



N.V. Consolidated Industries Corporation

First Half Year Report 2020

Industrieweg-Zuid BR 34 • Paramaribo - Suriname
Phone (597) 482050 • Email: info@cicsur.com

Table of contents

<u>Managing Director's report first half year 2020</u>	<u>Independent Auditor's report on review of interim financial information</u>	<u>Condensed Statement of Financial Position at 30 June 2020</u>
<u>3</u>	<u>4</u>	<u>5</u>
<u>Condensed Statement of Income for the six months ended 30 June 2020</u>	<u>Condensed Statement of Changes in Equity for the six months ended 30 June 2020</u>	<u>Condensed Statement of Cash Flows for the six months ended 30 June 2020</u>
<u>Condensed Statement of Comprehensive Income for the six months ended 30 June 2020</u>	<u>7</u>	<u>8</u>
<u>6</u>		
<u>Notes to the Condensed Interim Financial Statements as at and for the six months ended 30 June 2020</u>		
<u>9-10</u>		

Managing Director's Report First Half Year 2020

Overview

While Suriname's economy remained stable for much of 2019, by the fourth quarter, the disparity between the official U.S. dollar exchange rate and the free market rate began to gradually increase. This trend continued throughout the first half of 2020 and resulted in economic hardship. By June 2020, the 12-month inflation was 35.2%, dramatically increasing the prices of consumer goods thus putting additional pressure on consumers purchasing power. Foreign currency shortages escalated the U.S. exchange rate from SRD 8.20 in December 2019 to SRD 15.00 for USD 1 in June 2020. This and defaults on international loan payments of the government eventually led to a downgrade of Suriname's sovereign credit rating by Fitch, Moody and Standards and Poor's in June 2020 to reflect mounting government debt levels and reduced financing flexibility. Local elections were held on 25 May 2020 and after a decade of rule, the sitting NDP party lost its majority in the Parliament. The new President, Mr. Chandrikapersad Santokhi, and Vice President, Mr. Ronnie Brunswijk were inaugurated on 16 July 2020.

In our top export markets, government elections were held in Trinidad and Guyana. Disputes over the results in Guyana lasted for five months and led to tensions and a slowdown in business activity. With the new Government sworn in, economic activity is now returning to a state of normalcy.

In response, Management implemented measures to ensure cost containment and strict inventory and liquidity management.

Business Impact of COVID-19

The COVID-19 pandemic has had and will continue to have a marked impact on the business environment and economic conditions in all our markets.

CIC recognizes its critical role and responsibility at this time. Our cleaning products help to keep people safe and reduce the spread of the coronavirus.

Since the outbreak, global demand of raw materials within the cleaning industry has soared. As territories responded to the pandemic, there has been disruption of our supply chain and lockdowns impacting our sales and distribution.

CIC responded quickly and took the necessary measures to ensure the safety of our employees and to ensure business continuity to meet consumer demands at a time when it is needed the most. We developed and launched Ozon Sanitizers which are being sold both locally and regionally.

Financial Performance

Due to our agility, cost-cutting measures and swift actions taken, our company remained resilient in the first half of the year. Net sales increased to SRD 47 million or 18% over the corresponding period of the prior year driven by continued push of our export sales and growth of disinfectant sales. In other categories, volumes declined at an average of 18% compared to last year.

Gross margins improved by SRD 9.7 million, a commendable 48.3% increase over the comparable period of 2019. This was attributed to our implementation of our portfolio sales shift and careful stock planning.

Operational expenses increased by just 1.2% to SRD 18.1 million as we implemented strict cost savings initiatives. These initiatives will continue in the second half of the year as we navigate uncertainties surrounding COVID-19 and decisions of the government.

Earnings before tax of SRD 1.5 million was recorded compared to SRD 1.3 million the year before. Foreign exchange losses of SRD 9.8 million (first half year 2019: SRD 491 thousand) was the main impactor offsetting the growth in our gross margins.

