



N.V. Consolidated Industries Corporation

First Half Year Report 2019

Table of contents

<u>Managing Director's report first half year 2019</u>	<u>Condensed Statement of Income for the six months ended 30 June 2019</u> <u>Condensed Statement of Comprehensive Income for the six months ended 30 June 2019</u>	<u>Condensed Statement of Financial Position at 30 June 2019</u>
<u>3</u>	<u>4</u>	<u>5</u>
<u>Condensed Statement of Changes in Equity for the six months ended 30 June 2019</u>	<u>Condensed Statement of Cash Flows for the six months ended 30 June 2019</u>	<u>Notes to the Condensed Interim Financial Statements as at and for the six months ended 30 June 2019</u>
<u>6</u>	<u>7</u>	<u>8-10</u>
<u>Independent Auditors' report on review of interim financial information</u>		
<u>11</u>		

Managing Director's Report First Half Year 2019

The business environment

Compared to the fourth quarter of 2018 the business environment for the first half of the year 2019 remained unchanged. Prices of key raw- and packaging materials remained steady, while import of cheap, substandard products in our markets continued to affect our business. Government measures taken in key export markets to discourage segment saturation of the markets and level the playing field, created a growth opportunity for regional manufacturers of household detergents.

The Company

On 27 March 2019 the Annual General Meeting of Shareholders approved the financial statements 2018 and the proposed dividend 2018 of SRD 0.09 per share of nominal SRD 0.10 each. Subject to unforeseen developments, the Supervisory Board of Directors has approved the payment of quarterly dividend for the year 2019 at SRD 0.03 per share of nominal SRD 0.10 each.

The markets have responded well to the re-launch of the OZON logo. The success of this is evident in our OZON powder detergents volumes which are up by 53%.

Financial overview

First half year results were higher compared to the same period in 2018, driven mainly by increases in wholesale prices in the second half of 2018 and increased revenues from the powder detergents and fabric softener segments.

Net sales increased by 5.1% to SRD 39.6 million (2018: SRD 37.6 million), while cost of sales decreased by 5.6% to SRD 19.4 million compared to the same period last year (2018: SRD 20.6 million). Gross margins improved by 18.0% to SRD 20.1 million (2018: SRD 17.0 million).

Earnings from operations amounted to SRD 1.6 million (2018: SRD 199,870).

Operational expenses increased mainly due to higher personnel costs, foreign exchange losses and increased marketing expenses. Earnings before tax amounted SRD 1,314,492 (2018: Loss of SRD 87,803).

Capital expenditure during the six months ended June 30, 2019 amounted to SRD 4.3 million and focused on automation in our liquids department and equipment replacement in our finished goods warehouse. Net cash generated from operations during the same period totaled SRD 1.6 million.

Outlook second half year 2019

For the remainder of the year, our priorities are focused on further implementing a portfolio sales shift approach to further increase profitability and optimizing trade promotions for the launch of the new OZON logo. We expect some challenges in Guyana, for the remainder of the year, as unscheduled elections will be held. Subject to unforeseen circumstances, we expect the year-end results to be positive and higher than both budgeted and last year.

Paramaribo, 13 August 2019

Ms. Kathleen Healy
Managing Director

Condensed Statement of Income

for the six months ended 30 June 2019

	30 June 2019	30 June 2018
	SRD	SRD
Sales	39,555,727	37,644,556
Cost of sales	(19,446,747)	(20,605,522)
Gross profit	20,108,980	17,039,034
Personnel expense	(9,095,173)	(8,206,827)
Distribution costs	(560,068)	(905,368)
Administrative expense	(6,917,695)	(6,345,679)
Depreciation	(1,886,646)	(1,381,290)
Earnings from operations	1,649,398	199,870
Finance cost	(346,367)	(302,678)
Other non-operating income	11,461	15,005
Earnings from continuing operations before tax	1,314,492	(87,803)
Income tax	(473,217)	-
Net earnings from continuing operations	841,275	(87,803)
Earnings from discontinued operations	5,215	7,445
Net earnings	846,490	(80,358)
Earnings per share		
Number of shares outstanding	5,002,200	5,002,200
Earnings per share	0.17	(0.02)

