

GRUPO UNICOMER CO. LTD.
AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS

DECEMBER 31, 2017

Grupo Unicomer Co. Ltd. and subsidiaries
(Formerly Regal Forest Holding Co. Ltd.)

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December 31, 2017

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Grupo Unicomer Co. Ltd. and subsidiaries
(Formerly Regal Forest Holding Co. Ltd.)

Condensed consolidated interim statement of financial position
December 31, 2017
(expressed in U.S. dollars)

	<u>Notes</u>	December 31, 2017	March 31, 2017
		<u>\$'000</u>	<u>\$'000</u>
ASSETS			
Current assets			
Cash and cash equivalents		76,861	68,488
Accounts receivable, net	6(b)	638,873	588,315
Accounts receivable – related company		4,640	3,872
Loan receivable – related company		-	63
Other receivables and prepayments		53,869	44,311
Inventories	9	253,708	268,670
Deferred acquisition costs		26,059	26,700
Prepaid income taxes		<u>19,661</u>	<u>11,437</u>
Total current assets		<u>1,073,671</u>	<u>1,011,856</u>
Non-current assets			
Accounts receivable, net	6(a)	298,132	266,090
Loan receivable – related company		13,294	18,420
Property and equipment, net	7	152,901	163,098
Intangible assets	8	157,170	154,245
Goodwill	10(a)	67,967	68,266
Retirement benefit assets		3,897	3,616
Deferred tax assets		31,803	27,415
Other assets		<u>3,038</u>	<u>3,809</u>
Total non-current assets		<u>728,202</u>	<u>704,959</u>
Total assets		<u>1,801,873</u>	<u>1,716,815</u>

The notes on pages 9-23 are an integral part of these consolidated financial statements.

Grupo Unicomer Co. Ltd. and subsidiaries
(Formerly Regal Forest Holding Co. Ltd.)

Condensed consolidated interim statement of financial position
December 31, 2017
(expressed in U.S. dollars)

	Notes	December 31, 2017 \$'000	March 31, 2017 \$'000
LIABILITIES			
Current liabilities			
Bank overdrafts, secured		2,505	1,270
Short-term borrowings	11	64,744	78,894
Short-term borrowings – related company		-	547
Current portion of long-term borrowings	12	161,054	102,671
Accounts payable		193,838	143,220
Accounts payable – related company		2,194	2,135
Bonuses payable		4,603	5,137
Unearned premiums		74,524	69,925
Other accounts payable and accruals		81,524	69,644
Current income tax liabilities		28,503	19,406
Provision for warranties	13	<u>7,790</u>	<u>6,612</u>
Total current liabilities		<u>621,279</u>	<u>499,461</u>
Non-current liabilities			
Long-term borrowings	12	521,533	599,417
Deferred warranty income		65,323	61,309
Employee benefit obligations	13	12,816	10,890
Deferred tax liabilities		<u>15,113</u>	<u>15,271</u>
Total non-current liabilities		<u>614,785</u>	<u>686,887</u>
Total liabilities		<u>1,236,064</u>	<u>1,186,348</u>
EQUITY			
Share capital	20	152,066	152,066
Share premium	20	11,320	29,078
Retained earnings (including statutory reserves)		483,755	433,435
Currency translation reserve		<u>(81,332)</u>	<u>(84,112)</u>
Total equity		<u>565,809</u>	<u>530,467</u>
Total liabilities and equity		<u>1,801,873</u>	<u>1,716,815</u>

The notes on pages 9-23 are an integral part of these consolidated financial statements.

Grupo Unicomer Co. Ltd. and subsidiaries
(Formerly Regal Forest Holding Co. Ltd.)

Condensed consolidated interim statement of income
For the nine months ended December 31, 2017
(expressed in U.S. dollars)

		Nine months ended December 31,	
	<u>Notes</u>	<u>2017</u>	<u>2016*</u>
		\$'000	\$'000
Sales		963,352	944,582
Cost of goods sold		(677,277)	(664,420)
Gross profit on sales		286,075	280,162
Premium income		13,715	13,324
Finance income earned on credit operations		<u>310,636</u>	<u>281,098</u>
Total gross profit		610,426	574,584
Distribution and selling expenses	14	(401,014)	(368,520)
Administrative expenses	14	(85,700)	(81,271)
Other operating income, net		<u>4,100</u>	<u>3,708</u>
Operating profit		127,812	128,501
Financial income		1,022	647
Financial expenses		(49,026)	(40,956)
Foreign exchange losses and other charges		<u>(2,565)</u>	<u>(5,225)</u>
Net finance costs		<u>(50,569)</u>	<u>(45,534)</u>
Profit before income tax		77,243	82,967
Income tax expense	15	<u>(26,229)</u>	<u>(24,186)</u>
Profit for the period		<u>51,014</u>	<u>58,781</u>

* Certain December 2016 interim results were Restated as a result of the March 2017 cumulative restatement.

