

GRUPO UNICOMER CO. LTD.
AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

Index to the condensed consolidated interim financial statements
September 30, 2017

	Page
Condensed consolidated financial statements:	
Condensed consolidated statement of financial position	3-4
Condensed consolidated statement of income	5
Condensed consolidated statement of profit or loss and other comprehensive income	6
Condensed consolidated statement of changes in equity	7
Condensed consolidated statement of cash flows	8
Condensed notes to the consolidated financial statements	9-23

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

Condensed consolidated interim statement of financial position
September 30, 2017
(expressed in U.S. dollars)

	<u>Notes</u>	September 30, 2017 \$'000	March 31, 2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		86,204	68,488
Accounts receivable, net	6(b)	580,576	588,315
Accounts receivable – related company		7,290	3,872
Loan receivable – related company		67	63
Other receivables and prepayments		56,268	44,311
Inventories	9	295,321	268,670
Deferred acquisition costs		23,890	26,700
Prepaid income taxes		<u>15,347</u>	<u>11,437</u>
Total current assets		<u>1,064,963</u>	<u>1,011,856</u>
Non-current assets			
Accounts receivable, net	6(a)	257,846	266,090
Loan receivable – related company		21,786	18,420
Property and equipment, net	7	150,508	163,098
Intangible assets	8	155,559	154,245
Goodwill	10(a)	67,868	68,266
Retirement benefit assets		3,729	3,616
Deferred tax assets		29,920	27,415
Other assets		<u>3,852</u>	<u>3,809</u>
Total non-current assets		<u>691,068</u>	<u>704,959</u>
Total assets		<u>1,756,031</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
September 30, 2017
(expressed in U.S. dollars)

	<u>Notes</u>	<u>September 30, 2017</u> \$'000	<u>March 31, 2017</u> \$'000
LIABILITIES			
Current liabilities			
Bank overdrafts, secured		1,864	1,270
Short-term borrowings	11	86,950	78,894
Short-term borrowings – related company		-	547
Current portion of long-term borrowings	12	98,287	102,671
Accounts payable		178,843	143,220
Accounts payable – related company		14,888	2,135
Bonuses payable		6,808	5,137
Unearned premiums		65,814	69,925
Other accounts payable and accruals		70,833	69,644
Current income tax liabilities		20,623	19,406
Provision for warranties	13	<u>6,768</u>	<u>6,612</u>
Total current liabilities		<u>551,678</u>	<u>499,461</u>
Non-current liabilities			
Long-term borrowings	12	585,526	599,417
Deferred warranty income		61,866	61,309
Employee benefit obligations	13	11,607	10,890
Deferred tax liabilities		<u>14,361</u>	<u>15,271</u>
Total non-current liabilities		<u>673,360</u>	<u>686,887</u>
Total liabilities		<u>1,225,038</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)		455,058	433,435
Currency translation reserve		<u>(87,451)</u>	<u>(84,112)</u>
Total equity		<u>530,993</u>	<u>530,467</u>
Total liabilities and equity		<u>1,756,031</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 six months ended September 30, 2017
(expressed in U.S. dollars)

		Six months ended	
		September 30,	
	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		\$'000	\$'000
Sales		542,827	532,496
Cost of goods sold		<u>(374,935)</u>	<u>(370,030)</u>
Gross profit on sales		167,892	162,466
Premium income		9,405	9,041
Finance income earned on credit operations		<u>206,350</u>	<u>185,234</u>
Total gross profit		383,647	356,741
Distribution and selling expenses	14	(263,055)	(230,679)
Administrative expenses	14	(51,724)	(54,830)
Other operating income, net		<u>1,250</u>	<u>1,338</u>
Operating profit		70,118	72,570
Financial income		715	254
Financial expense		(32,297)	(26,809)
Foreign exchange losses and other charges		<u>(2,575)</u>	<u>(2,694)</u>
Net finance costs		<u>(34,157)</u>	<u>(29,249)</u>
Profit before income tax		35,961	43,321
Income tax expense	15	<u>(14,047)</u>	<u>(12,376)</u>
Profit for the period		<u><u>21,914</u></u>	<u><u>30,945</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.)

