GRUPO UNICOMER CORP.
AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS

December 31, 2020

Grupo Unicomer Corp. and subsidiaries

Index to the condensed consolidated interim financial statements
December 31, 2020

Grupo Unicomer Corp. and subsidiaries

Condensed consolidated statement of income
For the nine months ended December 31, 2020
(expressed in U.S. dollars)

	Notes	December 31, 2020 $'000	March 31, 2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents		187,151	144,654
Accounts receivable, net	6	432,050	569,142
Accounts receivable - related parties		4,672	4,109
Current portion of loans receivable-related parties		2,450	-
Inventories, net	10	259,866	286,070
Other receivables and prepayments		41,845	42,351
Deferred policy acquisition costs		20,201	22,002
Prepaid income taxes		10,156	10,936
Total current assets		958,391	1,079,264
Non-current assets			
Accounts receivable, net	6	281,483	293,780
Loan receivable-related parties		11,456	15,273
Property and equipment, net	7	132,802	142,310
Right-of-use assets	8	148,568	178,935
Intangible assets	9	155,059	160,795
Goodwill	11	65,532	67,123
Retirement benefit assets		4,244	4,468
Deferred tax assets		59,617	53,205
Other assets		7,223	5,485
Total non-current assets		865,984	921,374
Total assets		1,824,375	2,000,638

Grupo Unicomer Corp. and subsidiaries

Condensed consolidated statement of financial position
December 31, 2020
(expressed in U.S. dollars)

		December 31, 2020	March 31, 2020
		$'000	$'000
LIABILITIES			
Current liabilities			
Bank overdrafts, secured		316	4,272
Short-term borrowings	12	59,675	86,585
Current portion of long-term borrowings	13	67,762	87,795
Accounts payable		200,254	174,806
Accounts payable-related parties		3,301	2,043
Bonuses payable		-	7,322
Unearned premiums		12,196	17,176
Other accounts payable and accruals		79,429	67,258
Current income tax liabilities		14,445	11,984
Short-term lease liabilities	8	67,373	47,458
Provision for warranties	14	6,185	5,210
Total current liabilities		510,936	511,909
Non-current liabilities			
Long-term borrowings	13	533,660	600,407
Loans payable-related parties		6,057	-
Deferred warranty income		109,123	117,757
Employee benefits	14	15,143	16,614
Long-term lease liabilities	8	110,454	164,361
Deferred tax liabilities		15,329	14,849
Total non-current liabilities		789,766	913,988
Total liabilities		1,300,702	1,425,897
EQUITY			
Share capital	20	152,066	152,066
Retained earnings (including statutory reserves)		485,780	520,577
Currency translation reserve		(114,173)	(97,902)
Total equity		523,673	574,741
Total liabilities and equity		1,824,375	2,000,638

The notes on pages 9-24 are an integral part of these consolidated financial statements.

Grupo Unicomer Corp. and subsidiaries

Condensed consolidated statement of financial position
December 31, 2020
(expressed in U.S. dollars)

	Notes	Nine months ended December 31 2020 $'000	2019 $'000
Sales		850,555	974,843
Cost of goods sold		(599,088)	(697,943)
Gross profit on sales		251,467	276,900
Premium income		10,624	13,110
Finance income earned on credit operations		301,290	327,898
Total gross profit		563,381	617,908
Distribution and selling expenses	15	(400,672)	(387,420)
Administrative expenses	15	(101,048)	(112,981)
Remeasurement of accounts receivable at amortized cost	6	(39,030)	-
Other operating income, net		15,430	6,853
Operating profit		38,061	124,360
Financial income		1,469	1,679
Financial expense		(44,220)	(49,438)
Financial expense in regards to leases		(10,615)	(11,147)
Foreign exchange losses and other charges		(3,023)	416
Net finance costs		(56,389)	(58,490)
(Loss) profit before income tax		(18,328)	65,870
Income tax expense	16	(18,420)	(28,676)
(Loss) profit for the period		(36,748)	37,194

The notes on pages 9-24 are an integral part of these consolidated financial statements.