The notes on pages 9-23 are an integral part of these consolidated financial statements.

Grupo Unicomer Co. Ltd. and subsidiaries
(Formerly Regal Forest Holding Co. Ltd.)

Condensed consolidated interim statement of income
For the nine months ended December 31, 2017
(expressed in U.S. dollars)

	Nine months ended December 31,	
	<u>2017</u>	<u>2016*</u>
	\$'000	\$'000
Profit for the period	51,014	58,781
Other comprehensive loss:		
Items that will never be reclassified to profit or loss:		
Remeasurement of employee benefits obligation	(404)	323
Related tax on remeasurement	-	(95)
Items that may be reclassified to profit or loss:		
Currency translation adjustments	<u>2,780</u>	<u>(12,878)</u>
Other comprehensive loss for the period	<u>2,376</u>	<u>(12,650)</u>
Total comprehensive income for the period	<u>53,390</u>	<u>46,131</u>

* Restated figures from March 2017 accumulative restatement.

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Grupo Unicomer Co. Ltd. and subsidiaries
(Formerly Regal Forest Holding Co. Ltd.)

Condensed consolidated interim statement of changes in equity
For the nine months ended December 31, 2017
(expressed in U.S. dollars)

	Share capital \$'000	Share premium \$'000	Statutory reserves \$'000	Retained earnings \$'000	Currency translation reserve \$'000	Total equity \$'000
Balances at March 31, 2016	152,066	29,078	11,493	372,420	(69,353)	495,704
Total comprehensive income for the period						
Profit for the period	-	-	-	58,781	-	58,781
Other comprehensive income/(loss):						
Remeasurement of employee benefit obligation, net of taxation	-	-	-	228	-	228
Currency translation adjustments	-	-	-	-	(12,878)	(12,878)
Other comprehensive (loss) for the period, net of taxation	-	-	-	228	(12,878)	(12,650)
Total comprehensive income/(loss) for the period	-	-	-	59,009	(12,878)	46,131
Transfers to statutory reserve	-	-	788	(788)	-	-
Transaction with owners recorded directly in equity						
Dividends paid (note 20 (b))	-	-	-	(19,242)	-	(19,242)
Balances at December 31, 2016	<u>152,066</u>	<u>29,078</u>	<u>12,281</u>	<u>411,399</u>	<u>(82,231)</u>	<u>522,593</u>
 Balances at March 31, 2017	152,066	29,078	13,325	420,110	(84,112)	530,467
Total comprehensive income for the period						
Profit for the period	-	-	-	51,014	-	51,014
Other comprehensive income/(loss):						
Remeasurement of employee benefit obligation, net of taxation	-	-	-	(404)	-	(404)
Currency translation adjustments	-	-	-	-	2,780	2,780
Other comprehensive (loss) for the period, net of taxation	-	-	-	(404)	2,780	2,376
Total comprehensive income/(loss) for the period	-	-	-	50,610	2,780	53,390
Transfers to statutory reserve	-	-	627	(627)	-	-
Transaction with owners recorded directly in equity						
Transfers of subsidiaries (note 10 d))	-	-	-	(290)	-	(290)
Decrease in share premium (note 20 (a))	-	(17,758)	-	-	-	(17,758)
Balances at December 31, 2017	<u>152,066</u>	<u>11,320</u>	<u>13,952</u>	<u>469,803</u>	<u>(81,332)</u>	<u>565,809</u>

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Grupo Unicomer Co. Ltd. and subsidiaries
(Formerly Regal Forest Holding Co. Ltd.)

Condensed consolidated interim statement of cash flows
For the nine months ended December 31, 2017
(expressed in U.S. dollars)