Outlook second half year 2020

We remain proactive in dealing with the "new norm" while continuing to deliver on our strategic objectives. Going into the second half of the year, we are on a positive trajectory and will continue to build on the plans developed and look for opportunities to maximize returns to the company. However, with imminent fiscal reforms on the horizon in Suriname and as the region is still recovering from the economic shock of COVID-19 which has lowered household incomes and hampered living standards, we do expect continued pressure on our volumes and increased competition from inferior brands.

We are grateful to our employees for their consistent dedication and trust and will continue to prioritize their safety and well-being. We also take this opportunity to thank all of our stakeholders for their continued support as we navigate these uncertain times.

Paramaribo, 11 August 2020

Ms. Kathleen Healy
Managing Director

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 2020, the condensed statement of income, condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of 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 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 2020 is not prepared, in all material respects, in accordance with generally accepted accounting principles for interim financial reporting.

Paramaribo, 11 August 2020

Lutchman & Co N.V.

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

Condensed Statement of Financial Position

at 30 June 2020

	30 June 2020	31 December 2019
	SRD	SRD
ASSETS		
Non-current assets		
Property, plant and equipment	27,346,573	26,396,542
Assets of discontinued operations	1,361,423	1,348,295
Long-term investments	1,083	1,083
Total non-current assets	28,709,079	27,745,920
Current assets		
Inventories	33,333,175	22,033,977
Trade and other receivables	11,630,667	9,380,098
Cash and cash equivalents	3,950,086	762,089
Total current assets	48,913,928	32,176,164
Total assets	77,623,007	59,922,084
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	27,210,002	24,682,366
Net earnings	986,269	2,527,636
Other reserves	(830,711)	(830,711)
Total equity	32,808,445	31,822,176
Liabilities		
Non-current liabilities		
Deferred tax liability	2,585,162	2,585,162
Defined benefit obligations	6,461,002	5,978,958
Long-term borrowings	4,557,128	2,952,826
Lease liabilities	1,338,543	417,610
Total non-current liabilities	14,941,835	11,934,556
Current liabilities		
Short-term borrowings	5,988,760	4,219,467
Lease liabilities	1,845,180	1,234,223
Liabilities owing to discontinued operations	30,074	10,225
Income tax payable	1,382,146	834,757
Trade and other payables	20,626,567	9,866,680
Total current liabilities	29,872,727	16,165,352
Total equity and liabilities	77,623,007	59,922,084

Paramaribo, 11 August 2020

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 Income

for the six months ended 30 June 2020

	30 June 2020	30 June 2019
	SRD	SRD
Net Sales	46,728,894	39,555,727
Cost of sales	(16,900,179)	(19,446,747)
Gross profit	29,828,715	20,108,980
Personnel expense	(10,021,942)	(9,095,173)
Distribution costs	(611,185)	(560,068)
Administrative expense	(5,525,506)	(6,425,702)
Depreciation	(2,023,076)	(1,886,646)
Earnings from operations	11,647,006	2,141,391
Finance cost	(484,514)	(346,367)
Foreign exchange differences	(9,846,879)	(491,993)
Other non-operating income	204,917	11,461
Earnings from continuing operations before tax	1,520,530	1,314,492
Income tax	(547,389)	(473,217)
Net profit from continuing operations	973,141	841,275
Income from discontinued operations	13,128	5,215
Net earnings	986,269	846,490
Earnings per share		
Number of shares outstanding	5,002,200	5,002,200
Earnings per share	0.20	0.17

Condensed Statement of Comprehensive Income

for the six months ended 30 June 2020

	30 June 2020	30 June 2019
	SRD	SRD
Net earnings	986,269	846,490
Other comprehensive income		
Actuarial (loss)/gain on defined benefit obligation	-	-
Income tax on defined benefit obligation	-	-
Other comprehensive income net of taxes	-	-
Total comprehensive income	986,269	846,490