Grupo Unicomer Corp. and subsidiaries

Condensed consolidated statement of income and other comprehensive income
For the nine months ended December 31, 2020
(expressed in U.S. dollars)

	Nine months ended December 31	
	2020	**2019**
	$'000	**$'000**
(Loss) profit for the period	(36,748)	37,194
Other comprehensive loss:		
Items that will never be reclassified to profit or loss:		
Remeasurement of employee benefits	1,951	(2,562)
Items that may be reclassified to profit or loss:		
Currency translation adjustments	(16,271)	1,630
Other comprehensive loss for the period	(14,320)	(932)
Total comprehensive (loss) income for the period	(51,068)	36,262

Grupo Unicomer Corp. and subsidiaries

Condensed consolidated statement of changes in equity
For the nine months ended December 31, 2020
(expressed in U.S. dollars)

	Share capital $'000	Statutory reserves $'000	Retained earnings $'000	Currency translation reserve $'000	Total equity $'000
Balances at March 31, 2019	**152,066**	**16,928**	**509,408**	**(98,353)**	**580,049**
Impact on initial application of IFRS 16, net of tax	-	-	(25,723)	-	(25,723)
Adjusted balances at April 1, 2019	**152,066**	**16,928**	**483,685**	**(98,353)**	**554,326**
Total comprehensive income for the period					
Profit for the year	-	-	42,335	-	42,335
Other comprehensive loss:					
obligation, net of taxation	-	-	(371)	-	(371)
Currency translation adjustments	-	-	-	451	451
Other comprehensive (loss) for the year, net of taxation	-	-	(371)	451	80
Total comprehensive income for the year	-	-	41,964	451	42,415
Transfers to statutory reserve	-	1,461	(1,461)	-	-
Transaction with owners recorded directly in equity					
Dividends paid	-	-	(22,000)	-	(22,000)
Balances at March 31, 2020	**152,066**	**18,389**	**502,188**	**(97,902)**	**574,741**
Total comprehensive loss for the period					
Loss for the period	-	-	(36,748)	-	(36,748)
Other comprehensive income:					
Remeasurement of employee benefit obligation, net of taxation	-	-	1,951	-	1,951
Currency translation adjustments	-	-	-	(16,271)	(16,271)
Other comprehensive (loss) for the period, net of taxation	-	-	1,951	(16,271)	(14,320)
Total comprehensive loss for the period	-	-	(34,797)	(16,271)	(51,068)
Transfers to statutory reserve	-	3,127	(3,127)	-	-
Balances at December 31, 2020	**152,066**	**21,516**	**464,264**	**(114,173)**	**523,673**

The notes on pages 9-24 are an integral part of these consolidated financial statements.

Grupo Unicomer Corp. and subsidiaries

Condensed consolidated statement of cash flows
For the nine months ended December 31, 2020
(expressed in U.S. dollars)

