

The background of the page is a photograph of a scientist in a white lab coat and a blue surgical mask, looking through a microscope. The scene is dimly lit, with a blue and purple color palette. A large, semi-transparent number '7' is overlaid on the left side of the image.

Bonaire Laboratorium N.V.

Company Operations overview

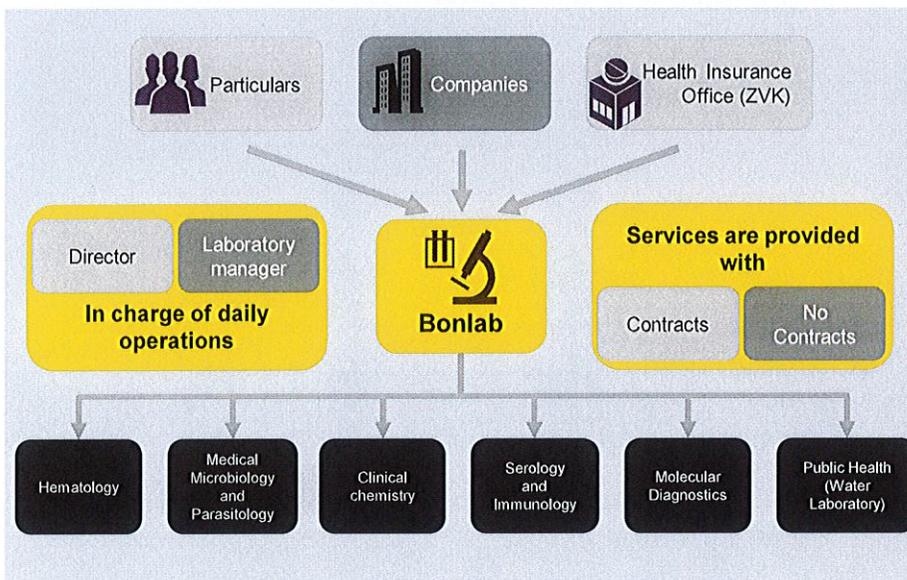
About the Company

Bonlab was incorporated on 26 November 2001. and is one of the subsidiaries of BHM.

- ▶ Bonlab is the largest laboratory in Bonaire and has been providing services to approx. 19,200 customers since 2008.
- ▶ Bonlab serves its customers at its main building as well as at various doctor's clinics. The laboratory consists of different departments that provide a variety of medical diagnostic and testing services.
- ▶ The laboratory's facilities can measure, trace and analyze a large number of blood, urine and other body fluids samples. Some specialized studies are done in collaboration with specialized laboratories in the Dutch Kingdom
- ▶ As at July 2021, Bonlab employs 16 FTEs

Initial observations

- ▶ Bonlab's financial statements and bookkeeping have not been audited since 2017. The consultant hired to assist Bonlab in the preparation for the audits, indicated that there is still significant work to be done to bring the accounts up to date. Very little focus is currently being placed on the YTD Jul21 accounts. The information presented (e.g. KPIs and analysis) is therefore preliminary and is subject to material changes. Refer to page 104-111 for further details.
- ▶ It appears that Bonlab does not have sufficient data or information to allow Management to make informed financial management decisions. This is likely the result of Bonlab's poor historical financial performance and current liquidity management issues.



Key performance indicators

Ratios	FY19A		FY20A
Gross margin (%)	64%	↓	62%
EBITDA margin (%)	-7%	↑	-5%
Operational exp. over gross profit (%)	107%	↑	105%
Net income margin	-20%	↑	-15%
Quick ratio (Excl. Inventory) (%)	32%	↓	18%
Current ratio (%)	54%	↓	47%
Debt ratio (%)	115%	↓	129%
Equity ratio (%)	-15%	↓	-29%
Net assets (\$ '000)	(267)	↓	(487)
Return on assets (ROA) (%)	-19%	↑	-13%

Growth Trend over FY19 to FY20 ↑ Positive trend ↓ Negative trend

Earnings and Assets & liabilities overview

The following is the Income Statement and Balance Sheet provided by Bonlab. These accounts are unaudited and considered 'Management accounts'. Requested supporting documentation and questions are still pending from Bonlab. The comments provided is based mainly on our discussions with Management and our high level review of the financial information that was provided. Number references below relate to following 1 – 10 on our key findings and observations.