Paramaribo, 11 August 2020

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 2020

in SRD	Share Capital	Capital in excess of Par Value	Revaluation Reserve	Retained Earnings	Other Reserves	Total
Equity at 1 January 2019	500,220	39,874	4,902,791	25,585,068	(988,632)	30,039,321
Net earnings	-	-	-	846,490	-	846,490
Dividend	-	-	-	(150,066)	-	(150,066)
Correction for previous years	-	-	-	(302,438)	-	(302,438)
Equity at 30 June 2019	500,220	39,874	4,902,791	25,979,054	(988,632)	30,433,307
Net earnings	-	-	-	1,681,146	-	1,681,146
Dividend	-	-	-	(450,198)	-	(450,198)
Other comprehensive income	-	-	-	-	157,921	157,921
Equity at 31 December 2019 after appropriation of profit	500,220	39,874	4,902,791	27,210,002	(830,711)	31,822,176
Final dividend	-	-	-	-	-	-
Equity at 31 December 2019 after appropriation of profit	500,220	39,874	4,902,791	27,210,002	(830,711)	31,822,176
Net earnings	-	-	-	986,269	-	986,269
Dividend	-	-	-	-	-	-
Equity at 30 June 2020 before appropriation of profit	500,220	39,874	4,902,791	28,196,271	(830,711)	32,808,445

Paramaribo, 11 August 2020

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 2020

	30 June 2020 SRD	30 June 2019 SRD
Cash flows from operating activities:		
Earnings from continuing operations before tax	1,520,530	1,314,492
<i>Adjusted for:</i>		
- Depreciation	2,023,076	1,886,646
- (Gain) / loss on disposal of property, plant & equipment	5,585	32,003
- Provisions	-	107,145
- Corrections to property plant and equipment	670,993	56,221
- Revaluation (gain) / loss on borrowings	2,974,769	232,469
- Revaluation (gain) / loss on lease liabilities	1,184,729	-
- Interest paid	484,514	346,367
- Personnel costs related to defined benefit obligation	718,527	434,516
<i>Changes in working capital:</i>		
- Change in inventories	(11,299,198)	(1,325,004)
- Change in trade and other receivables	(2,250,569)	(1,781,175)
- Change in trade and other payables	10,759,887	1,064,867
- Change in discontinued operations payables	19,849	(478)
- Adjustments of current assets due to provisions	-	(107,145)
<i>Other</i>		
Payment of medical for pensioners	(236,482)	(206,170)
Cash generated from operations	6,576,210	2,054,754
Paid interest	(484,514)	(346,367)
Paid income tax	-	(99,065)
Net cash generated from operating activities	6,091,696	1,609,323
Cash flow from investing activities:		
Purchase of property, plant and equipment	(2,660,262)	(4,339,897)
Net cash used in investing activities	(2,660,262)	(4,339,897)
Cash flow from financing activities:		
Proceeds from borrowings and overdrafts	535,070	7,637,445
Repayments of borrowings	(136,244)	(5,646,031)
Repayment of lease liability	(642,263)	(417,529)
Dividend paid	-	(150,066)
Net cash used in financing activities	(243,437)	1,423,820
Net increase / (decrease) in cash for the year	3,187,997	(1,306,754)
Cash and cash equivalents at 1 January	762,089	2,460,683
Cash and cash equivalents at 30 June	3,950,086	1,153,929

Paramaribo, 11 August 2020

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 2020

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 2020.

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 11 August 2020.

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 2020 have been prepared under guidelines set forth by Accounting Standard IAS 34 'Interim Financial Reporting'.

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.

Notes to the Condensed Financial Statements

as at and for the six months ended 30 June 2020

3. Exchange Rates

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

The USD and Euro rates significantly increased by 82.9% and 83.4% respectively since the start of 2020. This movement led to foreign exchange losses of SRD 9,846,879.

5. Changes in Estimates

Current service costs and interest related to the define benefit obligations have been recorded in the results to 30 June, 2020. The amounts were estimated based on the actual results for year ended 31 December, 2019.

6. Dividends Paid

No dividends were paid in the first half of the year. A third quarter interim dividend of SRD 0.20 per share of nominal SRD 0.10 per share will be paid on 15 September, 2020