	Notes	December 31, 2020 $'000	December 31, 2019 $'000
Cash flows from operating activities			
(Loss)/Profit for the period		(36,748)	37,194
Adjustments for:			
Depreciation of property and equipment	7	14,986	15,450
Depreciation of rigth-of-use assets	8	32,523	37,921
Amortization of intangible assets	9	7,022	7,246
Loss on disposal of property and equipment and intangible assets		816	3,423
Gain on termination and modification of lease contract		(5,078)	-
Increase in employee benefits provision	14	2,530	5,159
Increase in provision for warranties, net	14	1,076	6,610
Impairment of accounts receivable	6	139,175	69,453
Remeasurement of accounts receivable at amortized cost		39,030	-
Interest on lease liabilities	8	10,615	11,147
Net finance costs		42,751	58,490
Income tax expense	16	18,420	28,676
		267,118	280,769
Changes in working capital:			
Increase in accounts receivable	6	(28,816)	(124,625)
Decrease/(Increase) in accounts receivable-related parties		622	(7,623)
Decrease/(increase) in other receivables and prepayments		506	(8,329)
Decrease in retirement of benefits assets		224	273
Decrease in inventories	10	26,204	9,861
Decrease/(increase) in deferred acquisition cost		1,801	(801)
Increase in other assets		(1,738)	(547)
Increase accounts payable		25,590	20,881
Increase in accounts payable-related parties		7,315	2,742
Provisions paid		(2,070)	(6,877)
Decrease in bonuses payable		(7,322)	(311)
Increase in other accounts payable and accruals		12,171	23,322
(Decrease)/increase in unearned premium reserve		(4,980)	139
(Decrease)/increase in deferred warranty income, net		(8,634)	7,976
		287,991	196,850
Interest received		1,469	1,679
Interest paid		(44,220)	(49,438)
Corporate income tax paid		(21,111)	(37,078)
Net cash provided by operating activities		224,129	112,013
Cash flows from investing activities			
Acquisition of property and equipment	7	(8,199)	(16,664)
Acquisition of intangible assets	9	(4,077)	(7,517)
Decrease/(increase) in loans receivable related companies		1,367	(2,154)
Increase in loans payable related companies		-	1,949
Translation adjustments in respect of foreign subsidiaries		(7,082)	(593)
Net cash used in investing activities		(17,991)	(24,979)
Cash flows from financing activities			
Proceeds from short-term borrowings		58,574	116,825
Repayments of short-term borrowings		(85,484)	(70,188)
Proceeds of long-term borrowing		33,139	112,985
Repayments of long-term borrowing		(118,224)	(117,712)
Payment of lease liabilities		(44,349)	(60,089)
Dividends Paid		-	(22,000)
Bank overdraft		(3,956)	(867)
Net cash used in financing activities		(160,300)	(41,046)
Net increase in cash and cash equivalents		45,838	45,988
Cash and cash equivalents at the beginning of period		144,654	77,706
Effect of movements in exchange rates on cash and cash equivalents		(3,341)	(2,944)
Cash and cash equivalents at end of period		187,151	120,750

The notes on pages 9-24 are an integral part of these consolidated financial statements.

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% of the share capital of the Company, which it controls, and in turn 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.

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, 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, 2020.

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, 2020.

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, 2020.

Regarding Covid-19-Related Rent Concessions (Amendment to IFRS 16), Unicomer Group decided to apply the practical expedient of not making modifications to lease agreements of the Company, applying the amendment issued by the IASB in May 2020.

Grupo Unicomer Corp. and subsidiaries

Notes to the condensed consolidated interim financial statements
For the nine months ended December 31, 2020
(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. In the first half of the year the Group traditionally increases inventory significantly to prepare for the high season; for this period, the inventory was reduced, as a result of the worldwide supply chain break down during the pandemic period and the strategy of the Group in order to improve the efficiency of the inventory management to protect cash levels (note 10).

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:

	Nine months ended December, 31							
	2020				2019			
	Latin America	Caribbean	Other	Total	Latin America	Caribbean	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Sales	575,162	253,670	21,723	850,555	633,846	314,451	26,546	974,843
Finance income earned on credit sales and premium income	174,645	124,688	12,581	311,914	194,608	139,611	6,789	341,008
External revenues	749,807	378,358	34,304	1,162,469	828,454	454,062	33,335	1,315,851
Reportable segment - profit before tax	(7,445)	(8,906)	(1,977)	(18,328)	20,277	40,573	5,020	65,870

Grupo Unicomer Corp. and subsidiaries

Notes to the condensed consolidated interim financial statements
For the nine months ended December 31, 2020
(expressed in U.S. dollars)

6. Accounts receivable

a. Accounts receivable as of December 31, 2020 and March 31, 2020 are as follows:

	December 31, 2020 $'000	March 31, 2020 $'000
Gross accounts receivable - customers	746,415	867,838
Gross cash loans receivable - customers	274,620	317,303
Interest receivable	64,355	27,334
Unearned finance income	(211,977)	(247,555)
	873,413	964,920
Less: allowance for impairment	(159,880)	(101,998)
	713,533	862,922
Current portion of accounts receivable, net	(432,050)	(569,142)
Non - current portion of accounts receivable, net	281,483	293,780

b. Current portion of accounts receivable:

	2020 $'000	2019 $'000
Gross accounts receivable, cash loans and interest receivable - customers	720,296	835,391
Unearned finance income	(155,254)	(183,400)
Total accounts receivable due within one year	565,042	651,991
Allowance for impairment	(132,992)	(82,849)
Short term accounts receivable	432,050	569,142

c. The movement in the allowance for impairment of receivables during the nine months' period ended December 31, 2020 and the year ended March 31, 2020 is as follows:

		December 31, 2020 $'000	March 31, 2020 $'000
Balance at beginning of the period		101,998	93,636
Impairment losses recognized	15	139,175	100,086
Utilized during the period		(79,176)	(91,400)
Foreign exchange adjustment		(2,117)	(324)
		159,880	101,998

Grupo Unicomer Corp. and subsidiaries

Notes to the condensed consolidated interim financial statements
For the nine months ended December 31, 2020
(expressed in U.S. dollars)

As a result of governmentally mandated or voluntary forbearance programs, certain expected cash flows from accounts receivables have been rescheduled into the future, therefore the gross carrying amount has been recalculated due to a net present value adjustment that was recognized as a loss in profit and loss.

d. The following table provides information about the exposure to credit risk and expected credit losses for accounts receivable – customers as at December 31, 2020, and March 31, 2020:

	December 31, 2020			
Age buckets	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
		$'000	$'000	
Stage I	3.27%	672,365	(21,970)	No
Stage II	19.42%	81,688	(15,861)	No
Stage III	102.26%	119,360	(122,049)	Yes
		873,413	(159,880)	

	March 31, 2020			
Age buckets	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
		$'000	$'000	
Stage I	2.81%	766,968	(21,572)	No
Stage II	19.21%	121,479	(23,331)	No
Stage III	74.85%	76,473	(57,095)	Yes
		964,920	(101,998)	

7. Property and equipment

	$'000
Cost	
Balance as of March 31, 2020	308,707
Additions	8,199
Disposals	(4,631)
Sales	(445)
Translation adjustments	(3,990)
Balance as of December 31, 2020	307,840
Accumulated depreciation	
Balance as of March 31, 2020	166,397
Depreciation for the period	14,986
Disposals	(3,943)
Sales	(399)
Translation adjustments	(2,001)
Balance as of December 31, 2020	175,038
Carrying amounts:	
At December 31, 2020	132,802
At March 31, 2020	142,310

8. Leases

a. Right-of-use assets

Cost	
Balance as of March 31, 2020	225,786
Additions	11,440
Disposals	(11,089)
Translation adjustments	(3,875)
Balance as of December 31, 2020	222,262
Depreciation	
Balance as of March 31, 2020	(46,851)
Charge for the period	(32,523)
Disposals	4,787
Translation adjustments	893
Balance as of December 31, 2020	(73,694)
Carrying amounts:	
At December 31, 2020	148,568
At March 31, 2020	178,935

b. Lease liabilities

	2020 $´000
Less than one year	52,315
One to five years	126,661
More than five years	49,895
Total undiscounted lease liabilities	228,871
Less future interest expense	51,044
Carrying amount	177,827
Current	67,373
Non-current	110,454
	177,827

Included in the above is a lease with a related party amounting to $54,581.

c. Amounts recognized in profit or loss

	2020 $´000
Interest expense on lease liabilities	10,615

d. Amounts recognized in the statement of cash flows

Total cash outflow for leases	44,349

e. Extension options

The lease value determined above includes leases with an option to renew. This option is exercisable by the Company up to one year before the end of the non-cancellable contract period. The Company assesses at the lease commencement date, whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

9. Intangible assets

	$'000
Cost	
Balance as of March 31, 2020	224,777
Additions	4,077
Disposals	(84)
Translation adjustments	(4,036)
Balance as of December 31, 2020	224,734
Accumulated amortization	
Balance as of March 31, 2020	63,982
Amortization for the period	7,022
Translation adjustments	(1,329)
Balance as of December 31, 2020	69,675
Carrying amounts:	
At Decembre 31, 2020	155,059
At March 31, 2020	160,795

10. Inventories

As of December 31, 2020, the Group's total inventory decreased by 9.2%, equivalent to $26,200,000 million, compared with March 31, 2020 (from $286,070,000 to $259,866,000). The decrease is mainly due to a reduction of merchandise for resale (7.3% or $17,600,000 million) and a decrease of goods in transit (20.2% or $9,800,000 million). The group´s inventory levels were adjusted to the circumstances of the pandemic, lead-times increased due to the worldwide supply chain break down, and the Group cash protection strategy of managing efficient inventory levels. On the other hand, sales exceeded estimates by $9,500,000 million during the third quarter, once the economy activity was re-activated powered by Black Friday and Christmas season.