**Condensed consolidated interim statement of profit or loss
and other comprehensive income**

For the six months ended September 30, 2017
(expressed in U.S. dollars)

	Six months ended September 30,	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Profit for the period	21,914	30,945
Other comprehensive loss:		
Items that will never be reclassified to profit or loss:		
Remeasurement of employee benefits obligation	-	216
Related tax on remeasurement	-	(64)
Items that may be reclassified to profit or loss:		
Currency translation adjustments	<u>(3,339)</u>	<u>(11,363)</u>
Other comprehensive loss for the period	<u>(3,339)</u>	<u>(11,211)</u>
Total comprehensive income for the period	<u>18,575</u>	<u>19,734</u>

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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 six months ended September 30, 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	-	-	-	30,945	-	30,945
Other comprehensive income/(loss):						
Remeasurement of employee benefit obligation, net of taxation	-	-	-	152	-	152
Currency translation adjustments	-	-	-	-	(11,363)	(11,363)
Other comprehensive (loss), for the period, net of taxation	-	-	-	152	(11,363)	(11,211)
Total comprehensive income/(loss) for the period	-	-	-	31,097	(11,363)	19,734
Transfers to statutory reserve	-	-	4,393	(4,393)	-	-
Transaction with owners recorded directly in equity						
Dividends declared (note 20 (b))	-	-	-	(19,242)	-	(19,242)
Balances at September 30, 2016	<u>152,066</u>	<u>29,078</u>	<u>15,886</u>	<u>379,882</u>	<u>(80,716)</u>	<u>496,196</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	-	-	-	21,914	-	21,914
Other comprehensive income/(loss):						
Currency translation adjustments	-	-	-	-	(3,339)	(3,339)
Other comprehensive (loss), for the period, net of taxation	-	-	-	-	(3,339)	(3,339)
Total comprehensive income/(loss) for the period	-	-	-	21,914	(3,339)	18,575
Transfers to statutory reserve	-	-	326	(326)	-	-
Transaction with owners recorded directly in equity						
Transfers of subsidarie (note 10 d))	-	-	-	(291)	-	(291)
Decrease in share premium (note 20 (a))	-	(17,758)	-	-	-	(17,758)
Balances at September 30, 2017	<u>152,066</u>	<u>11,320</u>	<u>13,651</u>	<u>441,407</u>	<u>(87,451)</u>	<u>530,993</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 six months ended September 30, 2017
(expressed in U.S. dollars)

	<u>Notes</u>	September 30, <u>2017</u> \$'000	September 30, <u>2016</u> \$'000
Cash flows from operating activities			
Profit for the period		21,914	30,945
Adjustments for:			
Depreciation and impairment of property and equipment	7	10,663	10,609
Amortization of intangible assets and impairment	8	4,027	3,660
Loss on disposal of property and equipment and intangible assets		374	5,114
Increase in employee benefits provision		1,145	453
Decrease/(increase) in provision for warranties, net		(1,508)	209
Retirement benefits assets		-	(343)
Decrease in unearned premium reserve		(4,111)	(1,240)
Deferred policy acquisition cost released to income statement		9,732	7,326
Net finance costs		34,157	29,249
Income tax expense		<u>14,047</u>	<u>12,376</u>
		90,440	98,358
Changes in working capital:			
Decrease in accounts receivable		15,982	14,331
Increase in accounts receivable - related companies		(3,420)	(8,483)
Increase in other receivables and prepayments		(11,956)	(8,807)
Increase in retirement of benefits assets		-	(830)
Increase in inventories		(26,651)	(74,788)
Increase in deferred acquisition cost		(6,922)	(5,887)
Increase in other assets		(42)	(3,561)
Increase in loans receivable – related companies		(3,370)	(2,575)
Increase in accounts payable		34,531	44,761
Decrease in accounts payable – related companies		(46)	(1,105)
Decrease in loans payable related company		(547)	-
Increase/(decrease) in bonuses payable		1,671	(3,061)
Increase in other accounts payable and accruals		1,189	2,037
Increase in deferred warranty income, net		<u>557</u>	<u>538</u>
		91,416	50,928
Interest received		715	254
Interest paid		(32,297)	(26,809)
Corporate income tax paid		<u>(20,155)</u>	<u>(18,026)</u>
Net cash provided by operating activities		<u>39,679</u>	<u>6,347</u>
Cash flows from investing activities			
Acquisition of property and equipment	7	(7,608)	(20,774)
Acquisition of intangible assets	8	(6,343)	(7,901)
Translation adjustments in respect of foreign subsidiaries		(146)	(2,236)
Acquisition of subsidiary/business, net of cash acquired	10	-	(9,608)
Net cash used in investing activities		<u>(14,097)</u>	<u>(40,519)</u>
Cash flows from financing activities			
Proceeds from short-term borrowings		53,904	136,421
Repayments of short-term borrowings		(45,848)	(76,548)
Transfer of subsidiaries	10	8,330	-
Proceeds from long-term borrowings		75,204	108,791
Repayments of long-term borrowing		(89,504)	(100,591)
Bank overdraft		594	391
Equity decrease		(5,090)	-
Dividends paid		-	(19,242)
Net cash (used)/provided in financing activities		<u>(2,410)</u>	<u>49,222</u>
Net increase in cash and cash equivalents		23,172	15,050
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>(5,456)</u>	<u>(5,742)</u>
Cash and cash equivalents at end of period		<u>86,204</u>	<u>48,024</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 six months ended September 30, 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
(Formerly Regal Forest Holding Co. Ltd.)