	<u>Notes</u>	December 31, 2017 \$'000	December 31, 2016 \$'000
Cash flows from operating activities			
Profit for the period		51,014	58,781
Adjustments for:			
Depreciation and impairment of property and equipment	7	16,097	16,148
Amortization of intangible assets and impairment	8	6,072	5,497
Loss on disposal of property and equipment and intangible assets		1,331	3,399
Increase in employee benefits provision		2,649	430
Increase in provision for warranties, net		1,247	1,164
Retirement benefits assets		124	26
Increase in unearned premium reserve		4,600	6,085
Deferred policy acquisition cost released to income statement		17,950	13,394
Net finance costs		50,570	45,534
Income tax expense		<u>26,229</u>	<u>24,186</u>
		177,883	174,644
Changes in working capital:			
Increase in accounts receivable		(82,601)	(82,075)
(Increase)/decrease in accounts receivable - related companies		(770)	50
Increase in other receivables and prepayments		(9,555)	(19,359)
Increase in retirement of benefits assets		-	(148)
Decrease/(increase) in inventories		14,962	(44,617)
Increase in deferred acquisition cost		(17,309)	(15,244)
Decrease/(increase) in other assets		771	(1,014)
Decrease/(increase) in loans receivable – related companies		5,189	(2,329)
Increase in accounts payable		50,256	46,250
Decrease in accounts payable – related companies		(11,676)	(5,831)
Decrease in loans payable related company		(547)	-
(Decrease)/increase in bonuses payable		(534)	793
Increase in other accounts payable and accruals		11,881	8,364
Increase in deferred warranty income, net		<u>4,014</u>	<u>4,543</u>
		141,964	64,027
Interest received		1,022	647
Interest paid		(49,026)	(40,956)
Corporate income tax paid		<u>(29,901)</u>	<u>(26,050)</u>
Net cash provided/(used) by operating activities		<u>64,059</u>	<u>(2,332)</u>
Cash flows from investing activities			
Acquisition of property and equipment	7	(14,360)	(27,254)
Acquisition of intangible assets	8	(9,525)	(11,772)
Translation adjustments in respect of foreign subsidiaries		1,095	(4,038)
Acquisition of subsidiary/business, net of cash acquired	10	-	(9,608)
Net cash used in investing activities		<u>(22,790)</u>	<u>(52,672)</u>
Cash flows from financing activities			
Proceeds from short-term borrowings		112,125	240,140
Repayments of short-term borrowings		(126,276)	(168,666)
Transfer of subsidiaries	10	8,330	-
Proceeds from long-term borrowings		151,578	173,057
Repayments of long-term borrowing		(171,079)	(150,340)
Bank overdraft		1,235	19
Share premium decrease		(5,090)	-
Dividends paid		-	(19,242)
Net cash (used)/provided in financing activities		<u>(29,177)</u>	<u>74,968</u>
Net increase in cash and cash equivalents		12,092	19,964
Cash and cash equivalents at the beginning of period		68,488	38,716
Effect of movements in exchange rates on cash and cash equivalents		<u>(3,719)</u>	<u>(5,480)</u>
Cash and cash equivalents at end of period		<u>76,861</u>	<u>53,200</u>
Non-cash transactions:			
Decrease in equity through settlement of account payable to shareholders		<u>12,668</u>	<u>-</u>

The notes on pages 9-23 are an integral part of these consolidated financial statements.

Grupo Unicomer Co. Ltd. and subsidiaries
(Formerly Regal Forest Holding Co. Ltd.)

Notes to the condensed consolidated interim financial statements
For the nine months ended December 31, 2017
(expressed in U.S. dollars)

1. Reporting entity

Grupo Unicomer Co. Ltd. ("the Company") is incorporated and registered in the British Virgin Islands and its principal offices are located in San Salvador, El Salvador.

Infotech of the Caribbean and Central America Corp. ("Infotech"), owns 50% of the share capital of the Company, which it controls, and is controlled by Milady Associates Ltd. The other 50% is held by Gromerón, S.L.U., which is owned by El Puerto de Liverpool, S.A.B. de C.V., a publicly traded company in Mexico.

On February 15, 2017 Regal Forest Holding Co. Ltd. changed its name to Grupo Unicomer Co. Ltd.

The main activities of the Company and its subsidiaries ("the Group") are the operation of retail stores in Central America, South America, the Caribbean, and the states of Texas and New York in the United States of America. The stores sell consumer durables such as electronics, appliances and furniture, and provide the financing for a portion of those sales. The Group also provides short term cash loans to customers.

Effective April 1, 2016 the Group commenced trading in Curacao, Bonaire and Sint Maarten. (Note 10).

Certain of the Company's debt was listed on the Singapore Stock Exchange on April 3, 2017.

2. Statement of compliance, basis of preparation and significant accounting policies

2.1 Statement of compliance

This condensed consolidated interim financial information has been prepared in accordance with *IAS 34 Interim Financial Reporting*. This condensed consolidated interim financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as of and for the year ended March 31, 2017.

2.2 Judgements and estimates

In preparing these interim financial statements, management makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended March 31, 2017.

3. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended March 31, 2017. The adoption of certain new, revised and amended standards and interpretations that came into effect during the current period did not result in any change in accounting policies.

Grupo Unicomer Co. Ltd. and subsidiaries
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Notes to the condensed consolidated interim financial statements
For the nine months ended December 31, 2017
(expressed in U.S. dollars)

4. Seasonality of operations

The Group's revenues are subject to seasonal fluctuations as a result of the high sales in the second half of the year related to the Christmas season. In the first half of the year the Group traditionally increases inventory significantly to prepare for the high season.

The Group plans its purchases of inventory with seasonal patterns in mind and so as to minimize the risks of being subject to delays in inventory imports or subject to overstocking due to inventory orders placed too early. (See note 9).

5. Operating segments

The Group has two reportable segments, which are principally distributed by geographic areas. These two operating segments offer comparable products and services, but are managed separately because even though the business units located within each of the segments operate in similar market and economic environment conditions, each geographic segment as a region has diverse conditions than those of the other segments.