11. Goodwill

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

	$'000	$'000
Balance as of March 31, 2020	67,123	66,302
Effect of movements in exchange rates	(1,591)	821
Balance as of December 31, 2020	65,532	67,123

Grupo Unicomer Corp. and subsidiaries

Notes to the condensed consolidated interim financial statements
For the nine months ended December 31, 2020
(expressed in U.S. dollars)

b. The Goodwill balance for each of the following countries acquisitions:

	Decembre 31, 2020 $'000	March 31, 2020 $'000
Costa Rica	30,996	32,576
Paraguay	10,117	10,117
Ecuador	21,159	21,159
Other Caribbean countries	3,260	3,271
	65,532	67,123

12. Short-term borrowings

	Interest rates	December 31, 2020 $'000	March 31, 2020 $'000
Borrowings under short-term lines of credit:			
U.S. dollar denominated in countries where the functional currency is the U.S. dollar	December: 3.48% - 6.50% (March: 4.16% - 5.03%)	34,000	45,163
Non-U.S. dollar based local functional currencies	December: 5.50% - 6.75% (March: 6.00% - 15.00%)	7,572	27,349
		41,572	72,512
Short-term loans:			
U.S. dollar denominated in countries where the functional currency is the U.S. dollar	December: 7.25% - 8.45% (March: NIL)	1,594	-
Non-U.S. dollar based local functional currencies	December: 4.00% - 7.00% (March: 7.00%)	16,509	14,073
		18,103	14,073
Total short-term borrowings		59,675	86,585

13. Long-term borrowings

	Interest rates	December 31, 2020 $'000	March 31, 2020 $'000
Long-term lines of credit:			
U.S. dollar denominated in countries where the functional currency is not the U.S. dollar	December: 4.37% (March: 6.03%)	4,026	4,545
U.S. dollar denominated in countries where the functional currency is the U.S. dollar	December: 3.77% - 4.92% (March: 3.77% - 5.72%)	3,886	15,268
Non-U.S. dollar based local functional currencies	December: 9.70% - 10.50% (March: 8.90% - 10.50%)	3,606	28,857
		11,518	48,670
Long-term loans:			
U.S. dollar denominated in countries where the functional currency is not the U.S. dollar	6.00% - 7.13% (March: 6.00 % - 12.00%)	13,363	19,093
U.S. dollar denominated in countries where the functional currency is the U.S. dollar	December: 4.13% - 10.68% (March: 5.77% - 9.16%)	368,653	384,959
Non-U.S. dollar based local functional currencies	December: 4.50% - 11.00% (March: 5.00% - 12.90%)	211,770	240,247
		593,786	644,299
Subtotal long-term borrowings		605,304	692,969
Less: Capitalized loan transaction costs:			
At beginning of the period		(4,767)	(5,792)
Arising on new loans		-	(15)
Amortized in interest expense for the period		838	1,074
Translation adjustments		47	(34)
		(3,882)	(4,767)
Carrying value of long-term borrowings		601,422	688,202
Less: Current portions of:			
Long-term loans		(59,240)	(60,778)
Lines of credit		(8,522)	(27,017)
Current portion of long-term borrowings		(67,762)	(87,795)
Long-term portion of long-term borrowings		533,660	600,407

Grupo Unicomer Corp. and subsidiaries

Notes to the condensed consolidated interim financial statements
For the nine months ended December 31, 2020
(expressed in U.S. dollars)

	December 31, 2020 $'000	March 31, 2020 $'000
Maturity		
Current portion	67,762	87,795
Between 1 and 2 years	31,931	69,892
Between 2 and 5 years	411,916	429,794
Over 5 years	93,695	105,488
	605,304	692,969

As of December 31, 2020, the Group exceeded two of its financial incurrence covenants related to the Senior Unsecured Notes. First, the limit of net debt to EBITDA ratio (measured as all bank debt minus all cash and cash equivalents divided by the earnings before interest, taxes amortization and depreciation (EBITDA) for the most recently ended four fiscal quarters for which internal consolidated interim financial statements are available) of 3.75 times. When exceeded, the Group will face certain limitations on incurrence of debt and certain payment restrictions. As of December 31, 2020, the actual net debt to EBITDA ratio was 5.72. Second, the Group did not meet the minimum service coverage ratio, determined as interest expense paid over the last twelve months over EBITDA of 2.00 times. The actual ratio as of December 31, 2020 was 1.46 times. The Group does not foresee that these limitations will affect the ongoing business planned for the remainder of the financial year, nor the following quarter of the next financial year.