Bonlab Income Statement			
Currency: \$ 000	FY19A	FY20A	YTD Jul 21A
Revenues			
Examining proceeds			
Proceeds of water research			
Other revenue			
Irrecoverable declarations			
Total Net revenues			
Cost of sale	8		
Laboratory expenses			
Courier costs			
Freight cost			
Total Cost of sale			
Gross operating profit			
Operating expenses			
Salaries and benefits			
Housing			
Office expenses			
Transportation			
Marketing			
General			
Total Operating expenses			
EBITDA			
Depreciation	10		
Other income/expenses			
Financial income/expenses			
Net income			

Bonlab Balance Sheet			
Currency: \$ 000	Dec19A	Dec20A	Jul21A
Assets			
Current assets			
Cash and cash equivalent	7		
Account receivables	2		
Other receivables	3		
Inventory			
Total current assets			
Non-current assets			
Property, plant and equipment			
Total non-current assets			
Total assets			
Liabilities and equity			
Liabilities			
Current liabilities			
Account payables	4		
Other liabilities and accruals	5		
Total current liabilities			
RBC loans			
Provision sale tax	6		
Total liabilities			
Equity			
Share capital			
Retained earning			
Result of the year			
Total equity			
Total Liabilities and equity			

Executive summary – Key findings (Cont'd)

Note: The following findings are based mainly on discussions with Bonlab and review of unaudited financial information.

Recommendations

Priority key: ● High

● Medium

● Low

	Findings	EY Commentary and Recommendations	Priority
3	<p>Other accounts receivables As at Jul21, other accounts receivables totalled \$ [REDACTED].</p> <ul style="list-style-type: none"> ▶ Included in this balance is \$ [REDACTED] which was accounted as "invoices to be received". However upon further discussion with Bonlab, the amount related to inventory that was received and therefore needs to be reallocated to the Inventory account. ▶ Additionally [REDACTED] relates to insurers that have not yet been billed as at July 2021. In essence it appears that Income was credited and the Other Receivables account was debited, however the actual invoice was not generated and sent to the Insurers to date. Furthermore [REDACTED] relates to a category of receivables called 'others' ▶ Netted against other receivables is also a credit balance for [REDACTED] which is a "suspense" account still to be cleared. 	<ul style="list-style-type: none"> ▶ Bonlab should reallocate the Inventory related amount from accounts receivables into the Inventory account. ▶ Bonlab should clear the suspense accounts on a timely basis ▶ It also appears that Bonlab should also focus on improving their billing process. This will ultimately assist with cash collection and management. 	●
4	<p>Account payables (AP) As at Ju21, the accounts payables totalled \$ [REDACTED].</p> <ul style="list-style-type: none"> ▶ Approx. 50% of the AP relates to the commercial supplier Farminpex N.V. for laboratory and testing supplies. ▶ Of the remaining 50% AP a detailed breakdown and ageing of the subledger was requested. Bonlab indicated that some of the balances within the account payables are dated back to 2020, pre-COVID. ▶ While the current administration software (AFAS) generates an aging analysis of the account receivables (in PDF only) management indicated that additional manual adjustments need to be made in order to have a complete aging available for analysis. ▶ Bonlab also indicated there is no structured payment plan in place to settle the AP balances. They currently manage it on a day to day basis as and when cash becomes available. 	<ul style="list-style-type: none"> ▶ Further analysis and review of the AP balance is required. In order for Bonlab to improve their cash management, Bonlab should review all their long outstanding debts for validation and if amount are due, agree payment plans with suppliers. 	●

Executive summary – Key findings (Cont'd)

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	4 Selibon N.V.	
	5 Bonaire Overheidsgebouwen N.V.	
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Note: The following findings are based mainly on discussions with Bonlab and review of unaudited financial information.

