

GRUPO UNICOMER CORP.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
September 30, 2021

Grupo Unicomer Corp. and subsidiaries

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Grupo Unicomer Corp. and subsidiaries

Condensed consolidated interim statement of financial position

September 30, 2021

(expressed in U.S. dollars)

	<u>Notes</u>	September 30, <u>2021</u> \$'000	March 31, <u>2021</u> \$'000
ASSETS			
Current assets			
Cash and cash equivalents		87,637	143,438
Accounts receivable, net	6	430,711	438,941
Accounts receivable – related parties	18	8,081	5,532
Current portion of loans receivable – related parties	18	2,450	2,450
Inventories, net	7	449,227	320,373
Other receivables and prepayments		50,934	37,661
Current portion of deferred assets of extended warranty		6,126	9,780
Income taxes recoverable		<u>13,798</u>	<u>12,192</u>
Total current assets		1,048,964	970,367
Non-current assets			
Accounts receivable, net	6	263,115	259,537
Loan receivable – related parties	18	23,881	12,896
Property and equipment, net	8	129,055	133,377
Right-of-use assets, net	9a	142,087	149,686
Intangible assets, net	10	138,604	146,664
Goodwill	11	64,865	65,534
Employee benefits assets		5,387	5,471
Deferred tax assets		57,928	57,293
Deferred assets of extended warranty		13,266	10,073
Other assets		<u>6,364</u>	<u>6,507</u>
Total non-current assets		<u>844,552</u>	<u>847,038</u>
Total assets		<u>1,893,516</u>	<u>1,817,405</u>

The notes on pages 8-24 are an integral part of these consolidated financial statements.

Grupo Unicomer Corp. and subsidiaries

Condensed consolidated interim statement of financial position

September 30, 2021

(expressed in U.S. dollars)

	<u>Notes</u>	September 30, <u>2021</u> \$'000	March 31, <u>2021</u> \$'000
LIABILITIES			
Current liabilities			
Accounts payable		236,198	209,422
Accounts payable – related parties	18	4,766	3,981
Bank overdrafts		2,172	1,542
Short-term borrowings	12	69,109	38,203
Current portion of long-term borrowings	12	81,462	75,875
Current portion of long-term borrowings related parties	18	155	-
Current portion of leases liabilities	9b	41,501	42,319
Current tax liabilities		11,403	15,817
Other payables and accruals	13	74,135	70,996
Current portion of deferred income of extended warranty		29,034	42,586
Provisions	14	5,441	4,748
Bonuses payable		5,490	7,261
Unearned premiums		<u>10,600</u>	<u>10,803</u>
Total current liabilities		571,466	523,553
Non-current liabilities			
Long-term borrowings	12	555,417	528,667
Long-term borrowings – related parties	18	-	5,732
Leases liabilities	9b	125,970	134,581
Deferred tax liability		10,629	11,307
Employee benefits provision		17,158	17,760
Deferred income of extended warranty		<u>77,138</u>	<u>64,242</u>
Total non-current liabilities		<u>786,312</u>	<u>762,289</u>
Total liabilities		<u>1,357,779</u>	<u>1,285,842</u>
EQUITY			
Share capital	15	152,066	152,066
Retained earnings (including statutory reserves)		510,910	500,123
Currency translation reserve		<u>(127,239)</u>	<u>(120,626)</u>
Total equity		<u>535,737</u>	<u>531,563</u>
Total liabilities and equity		<u>1,893,516</u>	<u>1,817,405</u>

The notes on pages 8-24 are an integral part of these consolidated financial statements.

Grupo Unicomer Corp. and subsidiaries

Condensed consolidated interim statement of profit or loss For the six months ended September 30, 2021

(expressed in U.S. dollars)

		Six months ended September 30,	
	Notes	<u>2021</u> \$'000	<u>2020</u> \$'000
Sales	16	569,003	445,751
Cost of sales		<u>(395,437)</u>	<u>(305,055)</u>
Gross profit on sales		173,566	140,696
Premium income	16	6,299	7,447
Finance income earned on credit operations	16	<u>182,144</u>	<u>198,528</u>
Total gross profit		362,009	346,671
Distribution and selling expenses	17	(206,334)	(162,769)
Administrative expenses	17	(59,634)	(56,254)
Impairment loss on account receivable	6	(28,014)	(146,572)
Remeasurement of accounts receivable at amortized cost		(10,938)	(31,453)
Other operating income and expenses		<u>9,798</u>	<u>7,932</u>
Operating profit/(loss)		66,887	(42,476)
Financial income		1,097	842
Financial expense		(26,734)	(30,512)
Financial expense – leases liabilities	9c	(7,135)	(6,902)
Gain/(loss) on foreign exchange		<u>238</u>	<u>(2,751)</u>
Net finance costs		(32,534)	(39,323)
Profit/(loss) before tax		34,353	(81,769)
Income tax expense	19	<u>(15,565)</u>	<u>(2,128)</u>
Profit/(loss) for the period		<u>18,788</u>	<u>(83,897)</u>

The notes on pages 8-24 are an integral part of these consolidated financial statements.