The Group's CEO and senior management review each of the geographic segment internal management reports separately. The following summary describes the operations in each of the Group's reportable operating segments:

Caribbean Group: includes the subsidiaries based in the Caribbean countries except Dominican Republic, and also includes the subsidiaries based in Texas, New York in the United States, and includes Belize and Guyana.

Latin American Group: includes the subsidiaries based in the Central American and South American countries, except Belize and Guyana, and includes Dominican Republic.

a. Information about reportable segments

	Nine months ended December, 31							
	2017				2016			
	<u>Latin America</u>	<u>Caribbean</u>	<u>Other</u>	<u>Total</u>	<u>Latin America</u>	<u>Caribbean</u>	<u>Other</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales	642,278	306,806	14,268	963,352	620,250	307,234	17,098	944,582
Finance income earned on credit sales and premium income	<u>198,012</u>	<u>112,932</u>	<u>13,407</u>	<u>324,351</u>	<u>176,720</u>	<u>104,662</u>	<u>13,040</u>	<u>294,422</u>
External revenues	<u>840,290</u>	<u>419,738</u>	<u>27,675</u>	<u>1,287,703</u>	<u>796,970</u>	<u>411,896</u>	<u>30,138</u>	<u>1,239,004</u>
Reportable segment - profit before tax	<u>30,231</u>	<u>48,801</u>	<u>(1,789)</u>	<u>77,243</u>	<u>18,500</u>	<u>46,245</u>	<u>18,222</u>	<u>82,967</u>

Grupo Unicomer Co. Ltd. and subsidiaries
(Formerly Regal Forest Holding Co. Ltd.)

Notes to the condensed consolidated interim financial statements
For the nine months ended December 31, 2017
(expressed in U.S. dollars)

b. Reconciliation of reportable segment profit or loss

	Nine months ended December 31,	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Total profit or loss for reportable segment before tax	77,243	82,967
Unallocated corporate expenses	<u>-</u>	<u>-</u>
Profit before tax	<u>77,243</u>	<u>82,967</u>

6. Accounts receivable

a. Accounts receivable as of December 31, 2017 and March 31, 2017 are as follows:

	December 31,	March 31
	<u>2017</u>	<u>2017</u>
	\$'000	\$'000
Gross accounts receivable – customers	1,120,316	1,040,010
Allowance for forgiveness of instalments	(10,316)	(7,265)
Gross cash loans receivable – customers	221,173	165,276
Gross interest receivable	27,231	24,496
Unearned finance income	<u>(341,864)</u>	<u>(303,593)</u>
	1,016,540	918,924
Less: allowance for impairment	<u>(79,535)</u>	<u>(64,519)</u>
	937,005	854,405
Current portion of accounts receivable, net	<u>(638,873)</u>	<u>(588,315)</u>
Non-current portion of accounts receivable, net	<u>298,132</u>	<u>266,090</u>

b. Current portion of accounts receivable:

Gross accounts receivable, cash loans and interest receivable – customers	926,579	860,329
Unearned finance income	<u>(236,245)</u>	<u>(230,218)</u>
Total accounts receivable	690,334	630,111
Less: allowance for impairment	<u>(51,461)</u>	<u>(41,796)</u>
	<u>638,873</u>	<u>588,315</u>

Grupo Unicomer Co. Ltd. and subsidiaries
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Notes to the condensed consolidated interim financial statements
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- c. The aging of the customer accounts receivable portfolio as of December 31, 2017 and March 31, 2017, was as follows:

	<u>December 31, 2017</u>			<u>March 31, 2017</u>		
	<u>Gross less</u>	<u>Impairment</u>	<u>Net</u>	<u>Gross less</u>	<u>Impairment</u>	<u>Net</u>
	<u>finance</u>	<u>allowance</u>		<u>finance</u>	<u>allowance</u>	
	<u>income</u>			<u>income</u>		
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Not past due	695,442	(12,803)	682,639	595,482	(10,288)	585,194
Past due 1-30 days	159,274	(8,126)	151,148	169,959	(6,872)	163,087
Past due 31-60 days	57,138	(6,516)	50,622	63,447	(6,641)	56,806
Past due 61-90 days	29,161	(6,906)	22,255	26,902	(5,880)	21,022
Past due 91-120 days	19,782	(8,884)	10,898	15,657	(6,263)	9,394
Past due 121-150 days	14,906	(8,599)	6,307	11,885	(6,057)	5,828
Past due 151-180 days	12,570	(8,313)	4,257	10,863	(6,458)	4,405
Past due more than 180 days	<u>28,267</u>	<u>(19,388)</u>	<u>8,879</u>	<u>24,729</u>	<u>(16,060)</u>	<u>8,669</u>
	<u>1,016,540</u>	<u>(79,535)</u>	<u>937,005</u>	<u>918,924</u>	<u>(64,519)</u>	<u>854,405</u>

In computing past due amounts in its aging of accounts receivable, the Group includes the full outstanding balance (net of unearned finance income) of those accounts with instalments past due.