Notes to the condensed consolidated interim financial statements
For the six months ended September 30, 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 three reportable segments, which are principally distributed by geographic areas. These three 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 includes Belize and Guyana.

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

United States of America Group: includes the subsidiaries based in Texas and Delaware in the United States.

a. Information about reportable segments

	Six months ended September, 30									
	2017					2016				
	<u>Latin America</u>	<u>Caribbean</u>	<u>USA</u>	<u>Other</u>	<u>Total</u>	<u>Latin America</u>	<u>Caribbean</u>	<u>USA</u>	<u>Other</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales	372,974	166,652	3,201	-	542,827	353,376	176,172	2,948	-	532,496
Finance income earned on credit sales and premium income	<u>132,776</u>	<u>81,637</u>	<u>1,342</u>	<u>-</u>	<u>215,755</u>	<u>116,150</u>	<u>76,841</u>	<u>1,284</u>	<u>-</u>	<u>194,275</u>
External revenues	<u>505,750</u>	<u>248,289</u>	<u>4,543</u>	<u>-</u>	<u>758,582</u>	<u>469,526</u>	<u>253,013</u>	<u>4,232</u>	<u>-</u>	<u>726,771</u>
Reportable segment - profit before tax	<u>14,917</u>	<u>40,247</u>	<u>(788)</u>	<u>(18,415)</u>	<u>35,961</u>	<u>5,060</u>	<u>48,101</u>	<u>(696)</u>	<u>(9,144)</u>	<u>43,321</u>

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

Notes to the condensed consolidated interim financial statements
For the six months ended September 30, 2017
(expressed in U.S. dollars)

b. Reconciliation of reportable segment profit or loss

	Six months ended September 30,	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Total profit or loss for reportable segment before tax	35,961	43,321
Unallocated corporate expenses	<u>-</u>	<u>-</u>
Profit before tax	<u><u>35,961</u></u>	<u><u>43,321</u></u>

6. Accounts receivable

a. Accounts receivable as of September 30, 2017 and March 31, 2017 are as follows:

	September 30,	March 31
	<u>2017</u>	<u>2017</u>
	\$'000	\$'000
Gross accounts receivable – customers	1,007,833	1,040,010
Allowance for forgiveness of instalments	(8,340)	(7,265)
Gross cash loans receivable – customers	181,099	165,276
Gross interest receivable	28,104	24,496
Unearned finance income	<u>(294,162)</u>	<u>(303,593)</u>
	914,534	918,924
Less: allowance for impairment	<u>(76,112)</u>	<u>(64,519)</u>
	838,422	854,405
Current portion of accounts receivable, net	<u>(580,576)</u>	<u>(588,315)</u>
Non-current portion of accounts receivable, net	<u><u>257,846</u></u>	<u><u>266,090</u></u>

b. Current portion of accounts receivable:

Gross accounts receivable, cash loans and interest receivable – customers	838,087	860,329
Unearned finance income	<u>(206,638)</u>	<u>(230,218)</u>
Total accounts receivable	631,449	630,111
Less: allowance for impairment	<u>(50,873)</u>	<u>(41,796)</u>
	<u><u>580,576</u></u>	<u><u>588,315</u></u>

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

Notes to the condensed consolidated interim financial statements
For the six months ended September 30, 2017
(expressed in U.S. dollars)

- c. The aging of the customer accounts receivable portfolio as of September 30, 2017 and March 31, 2017, was as follows:

	<u>September 30, 2017</u>			<u>March 31, 2017</u>		
	Gross less			Gross less		
	finance	Impairment		finance	Impairment	
	<u>income</u>	<u>allowance</u>	<u>Net</u>	<u>income</u>	<u>allowance</u>	<u>Net</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Not past due	589,940	(14,351)	575,589	595,482	(10,288)	585,194
Past due 1-30 days	162,139	(8,550)	153,589	169,959	(6,872)	163,087
Past due 31-60 days	62,066	(6,888)	55,178	63,447	(6,641)	56,806
Past due 61-90 days	29,208	(7,725)	21,483	26,902	(5,880)	21,022
Past due 91-120 days	18,576	(7,235)	11,341	15,657	(6,263)	9,394
Past due 121-150 days	13,410	(6,771)	6,639	11,885	(6,057)	5,828
Past due 151-180 days	12,225	(7,387)	4,838	10,863	(6,458)	4,405
Past due more than 180 days	<u>26,970</u>	<u>(17,205)</u>	<u>9,765</u>	<u>24,729</u>	<u>(16,060)</u>	<u>8,669</u>
	<u>914,534</u>	<u>(76,112)</u>	<u>838,422</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 six-month period ended September 30, 2017, and the twelve-month period ended March 31, 2017 was as follows:

	<u>September 30,</u> <u>2017</u> \$'000	<u>March 31,</u> <u>2017</u> \$'000
Balance at beginning of period	64,519	61,646
Arising on acquisition of subsidiaries	-	288
Impairment losses recognized	48,669	77,354
Utilized during the period	(36,959)	(74,690)
Foreign exchange adjustment	<u>(117)</u>	<u>(79)</u>
	<u>76,112</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 six months ended September 30, 2017
(expressed in U.S. dollars)

7. Property and equipment

	\$'000
Cost	
Balance as of March 31, 2017	305,915
Additions	7,608
Sales	(389)
Sales of subsidiary	(9,255)
Disposals	(2,227)
Reclassifications and adjustments	102
Translation adjustments	<u>(1,036)</u>
Balance as of September 30, 2017	<u>300,718</u>
Accumulated depreciation	
Balance as of March 31, 2017	142,817
Depreciation for the period	10,663
Disposals	(1,632)
Sales	(333)
Sales of subsidiary	(810)
Reclassifications and adjustments	(1)
Translation adjustments	<u>(494)</u>
Balance as of September 30, 2017	<u>150,210</u>
Carrying amounts:	
At September 30, 2017	<u>150,508</u>
At March 31, 2017	<u>163,098</u>

8. Intangible assets

	\$'000
Cost	
Balance as of March 31, 2017	193,914
Additions	6,343
Disposals	(103)
Reclassification and adjustments	278
Translation adjustments	<u>(1,353)</u>
Balance as of September 30, 2017	<u>199,079</u>
Accumulated amortization	
Balance as of March 31, 2017	39,669
Amortization for the period	4,027
Translation adjustments	<u>(176)</u>
Balance as of September 30, 2017	<u>43,520</u>
Carrying amounts:	
At September 30, 2017	<u>155,559</u>
At March 31, 2017	<u>154,245</u>

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

Notes to the condensed consolidated interim financial statements
For the six months ended September 30, 2017
(expressed in U.S. dollars)

9. Inventories

As of September 2017, the Group had a growth of 10% equivalent to an increase in inventory of \$26.7 million compared to March 2017. The increase of inventory is explained by an increase in goods in transit as the Group is preparing its stock to the year-end festivities anticipating higher sales. Compared to March 2017, goods in transit are highly superior by \$20,5 million in September 2017.