Recommendations	Priority key: ● High ● Medium ● Low	EY Commentary and Recommendations	Priority																														
5	<p>Findings</p> <p>Other liabilities and accruals. As at Jul21 totalled ██████████</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #333; color: white;">Other liabilities and accruals</th> <th style="background-color: #333; color: white;">Jul21A</th> </tr> <tr> <th colspan="3" style="font-size: small;">Currency: \$ 000</th> </tr> </thead> <tbody> <tr> <td style="width: 60%;">Remaining debts</td> <td style="width: 10%; text-align: center;">1</td> <td style="width: 30%; background-color: #333;"></td> </tr> <tr> <td>Pension premium</td> <td style="text-align: center;">2</td> <td style="background-color: #333;"></td> </tr> <tr> <td>Anniversary facility</td> <td style="text-align: center;">3</td> <td style="background-color: #333;"></td> </tr> <tr> <td>Wages and health insurance taxes</td> <td style="text-align: center;">4</td> <td style="background-color: #333;"></td> </tr> <tr> <td>Holiday allowances</td> <td style="text-align: center;">5</td> <td style="background-color: #333;"></td> </tr> <tr> <td>Suspense account</td> <td style="text-align: center;">6</td> <td style="background-color: #333;"></td> </tr> <tr> <td>Others</td> <td style="text-align: center;">7</td> <td style="background-color: #333;"></td> </tr> <tr> <td>Total</td> <td></td> <td style="background-color: #333;"></td> </tr> </tbody> </table> <ol style="list-style-type: none"> 1. The account "Remaining debts" totalled ██████████ and relates mainly to the accrual of audit fees with Deloitte for the period 2016-2017, the balance has not been updated since FY17. Audit fees for the 2018 to 2020 audits have not been accrued to date. 2. The account "Pension premium" totalled ██████████ Bonlab indicated that this amount represents employee pension premiums that have been due for over a year. 3. The account "Anniversary facility" totalled ██████████ relates to a bonification accrual/provision calculated for certain employees. The balance as at Jul21 is the same amount since FY18 and has not been reassessed to ensure the correct amount due as at Jul21 is booked in the accounts. 4. Wages and health insurance taxes payable totalled ██████████ Included in this balance is a possible claim with the local tax authorities for approx. ██████████ related to errors made in the accounting software used by Bonlab in 2016 on the calculation of the return of wage taxes, which lead Bonlab to file the incorrect tax amount. As at Jul21, Bonlab has not yet received any notification from the tax authorities related to this incident. Bonlab is waiting until Dec21 to write back this provision, since the statute of limitation with the local tax authorities last for a maximum period of 5 years. 5. The account "Holiday allowances" totalled ██████████ has not been updated or assessed for accuracy since 2017. 6. The Suspense account with a debit balance of ██████████ is still to be cleared. 7. The account "Others" totalled ██████████ No information was provided for these accounts to date. 	Other liabilities and accruals		Jul21A	Currency: \$ 000			Remaining debts	1		Pension premium	2		Anniversary facility	3		Wages and health insurance taxes	4		Holiday allowances	5		Suspense account	6		Others	7		Total			<ul style="list-style-type: none"> ▶ Bonlab should accrue for the audit fees for 2018 to 2020 as the amount accounted for is currently understated. ▶ Bonlab should evaluate the consequences of the payments to the pension premium being outstanding for so long. ▶ A proper assessment and updating of the 'anniversary facility' and the 'holidays allowances' accounts are recommended, for the period FY18 to YTD Jul21. ▶ In the event an audit is performed by the local tax authorities, the consequences and impact of current wage and health insurance taxes should be assessed. If the findings of this exercise reveals that Bonlab has significant outstanding taxes (principal and interest), a provision for the amount should be made immediately. Bonlab should consider engaging a Tax expert to provide an opinion on this liability, the potential exposure and advise on the possibility of waiving any additional penalties or interest on the liability. ▶ Bonlab should clear all their suspense account balances on a timely basis. 	<div style="color: red; font-size: 2em;">●</div>
Other liabilities and accruals		Jul21A																															
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Executive summary – Key findings (Cont'd)

Note: The following findings are based mainly on discussions with Bonlab and review of unaudited financial information.

Recommendations Priority key: ● High ● Medium ● Low

	Findings	EY Commentary and Recommendations	Priority
6	<p>Provision sale taxes FY16 The account classified within the financial debts is █████ and relates to VAT payables to the local government. These liabilities originated from services Bonlab received from foreign companies in FY16. Since then, foreign services have been performed for Bonlab, which the VAT has not been accounted for or assessed in accordance with the tax requirements. In addition, tax returns for this operation has not been filled or submitted to the tax authorities since FY16.</p>	<ul style="list-style-type: none"> ▶ It is recommended that Bonlab assesses and properly accounts for these foreign service taxes, prepare the tax returns for the outstanding periods and submit it to the local tax authorities to avoid additional fines related to non-compliance. Bonlab's liability at this time may be significantly understated as the additional interest on the principal amounts outstanding for each year is not currently accounted for. ▶ Bonlab should reclassify the provision sale taxes in the other liabilities category. 	●
7	<p>Overdraft For the last two years, Management has indicated that they have been in an overdraft position. As at Jul21 the overdraft was █████ and interest expense has increased as a result.</p>	<ul style="list-style-type: none"> ▶ It is evident that Bonlab is currently experiencing liquidity issues as they are perpetually in overdraft on a monthly basis since FY20. An in-depth Independent Business Review (IBR), including a strategic options analysis should be performed to determine Bonlab's next steps. Refer to page 111 for further details. 	●
8	<p>Cost of sales (COS) The items that forms part of the cost of sales of Bonlab relates mainly to Laboratorial expenses and includes: consumption of reagents, outsourced investigations, laboratory requirements, maintenance of lab equipment and courier and freight costs for imported equipment used by Bonlab. Other direct costs e.g. direct personnel, maintenance of laboratory specific equipment etc. has not been included in the COS. This has resulted in misrepresented GP margins ranging from 62% to 81% over the historical period.</p>	<ul style="list-style-type: none"> ▶ It is recommended that Bonlab should review their costing methodology and account for COS in accordance with GAAP. Proper cost allocation will allow Bonlab to determine the 'real' cost of sales associated with their services and provide Bonlab with more useful management information and data to improve decision making. Bonlab would therefore be able to specifically identify measures that can be taken to improve the overall business if an accurate costing method is applied. 	●