The movement in the allowance for impairment of receivables during the nine-month period ended December 31, 2017, and the twelve-month period ended March 31, 2017 was as follows:

	<u>December 31,</u>	<u>March 31,</u>
	<u>2017</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance at beginning of period	64,519	61,646
Arising on acquisition of subsidiaries	-	288
Impairment losses recognized	68,995	77,354
Utilized during the period	(53,815)	(74,690)
Foreign exchange adjustment	<u>(164)</u>	<u>(79)</u>
	<u>79,535</u>	<u>64,519</u>

Grupo Unicomer Co. Ltd. and subsidiaries
(Formerly Regal Forest Holding Co. Ltd.)

Notes to the condensed consolidated interim financial statements
For the nine months ended December 31, 2017
(expressed in U.S. dollars)

7. Property and equipment

\$'000

Cost

Balance as of March 31, 2017	305,915
Additions	14,360
Disposals	(5,945)
Sales	(636)
Sales of subsidiary	(9,255)
Reclassifications and adjustments	59
Translation adjustments	<u>1,219</u>
Balance as of December 31, 2017	<u>305,717</u>

Accumulated depreciation

Balance as of March 31, 2017	142,817
Depreciation for the period	16,097
Disposals	(4,782)
Sales	(302)
Sales of subsidiary	(810)
Reclassifications and adjustments	32
Translation adjustments	<u>(236)</u>
Balance as of December 31, 2017	<u>152,816</u>

Carrying amounts:

At December 31, 2017	<u>152,901</u>
At March 31, 2017	<u>163,098</u>

8. Intangible assets

\$'000

Cost

Balance as of March 31, 2017	193,914
Additions	9,525
Disposals	(102)
Reclassification and adjustments	218
Translation adjustments	<u>(810)</u>
Balance as of December 31, 2017	<u>202,745</u>

Accumulated amortization

Balance as of March 31, 2017	39,669
Amortization for the period	6,072
Disposal eliminations	(23)
Translation adjustments	<u>(143)</u>
Balance as of December 31, 2017	<u>45,575</u>

Carrying amounts:

At December 31, 2017	<u>157,170</u>
At March 31, 2017	<u>154,245</u>

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(expressed in U.S. dollars)

9. Inventories

As of December 2017, the Group's total inventory decreased by 5.6%, equivalent to \$14.9 million, compared to March 2017. The decrease is mainly focused in merchandise for sale (-4.4% or -\$10.3 million) as well as goods in transit (-12.7% or -\$4.7 million), and is largely explained by the year-end holiday sales, as the reduction corresponds to high season customer purchases consuming the Group's stocks. Analyzing the behavior by region, the reduction is mostly concentrated in the Latin America countries, more specifically in the inventory in transit category. As of March 2017, this category totaled \$28.0 million while as of December 2017, it reduced to \$20.5 million. As part of the year end effect previously explained, in the month of March, the Latin American countries start preparing to increase their inventory for Mother's (May) and Father's Day (June). The variance between December 2017 and March 2017 is therefore explained by stocks getting reduced due to the high sales during the year-end holiday season. The contrary effect applies in March: lower sales and a decision to start overstocking for future demand.

10. Acquisition of subsidiaries and businesses

- a. The movement of Goodwill for the nine months ended December 31, 2017 is as follows:

	\$'000
Balance as of March 31, 2016	69,867
Effect of movements in exchange rates	<u>(1,601)</u>
Balance as of March 31, 2017	68,266
Effect of movements in exchange rates	<u>(299)</u>
Balance as of December 31, 2017	<u>67,967</u>

- b. Effective December 24, 2015, Unicomer Latin America Co. Ltd. obtained 100% control of Wisdom Product S.A.E.C.A. in Paraguay through a cash purchase of shares.

After the year ended March 31, 2017, a fraud was detected in the subsidiary resulting in an adjustment to the recognized value of the net assets at the acquisition date. This resulted in the net decrease of goodwill by \$3,835,000, with the corresponding adjustments in the net assets acquired in the subsidiary.

Goodwill movement	\$'000
Goodwill as initially calculated at the acquisition date	14,019
Decrease in fair value of net assets acquired	<u>32,665</u>
Adjusted goodwill	46,684
Impairment of goodwill as of March 31, 2016	<u>(36,500)</u>
Balance as of March 31, 2017 and 2016	<u>10,184</u>
Net decrease in goodwill in Paraguay in 2016	<u>(3,835)</u>

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The combined statement of financial position as of March 31, 2016 reflects these adjustments. The decrease in the net assets acquired is as follows:

Net identifiable assets:	Pre-acquisition carrying amounts \$'000	Fair value adjustment \$'000	Values initially recognized on acquisition \$'000	Adjustments \$'000	Adjusted values recognized on acquisition \$'000
Property and equipment	1,917	66	1,983	-	1,983
Intangible assets	159	11,100	11,259	(7,750)	3,509
Accounts receivable	27,219	-	27,219	(23,677)	3,542
Inventory	745	-	745	-	745
Other assets	11,539	-	11,539	(1,118)	10,421
Debt payable	(19,517)	-	(19,517)	-	(19,517)
Payables, taxes and other provisions	<u>(6,841)</u>	<u>-</u>	<u>(6,841)</u>	<u>(120)</u>	<u>(6,961)</u>
	<u>15,221</u>	<u>11,166</u>	<u>26,387</u>	<u>(32,665)</u>	<u>(6,278)</u>

The accounts receivable comprised gross contractual amounts due of \$5,588,000 of which \$2,046,000 was expected to be uncollectible at the date of acquisition.

