Personnel	321,750	214,500
Staff	670,300	446,875
Management	1,072,500	715,000

Contract Manufacturing

On 2 November 2023 the company signed a contract manufacturing agreement with Hadco Limited in Trinidad & Tobago. The first container with product was shipped in April 2024.