Grupo Unicomer Corp. and subsidiaries

Condensed consolidated interim statement of other comprehensive income For the six months ended September 30, 2021

(expressed in U.S. dollars)

		Six months ended September 30,	
	<u>Notes</u>	<u>2021</u> \$'000	<u>2020</u> \$'000
Profit/(loss) for the period		18,788	(83,897)
Currency translation adjustments		<u>(6,613)</u>	<u>(12,730)</u>
Other comprehensive (loss) for the period		<u>(6,613)</u>	<u>(12,730)</u>
Total comprehensive income/(loss) for the period		<u>12,175</u>	<u>(96,627)</u>

The notes on pages 8-24 are an integral part of these consolidated financial statements.

Grupo Unicomer Corp. and subsidiaries

Condensed consolidated interim statement of changes in equity For the six months ended September 30, 2021 (expressed in U.S. dollars)

	Share capital \$'000	Statutory reserves \$'000	Retained earnings \$'000	Translation reserve \$'000	Total equity \$'000
Balance as of March 31, 2020	<u>152,066</u>	<u>18,389</u>	<u>502,188</u>	<u>(97,902)</u>	<u>574,741</u>
Total comprehensive income for the period					
Loss for the period	-	-	(22,123)	-	(22,123)
Other comprehensive income for the year:					
Remeasurement of employee benefit liabilities/(assets), net of tax	-	-	1,669	-	1,669
Foreign operations – foreign currency translation differences	-	-	-	(22,724)	(22,724)
Other comprehensive income for the period, net of tax	-	-	1,669	(22,724)	(21,055)
Total Comprehensive income for the period	-	-	(20,454)	(22,724)	(43,178)
Transfers to statutory reserve	-	3,440	(3,440)	-	-
Balance as of March 31, 2021	<u>152,066</u>	<u>21,829</u>	<u>478,294</u>	<u>(120,626)</u>	<u>531,563</u>
Total comprehensive income for the year					
Profit for the period	-	-	18,788	-	18,788
Other comprehensive income for the year:					
Foreign operations – foreign currency translation differences	-	-	-	(6,613)	(6,613)
Other comprehensive income for the period, net of tax	-	-	-	(6,613)	(6,613)
Total Comprehensive income for the period	-	-	18,788	(6,613)	12,175
Transfers to statutory reserve	-	14	(14)	-	-
Transaction with owners of the Company					
Dividends paid	-	-	(8,000)	-	(8,000)
Total transactions with owners of the Company	-	-	(8,000)	-	(8,000)
Balance as of September 30, 2021	<u>152,066</u>	<u>21,842</u>	<u>489,068</u>	<u>(127,239)</u>	<u>535,737</u>

The notes on pages 8-24 are an integral part of these consolidated financial statements.

Grupo Unicomer Corp. and subsidiaries

Condensed consolidated interim statement of cash flows

For the six months ended September 30, 2021

(expressed in U.S. dollars)

		Six months ended September 30,	
	Notes	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Profit/(loss) for the period		18,788	(83,897)
Adjustments for:			
Depreciation of property and equipment	8	9,395	10,152
Depreciation of right-of-use assets	9a	24,034	22,639
Amortization of intangible assets	10	8,875	4,714
Loss on disposal of property and equipment and intangible assets		430	613
Allowance for impairment		1,804	641
Increase in employee benefits provision		5,002	1,059
Increase in provision for warranties, net	14	734	512
Impairment and cost amortized of accounts receivable	6	28,014	146,572
Remeasurement of accounts receivable at amortized cost		10,938	31,521
Interest on lease liabilities	9c	7,135	6,902
Net finance costs		25,637	32,421
Income tax expense	19	<u>15,566</u>	<u>2,128</u>
		156,352	175,978
Changes in working capital:			
(Increase) decrease in accounts receivable	6	(34,300)	28,277
Increase in accounts receivable – related parties		(3,663)	(826)
Increase in other receivables and prepayments		(13,273)	(151)
Decrease in retirement of benefits assets		-	147
(Increase) decrease in inventories	7	(130,658)	12,119
Decrease in deferred acquisition cost		461	2,963
Decrease (increase) in other assets		143	(411)
Decrease (increase) accounts payable		26,776	(17,503)
(Decrease) increase in accounts payable-related parties		(4,947)	1,146
Provisions paid		(5,589)	(1,408)
Decrease in bonuses payable		(1,771)	-
Increase in other accounts payable and accruals		3,141	6,225
Decrease in unearned premium reserve		(203)	(5,891)
Decrease in deferred warranty income, net		<u>(656)</u>	<u>(12,628)</u>
		(8,187)	188,037
Interest received		1,097	842
Interest paid		(26,734)	(30,512)
Corporate income tax paid		<u>(22,898)</u>	<u>(15,867)</u>
Net cash (used in) provided by operating activities		(56,722)	142,500
Cash flows from investing activities			
Acquisition of property and equipment	8	(6,741)	(5,340)
Proceeds from sale of property and equipment		(428)	-
Acquisition of intangible assets	10	(2,023)	(2,271)
(Increase) decrease in loans receivable related companies		(10,985)	3,917
Increase in loans payable related companies		155	-
Translation adjustments in respect of foreign subsidiaries		<u>(3,225)</u>	<u>(5,318)</u>
Net cash used in investing activities		(23,247)	(9,012)