Condensed Statement of Comprehensive Income

for the six months ended 30 June 2019

	30 June 2019	30 June 2018
	SRD	SRD
Net earnings	846,490	(80,358)
Other comprehensive income		
Actuarial (loss)/gain on defined benefit obligation	-	-
Income tax	-	-
Other comprehensive income net of tax	-	-
Total comprehensive income	846,490	(80,358)

Paramaribo, 13 August 2019

Supervisory Board

J.J. Healy Jr., Chairman

S. Smit, Vice Chairman

A. Nai Chung Tong

M. Ramsundersingh

O. Smith

P. Healy

Managing Director

K. Healy

Condensed Statement of Financial Position

at 30 June 2019 before appropriation of profit

	30 June 2019 SRD	31 December 2018 SRD
ASSETS		
Non-current assets		
Property, plant and equipment	26,086,917	23,721,888
Discontinued operations	1,349,787	1,937,973
Financial assets	1,083	1,083
Total non-current assets	27,437,787	25,660,944
Current assets		
Inventories	24,221,444	22,896,440
Trade and other receivables	8,682,358	6,901,172
Income tax receivable	241,279	917,870
Cash and cash equivalents	1,153,929	2,460,683
Total current assets	34,298,999	33,176,165
Total assets	61,736,786	58,837,109
EQUITY AND LIABILITIES		
Equity		
Share capital	500,220	500,220
Capital in excess of par value	39,874	39,874
Revaluation reserve	4,902,791	4,902,791
Retained earnings	24,143,933	24,516,697
Net earnings for the period	846,490	1,068,371
Other reserves	-	(988,632)
Total equity	30,433,308	30,039,321
Liabilities		
Non-current liabilities		
Deferred tax liability	2,923,077	2,923,077
Defined benefit obligations	5,802,840	5,574,494
Long-term borrowings	5,194,256	3,024,678
Total non-current liabilities	13,920,173	11,522,249
Current liabilities		
Short-term borrowings	3,605,058	3,968,282
Liabilities owing to discontinued operations	12,602	606,480
Trade and other payables	13,765,645	12,700,778
Total current liabilities	17,383,305	17,275,539
Total equity and liabilities	61,736,786	58,837,109

Paramaribo, 13 August 2019

Supervisory Board

J.J. Healy Jr., Chairman

S. Smit, Vice Chairman

A. Nai Chung Tong

M. Ramsundersingh

O. Smith

P. Healy

Managing Director

K. Healy

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 and Other Reserves	Total
Equity at 1 January 2018	500,220	39,874	4,902,791	24,966,895	30,409,780
Net earnings	-	-	-	(80,358)	(80,358)
Dividend	-	-	-	(150,066)	(150,066)
Equity at 30 June 2018 before appropriation of earnings	-	-	-	24,736,471	30,179,356
Net earnings	-	-	-	1,148,729	1,148,729
Dividend	-	-	-	(300,132)	(300,132)
Other comprehensive income	-	-	-	(988,632)	(988,632)
Equity at 31 December 2018 after appropriation of earnings	500,220	39,874	4,902,791	24,596,436	30,039,321
Equity at 1 January 2019	500,220	39,874	4,902,791	24,596,436	30,039,321
Net earnings	-	-	-	846,490	846,490
Dividend	-	-	-	(150,066)	(150,066)
Correction for previous years	-	-	-	(302,437)	(302,437)
Equity at 30 June 2019 before appropriation of earnings	500,220	39,874	4,902,791	24,990,423	30,433,308