Executive summary – Key findings (Cont'd)

Note: The following findings are based mainly on discussions with Bonlab and review of unaudited financial information.

Recommendations

Priority key: ● High ● Medium ● Low

	Findings	EY Commentary and Recommendations	Priority
9	<p>ISO certification Bonlab indicated that as at July 2021, they have not yet received their ISO certification. They have spent approx. ██████ from FY19 to YTD Jul21 in their quest to obtain ISO certification. Although Bonlab received annual visits by an external consultant in the last 2 years they were not able to meet with all the requirements to obtain the certification. Bonlab indicated that they expect to obtain the certification next year.</p>	<ul style="list-style-type: none"> ▶ Bonlab should properly implement the suggested recommendations made by the external consultant to obtain the certification in the next visit. 	●
10	<p>Depreciation expense Bonlab indicated that depreciation expense is accounted monthly, however, to YTD Jul21 the balance on the account was zero.</p>	<ul style="list-style-type: none"> ▶ Bonlab should calculate the depreciation and update the balance of the account to YTD Jul21 and on a monthly basis going forward. 	●

Debt analysis

Bank debts

Total annual debt service
(Principal + interest)

\$ [REDACTED]

Bank debt as at July 2021

\$ [REDACTED]

Not in arrears

Summary of terms and conditions for each borrowing

Description	Amount	Monthly payments	Interest rate	Maturity date	Term to maturity
Facility I	[REDACTED]	[REDACTED]	5.0%	Sep 2031	10 years
Facility II	[REDACTED]	[REDACTED]	5.0%	Sep 2023	2 years
Facility III	[REDACTED]	[REDACTED]	5.0%	Mar 2026	4.5 years
Totals	[REDACTED]	[REDACTED]	-	-	-

General covenants

Affirmative covenants:

- ▶ Furnish RBC throughout the life of the credit facility, with:
 - ▶ Annual financial statements reviewed/prepared by an account or administrator, within 120 days after the close of the fiscal year.
 - ▶ Annual evidence of premium payments for the assigned insurance policies, as well as the original policies.
 - ▶ Updated excerpt of Chamber of Commerce.
- ▶ Promptly pay all obligations as they become due.
- ▶ Provide RBC with access to and the right to inspect the Borrower's books, Financial records, and collateral held by RBC
- ▶ Deposit all generated revenues at RBC.
- ▶ Provide RBC on a yearly basis (or as may be otherwise reasonably requested by the Bank) with updated lists of machinery, inventory, stock and equipment within 120 days of the end of each year, correctly dated and duly signed.
- ▶ Provide RBC on a quarterly basis (or as may be otherwise reasonably requested by the Bank) with updated Aging Listing of Accounts Receivable within 30 days of the end of each quarter end, correctly dated and duly signed
- ▶ Provide RBC upon request with appraisal report(s).

Affirmative covenants (Cont'd)

- ▶ Provide RBC upon request with appraisal report(s).
- ▶ Promptly notify RBC of any attachment or lien levied against any asset held by the Bank as collateral or any change of director(s) of Borrower.
- ▶ Maintain adequate insurance coverage in full force and effect over the [secured] assets of the Borrower and ensure no event or circumstance has occurred nor has there been any omission to disclose a fact that would validly entitle an insurer to void or otherwise reduce its liability under the relevant policy.