As of December 31, 2020, Unicomer (Guyana) Inc., a subsidiary, had a breach in one of its financial covenants related to a long-term loan with a local bank. This financial covenant required the subsidiary to maintain a delinquency ratio (i.e. receivables over 90 days as a percentage of total receivables) of no more than 15%. As of December 31, 2020, the delinquency ratio was 20.6% because stores had been closed for most of the second quarter of the calendar year and no forbearance plan had been instituted. All other financial covenants were met.

As of December 31, 2020, Union Comercial de Costa Rica, Unicomer S.A., a subsidiary, had a breach in a financial covenant related to a long-term loan with an international financial institution which requires the subsidiary to maintain a delinquency ratio (i.e. receivables over 90 days as a percentage of total receivables) of no more than 9%. As of December 31, 2020, the delinquency ratio was 11.0%. All other covenants were met.

As of December 31, 2020, Union Comercial de El Salvador, S.A. de C.V., a subsidiary, had a breach in a financial covenant related to debt service with a local financial institution which requires the subsidiary to maintain minimum of 1.50 times debt service coverage. As of December 31, 2020, the ratio stood at 1.34 times. All other covenants were met.

Grupo Unicomer Corp. and subsidiaries

Notes to the condensed consolidated interim financial statements
For the nine months ended December 31, 2020
(expressed in U.S. dollars)

14. Provisions

	Product warranties $'000	Employee benefits $'000	Total $'000
Balance as of March 31, 2019	4,947	16,503	21,450
Charged to profit for the year	6,571	2,455	9,026
Amount used during the year	(6,234)	(1,868)	(8,102)
Release of provision	-	(85)	(85)
Remeasurement loss by financial assumptions	-	(307)	(307)
Translation adjustments	(74)	(84)	(158)
Balance as of March 31, 2020	5,210	16,614	21,824
Charged to profit for the year	4,951	2,530	7,481
Amount used during the year	(3,875)	(2,070)	(5,945)
Release of provision	-	-	-
Remeasurement loss by financial assumptions		(1,951)	
Translation adjustments	(101)	20	(81)
Balance as of Decembre 31, 2020	6,185	15,143	23,279

Grupo Unicomer Corp. and subsidiaries

Notes to the condensed consolidated interim financial statements
For the nine months ended December 31, 2020
(expressed in U.S. dollars)

15. Operating expenses

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

	Nine months ended December 31 2020 $'000	Nine months ended December 31 2019 $'000
Personnel	170,764	204,735
Accounts receivable – impairment	139,175	69,453
Depreciation of right-of-use assets	32,523	37,921
Depreciation of property and equipment	14,986	15,450
Amortization of intangible assets	7,022	7,246
Outsourcing	18,575	8,968
Insurance	17,215	11,394
Advertising	14,819	26,901
Commissions and others	13,003	11,978
Freight	11,793	15,193
Telecommunications	8,201	9,137
Professional fees	7,935	9,314
Utilities	7,525	10,697
Repairs and maintenance	7,149	9,314
Maintenance and leasing computer equipment	6,985	7,034
Security services	5,195	5,545
Extended warranty claims and administrative fees	5,153	9,488
Supplies	3,882	3,571
Municipal tax	2,350	1,882
Travel	1,533	5,093
Charitable donations	1,090	1,905
Operating leases	(3,560)	5,088
Other operating, net	8,407	13,094
	501,720	500,401
Comprising:		
Distribution and selling expenses	400,672	387,420
Administrative expenses	101,048	112,981
	501,720	500,401

b. Personnel expenses incurred for the periods are as follows:

	2020	2019
Wages and benefits	110,561	131,892
Commissions	27,537	35,594
Social security and pension cost	17,287	20,559
Other employee benefits	15,379	16,690
	170,764	204,735

The average number of full-time-equivalent employees as of December 31, 2020, was 12,556 (2019: 14,876).