- (i) Consideration paid and net cash outflow on the acquisition of the Paraguay subsidiary were as follows:

	\$'000
Fair value of net assets acquired:	(6,278)
Goodwill on acquisition	<u>46,684</u>
Consideration paid for subsidiary acquired	40,406
Less: Cash acquired	(2,665)
Less: purchase of preferred shares	<u>(7,066)</u>
Net cash outflow arising on acquisition in the year	<u>30,675</u>

The adjusted goodwill value was then considered impaired in an amount of \$36,500,000 and recognized directly in the combined statement of income. As a result, the adjusted balance of the goodwill on acquisition as of March 31, 2016 was \$10,184,000.

The Group will continue its strategy to establish and expand its business of retailing and financing of consumer durables in this country considering the market opportunities in Paraguay under new management.

The Group has filed two law suits in Paraguay against the previous owners alleging fraud, falsification of documents and seeking damages. The accused parties were detained by order of the Justice Department and have posted bail of assets valued at \$30,000,000.

- (ii) The total restated revenue included in the combined statement of income for the year ended March 31, 2016 contributed by the acquired business since December 24, 2015 is \$3,565,814. The business also incurred an adjusted net loss of \$107,651 for the same period.

The Group incurred acquisition-related costs of \$780,900 related to external legal fees, advisory, and due diligence costs. These costs are included in administrative expenses.

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- c. Effective April 1, 2016 the Group acquired the net assets related with the OMNI store retail operations in the countries Curacao, Bonaire and Sint Maarten. The total net assets acquired in the three countries amounted to \$9,608,000 and mainly comprise accounts receivable, inventory and intangible assets. The acquisition consideration was equal to the net assets.

The total revenue included in the combined statement of income for year ended March 31, 2017 contributed by the acquired business since April 1, 2016 was \$17,129,632. The business also incurred a loss of \$835,945 over the same period.

The Group incurred acquisition-related costs of \$257,104 related to external legal fees and due diligence costs. These costs were included in administrative expenses in the combined income statement.

The Group continues its strategy to expand its business of retailing and financing of consumer durables into new markets with this acquisition which is expected to improve the Group's performance through economies of scale. The business assets and liabilities acquired were as follows:

	<u>OMNI Group</u>
	\$'000
Net identifiable assets:	
Intangible assets	2,250
Property and equipment	580
Accounts receivable	1,213
Inventory	5,631
Other assets	245
Other liabilities	<u>(311)</u>
Net assets acquired	<u>9,608</u>
Total consideration on acquisition	<u>9,608</u>
Satisfied by the following:	
Cash consideration	9,608
Cash acquired	<u>-</u>
Net cash outflow arising on acquisition in the year	<u>9,608</u>

The accounts receivable comprise gross contractual amounts due of \$1,213,000, which do not carry a corresponding impairment provision in the opening balance.

The fair value of intangible assets (the value of brand) was assessed through relief-from-royalty method. This method considers the discounted estimated royalty payments that are expected to be avoided as a result of the trademarks owned.

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- d. Effective July 10, 2017 the Group completed the sale of its 100% shareholding in Redstart Investments (Belize) Limited to Redstart Investments IBC, Limited, a subsidiary of Redstart Investment Limited incorporated in the British Virgin Islands.

	<u>2017</u>
	<u>\$'000</u>
(i) Analysis of assets and liabilities disposed of:	
Cash and cash equivalents	120
Other receivables and prepayments	44
Property and equipment, net	8,286
Bank loans	(3,918)
Related company loans	(3,934)
Accounts payable - related company	(90)
Other accounts payable and accruals	(63)
Current income tax liabilities	<u>(3)</u>
Net assets disposed of the company	<u>442</u>

The net assets were transferred at book value of the investment cost and consideration was fully satisfied by intercompany settlement.