Grupo Unicomer Corp. and subsidiaries

Condensed consolidated interim statement of cash flows For the six months ended September 30, 2021

(expressed in U.S. dollars)

Continued:	Notes	Six months ended September 30,	
		2021 \$'000	2020 \$'000
Cash flows from financing activities			
Proceeds from short-term borrowings		68,645	42,405
Repayments of short-term borrowings		(37,739)	(60,308)
Proceeds of long-term borrowing		74,965	(77,029)
Repayments of long-term borrowing		(42,628)	34,563
Payment of lease liabilities	9d	(31,949)	(30,678)
Dividends Paid		(8,000)	-
Bank overdraft		<u>630</u>	<u>(3,361)</u>
Net cash provided by (used in) financing activities		<u>23,924</u>	<u>(94,408)</u>
Net (decrease)/increase in cash and cash equivalents		(56,045)	39,080
Cash and cash equivalents at the beginning of period		143,438	144,654
Effect of movements in exchange rates on cash and cash equivalents		<u>244</u>	<u>(1,455)</u>
Cash and cash equivalents at end of period		<u>87,637</u>	<u>185,189</u>

The notes on pages 8-24 are an integral part of these consolidated financial statements.

Grupo Unicomer Corp. and subsidiaries

Notes to the condensed consolidated interim financial statements

September 30, 2021

(expressed in U.S. dollars)

1. Reporting entity

Grupo Unicomer Corp. ("the Company") is incorporated and registered in the Republic of Panama.

Infotech of the Caribbean and Central America Corp. ("Infotech") owns 50.1% of the share capital of the Company, which it controls, and in turn is controlled by Milady Associates Ltd. The other 49.9% is held by Comercializadora Vendimiario, S.A. de C.V., which is owned by Operadora Liverpool, S.A. de C.V., which is owned by El Puerto de Liverpool, S.A.B. de C.V., a publicly traded company in Mexico.

On August 26, 2021, Gromerón, S.L.U. sold the shares to Comercializadora Vendimiario, S.A. de C.V.,

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 state of 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.

Certain of the Company's debt was issued on March 27, 2017, in a private placement in accordance with Rule 144A and Regulation S under the Securities Act of 1933; and it was listed on the Singapore Stock Exchange on April 3, 2017.

2. Statement of compliance and basis of preparation

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, 2021.

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, 2021.

3. Changes in 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, 2021.

Grupo Unicomer Corp. and subsidiaries

Notes to the condensed consolidated interim financial statements

September 30, 2021

(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 holiday season. At the end of the first half of the year the Group traditionally increases inventory significantly to prepare for the high season; For this interim period, the inventory rise is also due to the Group's strategy to avoid shortages as a result of the worldwide supply chain delays during the pandemic (note 7).

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:

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

Caribbean Group includes the subsidiaries based in the Caribbean countries except Dominican Republic and includes Belize, Guyana and United States of America subsidiaries.

Information about reportable segments:

	Six months ended September, 30							
	2021				2020			
	Latin America	Caribbean	Other	Total	Latin America	Caribbean	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales	409,337	147,264	12,402	569,003	305,202	126,777	13,772	445,751
Finance income earned on credit sales and premium income	<u>110,126</u>	<u>71,837</u>	<u>6,517</u>	<u>188,480</u>	<u>123,344</u>	<u>74,084</u>	<u>8,572</u>	<u>206,001</u>
External revenues	<u>519,463</u>	<u>219,101</u>	<u>18,919</u>	<u>757,483</u>	<u>428,546</u>	<u>200,863</u>	<u>22,344</u>	<u>651,752</u>
Reportable segment profit before tax	<u>29,894</u>	<u>8,145</u>	<u>(3,686)</u>	<u>34,353</u>	<u>(40,652)</u>	<u>(42,023)</u>	<u>906</u>	<u>(81,769)</u>

Grupo Unicomer Corp. and subsidiaries

Notes to the condensed consolidated interim financial statements

September 30, 2021

(expressed in U.S. dollars)

6. Accounts receivable, net

a. Accounts receivable as at September 30, 2021 and March 31, 2021 are as follows:

	September 30, 2021 \$'000	March 31, 2021 \$'000
Gross accounts receivable – customers	561,981	544,947
Gross loans receivable – customers	210,683	232,466
Gross interest receivable – customers	<u>26,956</u>	<u>30,421</u>
	799,620	807,834
Less: allowance for expected credit losses	<u>(105,794)</u>	<u>(109,357)</u>
	693,826	698,478
Current portion of accounts receivable, net	<u>(430,711)</u>	<u>(438,941)</u>
Non-current portion of accounts receivable, net	<u>263,115</u>	<u>259,537</u>

b. Current portion of accounts receivable are as follows:

	September 30, 2021 \$'000	March 31, 2021 \$'000
Gross Accounts receivable – customers	346,331	341,001
Gross Loans receivable – customers	139,248	157,926
Gross Interest receivable – customers	<u>25,089</u>	<u>28,234</u>
	510,668	527,161
Less: allowance for expected credit losses	<u>(79,955)</u>	<u>(88,220)</u>
Current portion of accounts receivable, net	<u>430,711</u>	<u>438,941</u>

As a result of the COVID-19 pandemic, the Group has granted and/or has been required by law to grant two or three-month forbearance periods, to some debtors up to 30 days in arrears. Certain receivable balances were also restructured, and the associated modification loss accounted for in the profit or loss. The contract modifications did not result in the derecognition of the financial assets and were accounted for as an adjustment to amortized cost; the gross carrying amounts of the account and loans receivables have been recalculated by discounting the modified contractual cash flows at the original effective rate. During the six months ended September 30, 2021 the adjustment resulting from such calculation was \$10,938,271, related to the Trinidad and Tobago lockdown and has been included as a remeasurement of accounts receivable at amortized cost in the statement of profit or loss (\$47,346,181 for the year ended March 31, 2021). After remeasurement, and due to the loan extensions and subsequent recovery, the Group recognized a resulting additional finance income in an amount of \$12,185,574 during the six months ended September 30, 2021, (\$32,370,062 for the year ended March 31, 2021).

The entity uses an Expected Credit Loss risk model to measure expected credit losses on accounts receivable – customers.

The expected credit risk model is based on its historical default rates observed over the expected life of accounts receivable and customer balances and is adjusted for forward looking estimates.

Grupo Unicomer Corp. and subsidiaries

Notes to the condensed consolidated interim financial statements

September 30, 2021

(expressed in U.S. dollars)

Loss rates are calculated based on the probability that a receivable will deteriorate through successive stages of delinquency to write-off, current economic conditions, and economic conditions over the expected life of the receivables. The Group measures credit risk using the probability of default, exposure at default and loss given default.

The following table provides information on credit risk exposure and expected credit losses for accounts receivable – customers as of September 30, 2021 and March 31, 2021:

	September 30, 2021			
	<u>Weighted average loss rate</u>	<u>Gross carrying amount \$'000</u>	<u>Impairment loss allowance \$'000</u>	<u>Credit impaired</u>
Stage I	4.33%	649,170	(20,110)	No
Stage II	26.38%	77,605	(28,217)	No
Stage III	78.58%	<u>72,845</u>	<u>(57,467)</u>	Yes
		<u>799,620</u>	<u>(105,794)</u>	

	March 31, 2021			
	<u>Weighted average loss rate</u>	<u>Gross carrying amount \$'000</u>	<u>Impairment loss allowance \$'000</u>	<u>Credit impaired</u>
Stage I	3.04%	600,931	(18,268)	No
Stage II	27.14%	133,685	(36,283)	No
Stage III	74.85%	<u>73,218</u>	<u>(54,806)</u>	Yes
		<u>807,834</u>	<u>(109,357)</u>	

The movement in the allowance for impairment of accounts receivable as of September 30, 2021 and March 31, 2021, are as follows:

	September 30, <u>2021</u> \$'000	March 31, <u>2021</u> \$'000
Balance at beginning of period	109,357	101,998
Impairment losses recognized	28,014	122,509
Utilized during the period	(30,874)	(112,893)
Foreign exchange adjustment	<u>(703)</u>	<u>(2,257)</u>
	<u>105,794</u>	<u>109,357</u>

Grupo Unicomer Corp. and subsidiaries

Notes to the condensed consolidated interim financial statements

September 30, 2021

(expressed in U.S. dollars)

7. Inventories, net

As of September 2021, the Group's total inventory increased by 40.2%, equivalent to \$128,854,000, compared with March 31, 2021. The increase in inventory is a conscious measure of the Group in response to delays in production worldwide, due to the pandemic, and part of the strategy to meet the demand during the oncoming high season in November and December. Therefore, the pending countries have increased their inventory levels to avoid shortages in the next quarter.

8. Property and equipment, net

	\$'000
Cost	
Balance as of March 31, 2021	310,072
Additions	6,741
Disposals	(5,511)
Sales	(846)
Translation adjustments	<u>(1,770)</u>
Balance as of September 30, 2021	<u>308,686</u>
Accumulated depreciation	
Balance as of March 31, 2021	176,695
Depreciation for the period	9,395
Disposals	(4,970)
Sales	(418)
Translation adjustments	<u>(1,071)</u>
Balance as of September 30, 2021	<u>179,631</u>
Carrying amounts:	
At September 30, 2021	<u>129,055</u>
At March 31, 2021	<u>133,377</u>

9. Leases

The Group leases property for its retail stores, vehicles, technology equipment, furniture and equipment. The leases are for an average term of five years. Some of these include the option to renew for an additional period of one year or after the end of the lease term. Lease payments are renegotiated to reflect market rates.