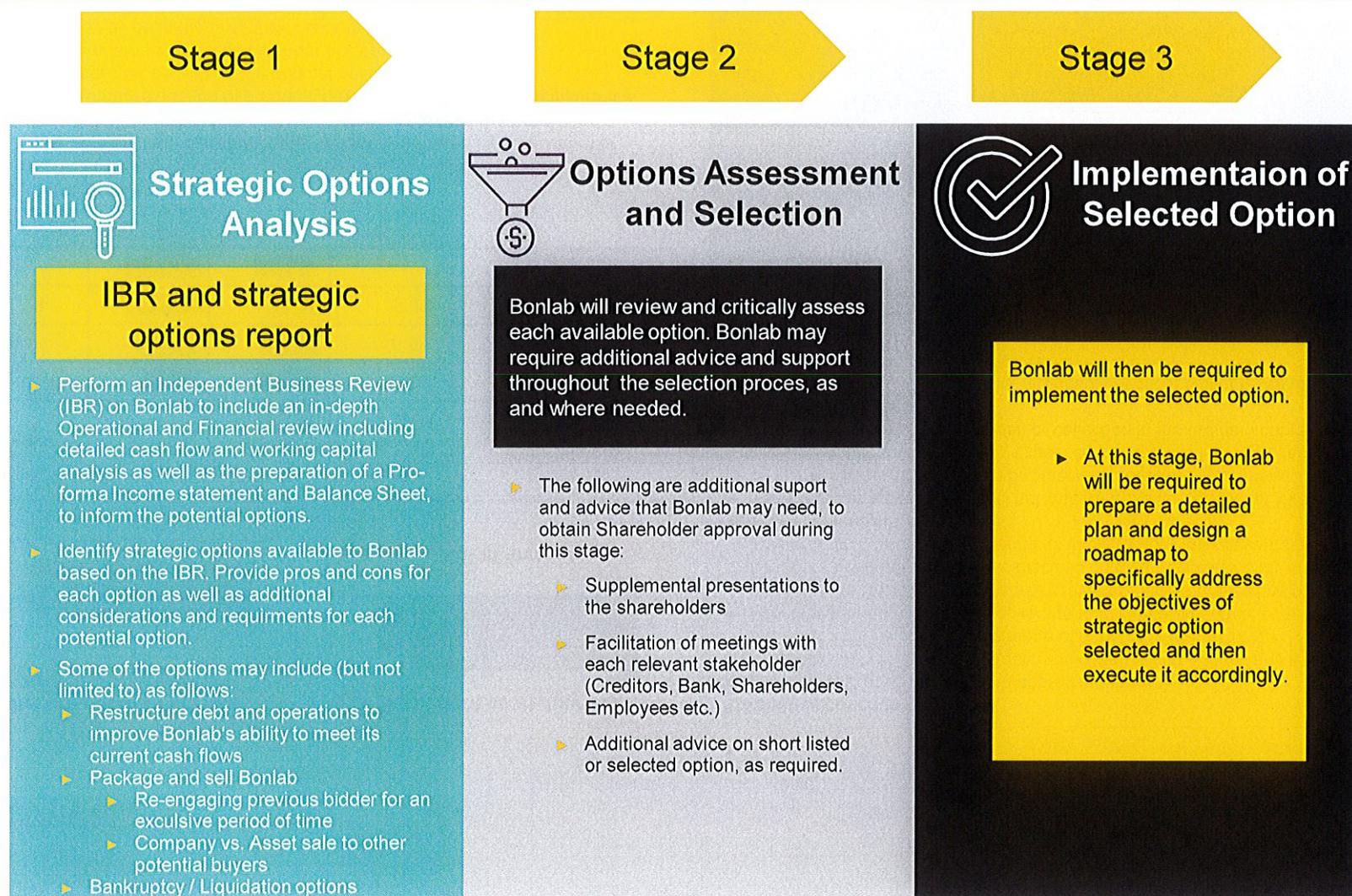
Negative covenants

- ▶ The Borrower agrees that it will not without the prior consent of RBC:
 - ▶ Guarantee, endorse or otherwise become surety for or upon the obligations of others, except by endorsement of negotiable instruments for deposit or collection in the ordinary course of business.
 - ▶ Enter into any merger or consolidation, or sell or lease all or substantially all of its assets.
 - ▶ Incur any additional borrowings and change ownership of Company

Collaterals:

- ▶ Pledge on Term Deposit of [REDACTED] dated September 11, 2018.
- ▶ First Mortgage Right of [REDACTED] till June 11, 2069 lease land right, located in Playa Abou, Bonaire. Deed dated October 9, 2018 by Notary Arends
- ▶ Assignment in the Bank's favor of Fire and Extended Perils Insurance Policy Number [REDACTED] supporting mortgaged property located at Kaya JE Nicolaas.
- ▶ Fiduciary Ownership Transfer on Machinery, Inventory, Equipment and Stock dated September 11, 2018.
- ▶ Assignment in the Bank's favor of Fire and Extended Perils Insurance policy number [REDACTED] covering Machinery, inventory, Equipment and Stock in an amount and with an insurance company deemed acceptable by the Bank
- ▶ First Right on Pledge on all receivables of Bonlab dated September 11, 2018.

Next steps and additional considerations



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