Paramaribo, 13 August 2019

Supervisory Board

J.J. Healy Jr., Chairman

S. Smit, Vice Chairman

A. Nai Chung Tong

M. Ramsundersingh

O. Smith

P. Healy

Managing Director

K. Healy

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:		
Earnings from continuing operations before tax	1,314,492	(87,803)
<i>Adjusted for:</i>		
- Depreciation	1,886,646	1,381,290
- Loss on disposal of property, plant and equipment	32,003	-
- Provisions	107,145	544,792
- Corrections to property plant and equipment	56,221	-
- Revaluation (gain) / loss on loans	232,469	585
- Interest paid	346,367	302,678
- Personnel costs related to defined benefit obligation	434,516	-
<i>Changes in working capital:</i>		
- Change in inventories	(1,325,004)	544,945
- Change in trade and other receivables	(1,781,175)	(2,965,279)
- Change in trade and other payables	1,064,867	1,978,916
- Change in discontinued operations payables	(478)	(8,107)
- Adjustments of current assets due to provisions	(107,145)	(544,792)
- Adjustments regarding payables	-	(50,846)
<i>Other</i>		
Payment of medical for pensioners	(206,170)	-
Payments redundancy	-	(121,176)
Cash generated from operations	2,054,754	975,203
Paid interest	(346,367)	(302,678)
Paid income tax	(99,065)	(178,232)
Net cash generated from operating activities	1,609,323	494,293
Cash flow from investing activities:		
Purchase of property, plant and equipment	(4,339,897)	(2,475,567)
Net cash used in investing activities	(4,339,897)	(2,475,567)
Cash flow from financing activities:		
Proceeds from loans and overdrafts	7,637,445	2,849,894
Repayments of loans	(5,646,031)	(887,317)
Repayment of lease liability	(417,529)	-
Dividend paid	(150,066)	(799,529)
Net cash generated from financing activities	1,423,820	1,163,048
Net decrease in cash during the period	(1,306,754)	(818,226)
Cash and cash equivalents at 1 January	2,460,683	2,543,792
Cash and cash equivalents at 30 June	1,153,929	1,725,566

Paramaribo, 13 August 2019

Supervisory Board

J.J. Healy Jr., Chairman
 S. Smit, Vice Chairman
 A. Nai Chung Tong
 M. Ramsundersingh
 O. Smith
 P. Healy

Managing Director

K. Healy

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. Consolidated Industries Corporation (CIC) is a company registered and domiciled in Suriname. The Company's registered office is at Industrieweg - Zuid BR 34, Paramaribo, Suriname. These 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 a wide range of industrial and household detergents and plastic packaging material.

The Company has a manufacturing plant at above mentioned address and sells in Suriname, South America, the Caribbean and Europe.

The Company's parent, which is also its ultimate parent entity, is N.V. Verenigde Surinaamse Holdingsmij.-/ United Suriname Holding Company (VSH United). VSH United holds a majority share of 60.40% in the Company.

The Company has one subsidiary N.V. Carifrico in which it holds 98.9% share. This subsidiary is presented as a discontinued operation since 2017.

These condensed interim financial statements were authorized for issue by the Supervisory Board on 13 August 2019.

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

2. Accounting Policies

2.1 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 previous financial year, except for the adoption of a new accounting standard, being IFRS 16 'Leases'. The impact of adopting the new standard is shown in Note 3. 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.

New standard effective in the reporting period.

- IFRS 16 'Leases'

IFRS 16 'Leases' is effective for annual periods beginning on or after 1 January, 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosures of leases. The new standard supersedes the IAS 17 standard and related interpretations.

The company adopted IFRS 16 'Leases' using the modified retrospective method of adoption in which the cumulative effect of initially applying the standard is recognised at the date of initial application of 1 January, 2019 and comparative information is not restated.

Prior to the adoption of IFRS 16, lease contracts were recognized as operating leases thus recorded as a lease expense in the condensed statement of income.

IFRS 16 changes the accounting treatment of leases previously classified as operating leases. The standard requires lessees to account for the majority of lease contracts under a single on-balance sheet model. At the commencement date of the contract, a lessee recognises a lease liability and a corresponding right-of-use asset in the statement of financial position. The lease liability is measured at the present value of the remaining lease payments at that date. In the condensed statement of income, instead of lease expense, the company recognises depreciation on the right-of-use asset and interest expense on the lease liability.

Upon adoption of IFRS 16 the company recognised lease liabilities for the leases previously classified as operating leases. The amount of the lease liability recognised at the date of initial application of 1 January, 2019 is based on the present value of the remaining lease payments discounted using the company's incremental borrowing rate at the date of the application. The company measures the right-of-use asset at an amount equal to the lease liability, which means that the transition has not had impact on equity at the date of initial application.