In addition, product sales growth achieved 3.5% (around 17.1 million) versus the first semester of the prior year. Despite of a reduction in the sales of our trade company, the growth is majorly being encouraged by Ecuador. Finally, even if the inventory reflects a significant growth, the inventory turnover continues to reflect the same trend it had during the first quarter by improving versus last year (3.57 as of September 2017 versus 3.18 as of September 2016).

10. Acquisition of subsidiaries and businesses

- a. The movement of Goodwill for the six months ended September 30, 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>(398)</u>
Balance as of September 30, 2017	<u>67,868</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.

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>

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

Notes to the condensed consolidated interim financial statements
For the six months ended September 30, 2017
(expressed in U.S. dollars)

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 trade receivables 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 a law suit 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.

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

Notes to the condensed consolidated interim financial statements
For the six months ended September 30, 2017
(expressed in U.S. dollars)

- 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 comprises 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.

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

Notes to the condensed consolidated interim financial statements
For the six months ended September 30, 2017
(expressed in U.S. dollars)

- 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.

2017
\$'000

- 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><u>442</u></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><u>(115)</u></u>

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

Notes to the condensed consolidated interim financial statements
For the six months ended September 30, 2017
(expressed in U.S. dollars)

11. Short-term borrowings

		September 30, <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%	11,239	17,171
U.S. dollar denominated in countries where the functional currency is the U.S. dollar	4.71% (4.68%)	10,000	4,000
Non-U.S. dollar based local functional currencies	6.00% - 9.70% (6.00% - 9.23%)	<u>47,861</u>	<u>40,844</u>
		<u>69,100</u>	<u>62,015</u>
<i>Short-term loans:</i>			
U.S. dollar denominated in countries where the functional currency is the U.S. dollar	7.00%	3,000	-
Non-U.S. dollar based local functional currencies	9.00% (9.00% - 9.85%)	<u>14,850</u>	<u>16,879</u>
		<u>17,850</u>	<u>16,879</u>
Total short-term borrowings		<u>86,950</u>	<u>78,894</u>

12. Long-term borrowings

		September 30, <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	4.16% - 6.00% (3.92% - 6.00%)	16,497	12,963
U.S. dollar denominated in countries where the functional currency is the U.S. dollar	4.00% - 4.58% (4.05% - 5.54%)	24,800	22,612
Non-U.S. dollar based local functional currencies	8.00% - 10.25% (6.50% - 10.75%)	<u>18,596</u>	<u>27,469</u>
		<u>59,893</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% - 7.00% (6.15% - 12.92%)	32,721	26,797
U.S. dollar denominated in countries where the functional currency is the U.S. dollar	5.82% - 9.00% (5.55% - 9.12%)	403,380	414,711
Non-U.S. dollar based local functional currencies	3.75% - 12.00% (3.75% - 18.00%)	<u>194,242</u>	<u>204,548</u>
		<u>630,343</u>	<u>646,056</u>
Subtotal long-term borrowings		<u>690,236</u>	<u>709,100</u>

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

Notes to the condensed consolidated interim financial statements
For the six months ended September 30, 2017
(expressed in U.S. dollars)

	September 30, 2017	March 31, 2017
	<u>\$'000</u>	<u>\$'000</u>
Subtotal long-term borrowings	<u>690,236</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	105	191
Amortized in interest expense for the period	<u>498</u>	<u>643</u>
	<u>(6,423)</u>	<u>(7,012)</u>
Carrying value of long-term borrowings	<u>683,813</u>	<u>702,088</u>
Less: Current portions of:		
Long-term borrowings	<u>(98,287)</u>	<u>(102,671)</u>
Total long-term borrowings	<u>585,526</u>	<u>599,417</u>