- (ii) Consideration on disposal:

Consideration received	5
Cash and cash equivalents disposed of	<u>(120)</u>
Net assets disposed of the company	<u>(115)</u>

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11. Short-term borrowings

		December 31, <u>2017</u> \$'000	March 31, <u>2017</u> \$'000
	<u>Interest rates</u>		
<i>Borrowings under short-term lines of credit:</i>			
U.S. dollar denominated in countries where the functional currency is not the U.S. dollar	(2.60% - 6.00%)	9,311	17,171
U.S. dollar denominated in countries where the functional currency is the U.S. dollar	4.49% (4.68%)	16,796	4,000
Non-U.S. dollar based local functional currencies	6.00% - 9.50% (6.00% - 9.23%)	<u>22,180</u>	<u>40,844</u>
		<u>48,287</u>	<u>62,015</u>
<i>Short-term loans:</i>			
Non-U.S. dollar based local functional currencies	8.85% - 9.25% (9.00% - 9.85%)	<u>16,457</u>	<u>16,879</u>
		<u>16,457</u>	<u>16,879</u>
Total short-term borrowings		<u>64,744</u>	<u>78,894</u>

12. Long-term borrowings

		December 31, <u>2017</u> \$'000	March 31, <u>2017</u> \$'000
	<u>Interest rates</u>		
<i>Long-term lines of credit:</i>			
U.S. dollar denominated in countries where the functional currency is not the U.S. dollar	2.80% - 6.00% (3.92% - 6:00%)	21,876	12,963
U.S. dollar denominated in countries where the functional currency is the U.S. dollar	4.07% - 4.77% (4.05% - 5.54%)	13,350	22,612
Non-U.S. dollar based local functional currencies	8.00% - 9.90% (6.50% - 10.75%)	<u>22,153</u>	<u>27,469</u>
		<u>57,379</u>	<u>63,044</u>
<i>Long-term loans:</i>			
U.S. dollar denominated in countries where the functional currency is not the U.S. dollar	6.15% - 12.40% (6.15% - 12.92%)	31,932	26,797
U.S. dollar denominated in countries where the functional currency is the U.S. dollar	5.98% - 9.60% (5.55% - 9.12%)	397,031	414,711
Non-U.S. dollar based local functional currencies	3.75% - 11.50% (3.75% - 18.00%)	<u>202,303</u>	<u>204,548</u>
		<u>631,266</u>	<u>646,056</u>
Subtotal long-term borrowings		<u>688,645</u>	<u>709,100</u>

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	December 31, 2017	March 31, 2017
	<u>\$'000</u>	<u>\$'000</u>
Subtotal long-term borrowings	<u>688,645</u>	<u>709,100</u>
Less:		
Capitalized loan transaction costs:		
At beginning of the year	(7,012)	(505)
Arising on new loans	(14)	(7,341)
Translation adjustments	(10)	191
Amortized in interest expense for the period	<u>978</u>	<u>643</u>
	<u>(6,058)</u>	<u>(7,012)</u>
Carrying value of long-term borrowings	<u>682,587</u>	<u>702,088</u>
Less: current portions of:		
Long-term borrowings	<u>(161,054)</u>	<u>(102,671)</u>
Total long-term borrowings	<u>521,533</u>	<u>599,417</u>

Maturity of long-term borrowings as of the reporting date was as follows:

	December 31, 2017	March 31, 2017
	<u>\$'000</u>	<u>\$'000</u>
Current portion	161,054	102,671
Between 1 and 2 years	118,040	84,652
Between 2 and 5 years	31,497	118,445
Over 5 years	<u>378,054</u>	<u>403,332</u>
	<u>688,645</u>	<u>709,100</u>

13. Provisions

	<u>Product</u>	<u>Employee</u>	<u>Total</u>
	<u>warranties</u>	<u>benefits</u>	<u>\$'000</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Balance as of March 31, 2016	6,102	10,003	16,105
Charged to profit for the year	6,678	2,835	9,513
Amount used during the year	(6,087)	(1,761)	(7,848)
Translation adjustments	<u>(81)</u>	<u>(187)</u>	<u>(268)</u>
Balance as of March 31, 2017	<u>6,612</u>	<u>10,890</u>	<u>17,502</u>
Charged to profit for the period	(280)	2,866	2,586
Amount used during the period	1,441	(544)	897
Translation adjustments	<u>17</u>	<u>(396)</u>	<u>(379)</u>
Balance as of December 31, 2017	<u>7,790</u>	<u>12,816</u>	<u>20,606</u>

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14. Operating expenses

- a. The following expenses have been charged in determining operating profit:

	Nine months ended	
	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Personnel expenses	199,502	184,994
Accounts receivable – impairment	68,995	56,273
Operating leases	50,724	44,333
Advertising	25,544	28,019
Depreciation of property and equipment and impairment	16,097	16,148
Freight expenses	14,597	13,987
Professional fees	13,112	10,347
Commissions and others	12,346	9,776
Insurance	10,663	10,979
Utilities	10,083	9,575
Telecommunications	8,387	8,123
Repairs and maintenance	8,296	8,288
Amortization of intangible assets and impairment	6,072	5,497
Travel expenses	5,996	4,970
Maintenance and leasing computer equipment	5,766	6,354
Security services	5,228	5,060
Insured warranty claims	4,240	4,497
Municipal tax	3,186	3,519
Charitable donations	1,230	2,233
Other operating expenses, net	<u>16,650</u>	<u>16,819</u>
	<u>486,714</u>	<u>449,791</u>
Comprising:		
Distribution and selling expenses	401,014	368,520
Administrative expenses	<u>85,700</u>	<u>81,271</u>
	<u>486,714</u>	<u>449,791</u>
b. Personnel expenses incurred for the periods are as follows:		
Wages and benefits	116,610	105,644
Commissions	35,454	33,752
Social security and pension cost	17,874	16,706
Other employee benefits	<u>29,564</u>	<u>28,892</u>
	<u>199,502</u>	<u>184,994</u>

The average number of full-time-equivalent employees for the nine months ended December 31, 2017 was 15,997 (2016: 15,331).