The Group has applied the practical expedient to all rent concessions that meet the conditions in IFRS 16.

The Group also leases technology equipment, printers and others in which the terms of the contract are for one year or less. These leases are short-term or low value items. The Group has elected not to recognize the right to use assets and liabilities under these leases.

Grupo Unicomer Corp. and subsidiaries

Notes to the condensed consolidated interim financial statements September 30, 2021

(expressed in U.S. dollars)

Information on lease agreements for which the Group is the lessee is presented below:

a. Right-of-use assets

	\$'000
Balance as of March 31, 2021	226,091
Additions	22,343
Disposals	(18,253)
Reclassifications	109
Translation adjustments	(2,221)
Balance as of September 30, 2021	228,069
Accumulated depreciation	
Balance as of March 31, 2021	76,405
Charge for the period	24,034
Disposals	(13,608)
Reclassifications	14
Translation adjustments	(863)
Balance as of September 30, 2021	85,982
Carrying amounts:	
At September 30, 2021	<u>142,087</u>
At March 31, 2021	<u>149,686</u>

b. Lease Liabilities

Maturity analysis – contractual undiscounted cash flows:

	September 30, 2021 \$'000	March 31, 2021 \$'000
Less than one year	53,076	54,804
One to five years	107,888	116,185
More than five years	<u>51,373</u>	<u>54,080</u>
Total undiscounted lease liabilities	212,337	225,069
Less: future interest expense	<u>(44,866)</u>	<u>(48,169)</u>
Carrying amount	<u>167,471</u>	<u>176,900</u>
Classified as:		
Current	41,501	42,319
Non-current	<u>125,970</u>	<u>134,581</u>
Lease liabilities included in the statement of financial position	<u>167,471</u>	<u>176,900</u>
Included in the above is a lease with a related party amounting to	<u>19,724</u>	<u>51,804</u>

Grupo Unicomer Corp. and subsidiaries

Notes to the condensed consolidated interim financial statements

September 30, 2021

(expressed in U.S. dollars)

c. Amounts recognized in profit or loss

	Six months ended September 30,	
	2021 \$'000	2020 \$'000
Interest expense on lease liabilities	<u>7,135</u>	<u>6,902</u>
Variable lease payments not included in the measurement of lease liabilities	<u>297</u>	<u>-</u>
Expenses relating to short-term leases	<u>171</u>	<u>-</u>
Expenses relating to lease of low-value assets, excluding short-term leases of low value assets	<u>294</u>	<u>-</u>
Depreciation on right-of-use assets	<u>24,034</u>	<u>22,639</u>

d. Amounts recognized in the statement of cash flows:

Total cash outflow for leases	<u>31,949</u>	<u>30,678</u>
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e. Extension options

The lease value determined above includes leases with an option to renew. This option is exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

f. The operating lease expense for the period ended September 30, 2021 would have been \$31,927,325 (September 30, 2020: \$25,337,731) if the Group had applied the previous accounting standard for leasing.

10. Intangible assets

	\$'000
Cost	
Balance as of March 31, 2021	227,610
Additions	1,996
Disposals	(37)
Sales	(824)
Transfers	972
Translation adjustments	(1,963)
Balance as of September 30, 2021	<u>227,754</u>
Accumulated amortization	
Balance as of March 31, 2021	80,946
Amortization for the period	8,875
Translation adjustments	(671)
Balance as of September 30, 2021	<u>89,150</u>
Net carrying amounts:	
At September 30, 2021	<u>138,604</u>
At March 31, 2021	<u>146,664</u>

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11. Goodwill

- a. The movement in goodwill for the six months ended September 30, 2021 is as follows:

	\$'000
Balance as of March 31, 2020	67,123
Translation adjustments	<u>(1,589)</u>
Balance as of March 31, 2021	65,534
Additions	27
Translation adjustments	<u>(696)</u>
Balance as of September 30, 2021	<u>64,865</u>

- b. The goodwill balance corresponds for the acquisition in the following countries:

	September 30, 2021 \$'000	March 31, 2021 \$'000
Costa Rica	30,389	30,996
Paraguay	10,117	10,117
Ecuador	21,161	21,161
Caribbean countries	<u>3,198</u>	<u>3,260</u>
	<u>65,865</u>	<u>65,534</u>

12. Borrowings

- a. Short-term borrowings, consisting of:

	Interest rates	September 30, 2021 \$'000	March 31, 2021 \$'000
<i>Borrowings under short-term lines of credit:</i>			
U.S. dollar denominated in countries where the functional currency is the U.S. dollar	September: 3.6% - 4.5% (March: 4.5% - 4.8%)	37,000	16,502
Non-U.S. dollar based local functional currencies	September: 4.5% - 6.8% (March: 5.5% - 6.8%)	<u>12,781</u> <u>49,781</u>	<u>4,410</u> <u>20,912</u>
<i>Short-term loans:</i>			
U.S. dollar denominated in countries where the functional currency is the U.S. dollar	September: 4.5% (March: 4.8%)	<u>5,000</u>	<u>2,000</u>
Non-U.S. dollar based local functional currencies	September: 6.0% (March: 4.0% - 7.0%)	<u>14,328</u> <u>19,328</u>	<u>15,291</u> <u>17,291</u>
Total short-term borrowings		<u>69,109</u>	<u>38,203</u>

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b. Long-term borrowings, consisting of:		September 30, 2021 \$'000	March 31, 2021 \$'000
	Interest rates		
<i>Long-term lines of credit:</i>			
U.S. dollar denominated in countries where the functional currency is not the U.S. dollar	September: 4.3% - 7.0% (March: 4.3%)	7,137	3,632
U.S. dollar denominated in countries where the functional currency is the U.S. dollar	September: 4.8% - 6.0% (March: 3.8% - 5.7%)	21,511	15,920
Non-U.S. dollar based local functional currencies	September: 4.8% - 7.0% (March: 8.9% - 10.5%)	<u>27,008</u> 55,656	<u>6,622</u> 26,174
<i>Long-term loans:</i>			
U.S. dollar denominated in countries where the functional currency is not the U.S. dollar	September: 6.9% - 7.1% (March: 6.0% - 12.0%)	13,126	13,284
U.S. dollar denominated in countries where the functional currency is the U.S. dollar	September: 4.0% - 9.0% (March: 5.8% - 9.2%)	367,164	368,174
Non-U.S. dollar based local functional currencies	September: 4.5% - 10.5% (March: 4.5% - 10.5%)	<u>204,022</u>	<u>200,521</u>
Subtotal long-term borrowings		<u>584,312</u> 639,968	<u>581,979</u> 608,153
Less: capitalized loan transaction costs:			
At beginning of the period		(3,612)	(4,767)
Amortized in interest expense for the period		509	1,104
Translation adjustments		<u>14</u> (3,089)	<u>52</u> (3,611)
Carrying value of long-term borrowings		<u>636,879</u>	<u>604,542</u>

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	September 30, 2021 \$'000	March 31, 2021 \$'000
Less: current portions of:		
Long-term loans	(46,989)	(56,509)
Lines of credit	(34,473)	(19,366)
Current portion of long-term borrowings	(81,462)	(75,875)
Long-term portion of long-term borrowings	<u>555,417</u>	<u>528,667</u>
Amortization profile of long-term borrowings:		
Current portion	81,462	75,875
Between 1 and 2 years	51,222	35,369
Between 2 and 5 years	417,484	410,420
Over 5 years	<u>89,800</u>	<u>86,489</u>
	<u>639,968</u>	<u>608,153</u>
13. Other payables and accruals		
	September 30, 2021 \$'000	March 31, 2021 \$'000
Contributions and withholdings to employees	26,976	29,702
Accrued expenses	19,297	17,299
Obligations with customers	9,126	5,255
Tax and withholdings payables	3,528	3,738
Deferred income	1,865	2,172
Financial interest payable	1,569	1,550
Other accounts payable	<u>11,774</u>	<u>11,280</u>
	<u>74,135</u>	<u>70,996</u>
14. Provisions		
Balance at beginning of the period	4,748	5,210
Charged to profit for the period	3,010	5,275
Amount used during the period	(2,276)	(5,583)
Translation adjustments	(41)	(154)
Balance at end of the period	<u>5,441</u>	<u>4,748</u>
15. Equity		
a. Share capital as of September and March 2021		\$'000
Authorized, issued, and fully paid ordinary shares of \$152,066 per share:		
501 Class "A" Ordinary shares		76,185
499 Class "B" Ordinary shares		<u>75,881</u>
		<u>152,066</u>

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September 30, 2021

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b. Statutory reserves

In accordance with the local regulations, certain subsidiaries are required to allocate a portion of their annual income into a statutory reserve that is restricted from dividend distribution.

16. Revenues

Revenue from contracts with customers comprises the Group's sales of goods and services. This is shown after deducting returns, rebates and discounts, consumption taxes and eliminating sales within the Group.