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

	September 30, 2017	March 31, 2017
	<u>\$'000</u>	<u>\$'000</u>
Current portion	98,287	102,671
Between 1 and 2 years	122,363	84,652
Between 2 and 5 years	95,182	118,445
Over 5 years	<u>374,404</u>	<u>403,332</u>
	<u>690,236</u>	<u>709,100</u>

13. Provisions

	<u>Product warranties</u>	<u>Employee benefits</u>	<u>Total</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	1,355	1,883	3,238
Amount used during the period	(2,873)	(814)	(3,687)
Translation adjustments	<u>1,674</u>	<u>(352)</u>	<u>1,322</u>
Balance as of September 30, 2017	<u>6,768</u>	<u>11,607</u>	<u>18,375</u>

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

Notes to the condensed consolidated interim financial statements
For the six months ended September 30, 2017
(expressed in U.S. dollars)

14. Operating expenses

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

	Six months ended September 30,	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Personnel expenses	125,545	116,886
Accounts receivable – impairment	48,669	37,961
Operating leases	33,353	28,812
Advertising	15,495	16,298
Depreciation of property and equipment and impairment	10,663	10,609
Professional fees	9,601	5,889
Freight expenses	8,563	7,982
Commissions and others	7,461	6,837
Insurance	7,339	7,359
Utilities	6,679	6,204
Telecommunications	5,360	5,295
Repairs and maintenance	5,131	5,799
Maintenance and leasing computer equipment	4,338	4,209
Amortization of intangible assets and impairment	4,027	3,660
Travel expenses	3,878	3,251
Security services	3,417	3,209
Municipal tax	2,247	2,197
Charitable donations	843	1,511
Other operating expenses, net	<u>12,170</u>	<u>11,541</u>
	<u>314,779</u>	<u>285,509</u>
Comprising:		
Distribution and selling expenses	263,055	230,679
Administrative expenses	<u>51,724</u>	<u>54,830</u>
	<u>314,779</u>	<u>285,509</u>
b. Personnel expenses incurred for the periods are as follows:		
Wages and benefits	73,636	68,102
Commissions	21,158	20,382
Social security and pension cost	11,595	10,826
Other employee benefits	<u>19,156</u>	<u>17,576</u>
	<u>125,545</u>	<u>116,886</u>

The average number of full-time-equivalent employees for the six months ended September 30, 2017 was 15,433 (2016: 14,967).

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

Notes to the condensed consolidated interim financial statements
For the six months ended September 30, 2017
(expressed in U.S. dollars)

15. 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 six months ended September 30, 2017 was 39.06% (six months ended September 30, 2016: 28.57%). Should provision explained below in (i) would not have been recorded, Group's consolidated effective tax rate for the six months ended September 30, 2017 would have been 34.3%.

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 under Unicomer Latin America Co. Ltd, where it is considered a permanent difference for tax purposes in several countries, (iii) a general decrease of standalone holding and subsidiaries results in lower tax jurisdictions and (iv) downturn of results in companies whose corporate taxes are calculated on net revenue (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:

	Six months ended	
	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Expenses incurred for services	3,798	4,027
Income from services provided	1,451	423
Purchases of merchandise	643	797
Interest income on loan granted to related company	421	20
Expenses for advertising related materials	218	116
Sales of merchandise	3	684

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

Notes to the condensed consolidated interim financial statements
For the six months ended September 30, 2017
(expressed in U.S. dollars)

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	50,270	50,156
Between one and five years	123,609	108,153
After five years	<u>50,269</u>	<u>48,043</u>
	<u>224,148</u>	<u>206,352</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 also has increased its available bank lines of credit. As of September 30, 2017, the Group had \$306,301,243 (September 2016: \$326,044,116) of lines of credit, with available head rooms totalling \$161,567,643 (September 2016: \$117,455,916).

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.

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

Notes to the condensed consolidated interim financial statements
For the six months ended September 30, 2017
(expressed in U.S. dollars)

20. (a) Equity

Share capital and share premium

	<u>2017</u>	<u>2016</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.

(b) Dividends

During the period of the six months ended on September 30, 2017, dividends were not declared. At September 30, 2016, the dividends declared were \$19,242.