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15. Income tax expense

Income tax expense is recognized based on management's best estimate of the subsidiaries' expected annual income tax rate on current and deferred tax computation for the full financial year applied to the pre-tax financial income of the interim period.

The Group's consolidated effective tax rate for the nine months ended December 31, 2017 was 33.7% (nine months ended December 31, 2016: 29.2%). Should the provision explained below in (i) would not have been recorded, the Group's consolidated effective tax rate for the nine months ended December 31, 2017 would have been 31.7%.

The increase of effective tax rate in the comparison is explained by (i) an extraordinary \$5 million US dollar provision for Canterbury Insurance Co. recorded with regards to hurricane damages for Dominica, (ii) a general increase of accounts receivable impairment expense in Latin American countries where it is considered a permanent difference for tax purposes in several countries, (iii) a general decrease in the results in standalone holdings and subsidiaries in lower tax jurisdictions and (iv) downturn of results in companies whose corporate taxes are calculated on net revenues (Unicoservi Guatemala) or where a minimum tax applies (Nicaragua, Honduras, Dominican Republic and Belize).

16. Related-party transactions

Certain key administrative services relating to the areas of information technology and logistics are provided by a company related by virtue of common directors. Principal transactions with related parties are as follows:

	Nine months ended	
	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Expenses of operating leases	3,379	577
Expenses for logistics services	2,265	1,105
Charge for administrative services	2,141	5,226
Purchases of merchandise	872	1,403
Expenses for advertising	427	223
Purchases of fixed assets	141	1
Income from services provided	1,826	962
Interest income on loan granted to affiliates	617	1,672
Income from operating leasing	564	-
Income from logistics services	96	-
Income from services repairs	17	-
Sales of merchandise	4	5

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17. Commitments

Operating leases:

The Group has rental contracts on the real estate where its offices and stores are located. Minimum future payments under these operating lease contracts at the reporting date are:

	<u>2017</u> \$'000	<u>2016</u> \$'000
Within one year	49,638	50,516
Between one and five years	123,388	110,924
After five years	<u>49,019</u>	<u>52,309</u>
	<u>222,045</u>	<u>213,749</u>

Certain lease payments are based on a combination of a fixed fee and a variable fee, based on the stores' sales. The above figures do not include the estimated variable fee.

18. Financial instruments

With respect to the management of liquidity risk, not only has management constantly maintained adequate access to funding but it also has increased its available bank lines of credit. As of December 31, 2017, the Group had \$326,138,956 (December 2016: \$330,533,113) of lines of credit, with available head rooms totalling \$194,828,922 (December 2016: \$85,639,915).

Other aspects of the Group's financial risk management goals and policies regarding market risk, currency risk and interest rate risk are consistent with the guidelines and policies disclosed in the consolidated financial statements for the years ended March 31, 2017 and 2016.

19. Capital management

It is the Group's policy to maintain a strong capital base so as to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as total shareholders' equity. The Company is not subject to externally imposed capital requirements. Certain subsidiaries are subject to capital requirements imposed by regulators or local legislation. There were no changes in the Group's approach to capital management during the year.

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20. a. Equity

Share capital and share premium

	December 31, <u>2017</u>	March 31, <u>2017</u>
Authorized – ordinary shares:		
100,000,000 Class “A” Ordinary shares	100,000	100,000
100,000,000 Class “B” Ordinary shares	<u>100,000</u>	<u>100,000</u>
	<u>200,000</u>	<u>200,000</u>
	\$'000	\$'000
Issued and fully paid ordinary shares of \$1 per share (i):		
76,032,774 Class “A” Ordinary shares	76,033	76,033
76,032,774 Class “B” Ordinary shares	<u>76,033</u>	<u>76,033</u>
	<u>152,066</u>	<u>152,066</u>
Share premium (i)	<u>11,320</u>	<u>29,078</u>

- (i) At the General Meeting of the Shareholders held on August 28, 2017, the shareholder of the Company authorized a distribution of US\$17,758,000 consisting of share premiums in excess of its nominal capital, in lieu of payment of dividend.

b. Dividends

During the period of the nine months ended on December 31, 2017, dividends were not declared. At December 31, 2016, the dividends declared were \$19,242.