16. Income tax expense

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 nine months ended December 31, 2020 was 54.69% (nine months ended December 31, 2019: 43.53%).

The increase of effective tax rate in the comparison is significantly explained by:

- The combined result of Nicaraguan subsidiaries resulted in the determination of corporate taxes calculated over the basis of net revenue and corporate taxes calculated over net earnings for each of them. The Country's results were triggered by the current social, political and COVID-19 pandemic.

- Other countries also reflect the effect of corporate taxes calculated on net revenue rather than net earnings (Guatemala), or where a minimum tax applies (Dominican Republic, Guyana and Belize).

- Subsidiaries with negative results (Guatemala, Honduras, Dominican Republic, Ecuador, Paraguay, several OECS jurisdictions, Barbados, Belize, Trinidad, Guyana, Aruba and Curacao).

- In Caribbean, as the income tax expense reported consisted of both current and deferred income taxes.

- Across most countries, the effective tax rate is also influenced by the movement in the deferred tax arising from the effects of IFRS 16 and IFRS 9.

- The impact of the pandemic of COVID-19 has caused several declines in revenues and consequently profitability due to the closure or reduction of the operations during the government implemented lockdowns during the first, and partially, in the second quarter, which consequently resulted in operating losses.

- Partial re-openings during the early part of the third quarter, as well as seasonal sales are reflected in some jurisdictions (i.e. El Salvador and Costa Rica) resulting operational results subject to corporate income tax calculated over net earnings.

17. 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 controlling shareholders. Principal transactions with related parties are as follows:

	Nine months ended December 31,	
	2020	2019
	$'000	$'000
Expenses incurred for services	3,199	6,991
Purchase of merchandise	331	195
Financial interest expenses	99	-
Financial interest income	410	255
Income from services provided	333	1,229
Sales of merchandise	273	241

18. 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 December 31, 2020, the Group had $238,923,305 of lines of credit, with available head rooms totaling $53,090,975

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, 2020 and 2019.

19. 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.

20. Equity

a. Share capital as of December and March 2020:

	2020
	$'000
Authorized, Issued and fully paid ordinary shares of $152,066 per share:	
500 Class "A" Ordinary shares	76,033
500 Class "B" Ordinary shares	76,033
	152,066

The share capital of the Company is 1,000 ordinary shares with no par value. The value was assigned by the Shareholders, in the General Shareholders´ Meeting, and is $152,066 per share.

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.

21. 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:

- Safeguard and protect its stakeholders at the corporate office, subsidiaries, and points of sale by providing information and supplies to prevent contagion;
- Implementing "work from home" arrangements for its employees to enable optimal continuation of back office and commercial operations for our valued associates;
- 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;
- Cost management/reduction initiatives resulting in 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 instalments;

- 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 will be a potential increase in probability of default resulting in deterioration in the age profile and increase in ECL provisions. Management believes that those provisions are partially recoverable due to the fact that in the Caribbean region no formal forbearance program was introduced and the deteriorated aging of the receivables after the reporting date may not reflect correctly the payment capacity of clients;

- Implementing and monitoring strategies and plans around managing liquidity. The Group monitors its daily cash flows using automated dashboards and continues to maintain stronger cash positions despite reducing its debt subsequent to the reporting date. This is a natural effect that occurs while the Group reduces new extensions of credit and remains reasonably successful in collecting existing receivables. 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;

- Strict monitoring of financial covenants as outlined in the loan agreements.

While the Group aims to maintain ongoing communication with its stakeholders to maintain transparency on all matters of interest, due to the continued uncertainty, it is difficult at this time to provide long-term projections, however it is likely that the financial performance of the Group for the new financial year started April 1, 2020 will be negatively affected. Management believes that Group is adequately positioned and is flexible to adapt to new circumstances from time to time. It has strong relations with its creditors, suppliers and banks, and continues having access to supply of inventory and lines of credit without significant interruptions. Governments in the countries of Group's operations do not generally have the financial resources to provide economic stimulus packages over extended period as do some developing countries.