The following tables show the disaggregation of the main revenues from contracts with customers and the timing of their recognition:

	Six months ended September 30,	
	<u>2021</u> \$'000	<u>2020</u> \$'000
Product sales	520,301	400,457
Service income, net	55,001	52,741
Financial income earned on credit operations	<u>182,144</u>	<u>198,528</u>
	<u>757,446</u>	<u>651,726</u>
Timing of revenue recognition		
Revenue recognized at a point in time	520,301	400,457
Revenue recognized over time	<u>237,145</u>	<u>251,269</u>
Total revenue	<u>757,446</u>	<u>651,726</u>

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17. Expenses by nature

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

	Six months ended September 30,	
	<u>2021</u>	<u>2020</u>
	\$'000	\$'000
Personnel expenses	123,557	103,784
Depreciation of right-of-use assets	24,034	22,639
Depreciation of property and equipment	9,395	10,153
Amortization of intangible assets	8,875	4,714
Insurance	14,260	12,914
Outsourcing	12,328	10,839
Advertising	10,819	7,111
Commissions and others	9,130	7,008
Freight	8,944	6,182
Maintenance and leasing computer equipment	7,812	6,166
Professional fees	6,050	4,876
Utilities	5,870	4,502
Repairs and maintenance	5,799	4,110
Telecommunications	5,334	5,238
Security services	3,427	3,232
Municipal tax	1,556	1,368
Travel	1,255	795
Charitable donations	295	1,242
Operating leases and concessions	(58)	(5,518)
Other operating, net	<u>7,286</u>	<u>7,668</u>
	<u>265,968</u>	<u>219,023</u>
Comprising:		
Distribution and selling expenses	206,334	162,769
Administrative expenses	<u>59,634</u>	<u>56,254</u>
	<u>265,968</u>	<u>219,023</u>

b. Breakdown of personnel expenses incurred for the period:

Wages and benefits	80,121	67,583
Commissions	20,634	15,491
Social security and pension cost	13,406	10,069
Other employee benefits	<u>9,396</u>	<u>10,641</u>
	<u>123,557</u>	<u>103,784</u>

The average number of full-time-equivalent employees as of September 30, 2021, was 12,732 (2020: 12,488).

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18. Related party balances and transactions

The main transactions and balances between related parties for the periods ended September 30, are as follows:

- a. The profit for the year includes the following expenses, revenue earned and other transactions with related parties:

	Six months ended September 30,	
	<u>2021</u> \$'000	<u>2020</u> \$'000
<i>Revenues</i>		
Interest income on loan granted to related company	464	277
Administrative services	683	197
Sale of goods	181	131
<i>Costs and expenses</i>		
Leasing	4,947	4,572
Logistics services	2,895	2,038
Expenses for financial interest	68	30
Purchase of merchandise	43	170
Purchase of fixed assets	18	-
<i>Other transactions</i>		
Proceeds of borrowings	13,868	6,326
Repayments of borrowings	(12,387)	(15,481)

- b. The following related party balances are included in the statements of financial position as follows:

- i. Accounts receivable – related parties:

	September 30, <u>2021</u> \$'000	March 31, <u>2021</u> \$'000
<i>Redstart Investments Group:</i>		
Redstart Investment Ltd.	1,728	1,520
Redstart Investments (Jamaica) Ltd.	1,386	1,355
Redstart Investments El Salvador, S.A. de C.V.	1,016	214
Redstart Investments Guyana Inc.	913	330
Redstart Investments (Trinidad and Tobago) Ltd.	748	622
Unicon Investments (Aruba) N.V.	479	472
Inversiones y Valores Comerciales, S.A. de C.V.	461	324
Redstart Investments (A&B) Ltd.	202	159
Redstart Investments San Cristobal Ltd.	130	82
Redstart Investments (Grenada) Ltd.	61	11
Redstart Investments Ltd.	56	56
Sociedad de Ahorro y Crédito CREDICOMER, S.A.	48	5
Redstart Investment Honduras, S.A. de C.V.	37	-
Redstart Costa Rica, S.A.	11	2
	<u>7,275</u>	<u>5,152</u>

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	September 30, 2021 \$'000	March 31, 2021 \$'000
<i>Other related companies:</i>		
Catco Corp.	265	8
Almacenes Siman, S.A. de C.V. (El Salvador)	161	145
Sites, S.A. de C.V.	103	85
Intradeco Apparel, Inc.	90	1
Blue Jay (St. Lucia) Inc.	58	58
Milady Associate, S.A.	49	5
Almacenes Siman S.A. (Guatemala)	23	54
Inversiones Simco, S.A. de C.V.	22	4
Servicios Liverpool, S.A. de C.V.	18	18
Intradeco Export, Inc.	10	-
Almacenes Siman S.A. (Nicaragua)	5	2
Distribuidora Agelsa, S.A. de C.V.	1	-
	<u>806</u>	<u>380</u>
	<u>8,081</u>	<u>5,532</u>
ii. Accounts payable – related parties:		
<i>Redstart Investments Group:</i>		
Redstart Investments Ltd.	1,590	1,590
Sociedad de Ahorro y Crédito CREDICOMER, S.A.	338	198
Redstart Investments San Cristobal Ltd.	270	176
Unicon Investments (Aruba) N.V.	240	240
Redstart Investment Ltd.	34	34
Redstart Investments (A&B) Ltd.	15	15
Redstart Investments (Grenada) Ltd.	6	6
Redstart Costa Rica, S.A.	1	1
Redstart Investments (Trinidad and Tobago) Ltd.	-	159
	<u>2,495</u>	<u>2,419</u>
<i>Other related companies:</i>		
Sites, S.A. de C.V.	1,280	853
Almacenes Siman, S.A. (Guatemala)	562	358
Almacenes Siman, S.A. de C.V. (El Salvador)	255	15
Intradeco Inc.	128	333
Fábrica de Confección Siman, S.A. de C.V.	32	-
Infotech of the Caribbean and Central America Corp	7	-
Intraloxix, S.A. de C.V.	4	2
Impresos Diversos, S.A. de C.V.	2	-
Inversiones Simco, S.A. de C.V.	-	1
	<u>2,271</u>	<u>1,562</u>
	<u>4,766</u>	<u>3,981</u>