3. Effect of IFRS 16

As noted in the accounting policy regarding the adoption of IFRS 16, the transition provisions applied by the company do not require comparative figures to be restated. The total impact of the adoption is therefore recognized in the opening condensed statement of financial position on 1 January 2019 as shown in *Table 1 - Effect on condensed statement of financial position* on page 9.

Notes to the Condensed Financial Statements

as at and for the six months ended 30 June 2019

Table 1- Effect on Condensed Statement of Financial Position at 1 January 2019

	31 December 2018 SRD	Adjustment SRD	1 January 2019 SRD
ASSETS			
Non-current assets			
Property, plant and equipment	23,721,888	2,127,062	25,848,950
Assets of discontinued operations	1,937,973	-	1,937,973
Financial Assets	1,083	-	1,083
Total non-current assets	25,660,944	2,127,062	27,788,006
Current assets	33,176,165	-	33,176,165
Total assets	58,837,109	2,127,062	60,964,171
EQUITY AND LIABILITIES			
Equity	30,039,321	-	30,039,321
Liabilities			
Non-current liabilities			
Deferred tax liability	2,923,077	-	2,923,077
Defined Benefit Obligations	5,574,494	-	5,574,494
Long-term borrowings	3,024,678	1,267,670	4,292,348
Total non-current liabilities	11,522,249	1,267,670	12,789,919
Current liabilities			
Short-term borrowings	3,968,281	859,392	4,827,673
Liabilities owing to discontinued operations	606,480	-	606,480
Trade and other payables	12,700,778	-	12,700,778
Total current liabilities	17,275,539	859,392	18,134,931
Total equity and liabilities	58,837,109	2,127,062	60,964,171

Notes to the Condensed Financial Statements

as at and for the six months ended 30 June 2019

4. Exchange Rates

The exchange rates used for the US dollar (USD) and EURO at reporting dates 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

5. Significant Events and Transactions

Increases in foreign currency rates in first half of the year resulted in foreign exchange losses of SRD 491,991.

In June 2019, the Tax Inspector agreed to impose the final tax returns for the years 2007 and 2008 according to the filed final income tax returns. It was also agreed that with regard to the years 2014 up to and including 2016 the final income tax assessment would not be imposed according to the filed income tax returns. The agreement led to a refund of 80% of the refund according to the tax returns. The refund of the years 2007 and 2008 will be settled against the outstanding amount on the final income tax return for the year 2012. The remaining refund of the years 2008, 2014 up to and including 2016 will be settled against the outstanding liability for 2017. No tax audit will be carried out up to and including the 2017 financial year. The financial years up to and including the 2017 financial year will be completely closed. The 20% disallowed amount of SRD 200,941 was recorded against retained earnings.

A prior year correction in the amount of SRD 101,496 was recorded to retained earnings. This correction was as a result of understatement in relation to the books of the Tax Authorities.

6. Changes in Estimates

Current service costs and interest related to the define benefit obligations have been recorded in the results to 30 June, 2019. The amounts were estimated based on the actual results for year ended 31 December, 2018. In the half year report for the six months ending 30 June, 2018, estimates for current service costs and interest were not taken into account.

7. Issuance, Repurchases and Repayments of Debt and Equity Securities

A new loan was acquired in the amount of USD 500,000 and overdraft limits extended to USD 500,000 and SRD 500,000.

The long-term loan held at De Surinaamsche Bank N.V. was fully repaid.

Short-term loan payable to VSH United was fully repaid in January 2019.

8. Dividends Paid

A first quarter interim dividend for the year 2019 of SRD 0.03 per share of nominal SRD 0.10 per share was paid on 16 April, 2019.

Independent Auditors' report on review of interim financial information

To: the Shareholders of
N.V. Consolidated Industries Corporation
Paramaribo, Suriname

Introduction

We have reviewed the accompanying condensed interim financial information of N.V. Consolidated Industries Corporation, in Paramaribo, which comprises the condensed statement of financial position at 30 June 2019, the condensed statements of income, comprehensive 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 Engagement 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, 13 August 2019

Lutchman & Co N.V.

*Represented and signed by
D. de Keyzer AA, Chartered Accountant*