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iii. Loans receivable – related parties:

	September 30, 2021 \$'000	March 31, 2021 \$'000
Redstart Investments (Trinidad and Tobago), Ltd.	8,301	-
Inversiones y Valores Comerciales, S.A. de C.V.	9,959	7,274
Redstart Investment, Ltd.	4,675	4,675
Unicon Investments (Aruba) N.V.	2,197	2,197
Redstart Investments (A&B) Ltd.	<u>1,200</u>	<u>1,200</u>
	26,331	15,346
Current portion of loans receivable – related parties	<u>(2,450)</u>	<u>(2,450)</u>
Non-current portion of loans receivable – related parties	<u>23,881</u>	<u>12,896</u>

iv. Borrowings – related parties:

Redstart Investments (Trinidad and Tobago), Ltd	-	5,577
Redstart Investment Honduras, S.A. de C.V.	<u>155</u>	<u>155</u>
	<u>155</u>	<u>5,732</u>

19. Income taxes

Income tax expense is recognized based on management's best estimate of the subsidiaries' expected annual income tax rate 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 six months ended September 30, 2021 was 45.3% (six months ended September 30, 2020: -2.6% as a result of negative EBT)

The high effective tax rate is significantly explained by the effects of corporate taxes calculated on net revenue rather than net earnings or where a minimum tax applies, as well as by significant non-deductible interest expenses in zero or low tax jurisdictions.

20. Financial instruments

With respect to the management of liquidity risk, management constantly maintains adequate access to funding in terms of available headroom under bank lines of credit. As of September 30, 2021, the Group had \$192,867,623 of lines of credit, with available head rooms totaling \$87,430,016.

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 year ended March 31, 2021.

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21. Capital management

It is the Group's policy to maintain a strong capital base 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.

22. Impact of COVID-19 Pandemic

The World Health Organization declared the novel coronavirus, COVID-19, outbreak as a global pandemic on March 11, 2020. The pandemic and the measure to control its human impact have resulted in disruptions to economic activity, business operations and asset value. In response to the pandemic, management has adopted several measures specifically around safety and financial risk management. These measures include:

- a. Safeguard and protect its stakeholders at the corporate office, subsidiaries' operations such as stores, distribution centers, collections departments by providing information and supplies to prevent contagion, and encouraging vaccination and testing;
- b. Implementing "work from home" arrangements for its employees to enable optimal continuation of back office and certain commercial operations for our valued associates;
- c. Design a Business Continuity Plan for the pandemic and create Crisis Management Committees at its operating countries, regional and corporate levels to assess and remedy the impact on its business operations and associates through regular meetings to plan and to evaluate the effectiveness of our planning;
- d. Cost management and expense reduction initiatives resulting in a significant rapid reduction in operating expenses to counteract the reduction in revenues due to lockdown measures in several countries, while continuing efforts to drive the sales as markets re-open, and introduce measures to increase the adoption of digital technologies by our clients to use online platforms for purchases and for payments of monthly installments;
- e. Enhanced monitoring of market conditions by the Consumer Finance division and tracking the impact on the accounts receivable portfolio to support timely decision making on assisting clients during this crisis such as governmentally mandated or voluntary forbearance programs and other measures. Due to complete or partial lockdown in several countries, no or limited access to payment options and the overall economic outlook, there was an increase in the probability of default of accounts receivable, for certain period during the year. This resulted in deterioration in the aging profile and an increase in ECL provision, however slow recoveries were also noted, as a result of improved collections and also some limited forbearance and refinancing programs for those customers that could prove a renewed capacity to pay;
- f. The Group implemented and monitored strategies and plans around managing liquidity. These strategies include monitoring of the Group's daily cash flows using automated dashboards and continues to maintain stronger cash positions despite reducing its debt subsequent to the March 2020 annual reporting date. This is a natural effect that occurs while the Group reduces new extensions of credit and collect its existing receivables;

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- g. As far as remaining risks related to COVID-19, the ability of certain risk profiles of its clients to keep paying their instalments and to purchase products will depend on the timing of the containment of the virus and the restoration of employment in the countries of operation to levels close to those at the time before COVID-19 on a continuous basis;
- h. The Group maintains a strict monitoring of financial covenants as outlined in the loan agreements.