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Consolidated Financial Statements

Independent auditor's report

To the shareholders of Productive Business Solutions Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Productive Business Solutions Limited (the Company) and its subsidiaries (together "the Group") as at 31 December 2019, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

Productive Business Solutions Limited's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Our audit approach

Audit Scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

The Group comprised 12 reporting components of which we selected 12 components for testing which represent the principal business units within the Group and covered entities within Jamaica, Barbados, Central America, South America, the Netherlands Antilles, Nicaragua, Suriname, Cayman, St. Lucia and Dominican Republic. A full scope audit was performed for Productive Business Solutions Central America and its subsidiaries, Productive Business Solutions Nicaragua S. A. and Productive Business Solutions Limited (the parent company) as these were determined to be individually financially significant. Additionally, based on our professional judgement, nine other components within the group were selected to perform audit procedures on specific account balances, classes of transactions or disclosures, due to the materiality of these individual balances, transactions or disclosures to the consolidated financial statements as a whole. All of the in-scope components were audited by a PricewaterhouseCoopers (also referred to as "PwC") network firm.

In establishing the overall Group audit strategy and plan, we determined the type of work that is needed to be performed at the component level by the Group engagement team and by the component auditors. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work of those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole. The Group team reviewed the working papers of Productive Business Solutions Central America and its subsidiaries and Productive Business Solutions Nicaragua S. A. In addition, the Group team performed the audit of the parent company. The Group team reviewed all reports with regards to the audit approach and findings submitted in detail by the full scope components.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of intangible assets including goodwill *Refer to notes 2(f), 4 and 17 of the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.* As at 31 December 2019, total intangible assets including goodwill accounted for US$21.1 million, which represents 11.8% of total assets. The intangible assets consist of brands, contracts, franchise agreements, licences and proprietary software. On an annual basis, management tests whether intangible assets including goodwill are subject to impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The key assumptions and inputs for the value in use calculations are the revenue growth rates, earnings before interest, tax, depreciation and amortisation (EBITDA) to revenue ratios and discount rates. Management has budgeted certain revenue growth rates for the various Cash Generating Units (CGUs). Whilst a number of strategic initiatives have been established to achieve the targeted growth rates, the assessment of the carrying value of intangible assets including goodwill involves significant judgement, increasing the risk of estimation uncertainty in relation to forecasting future cash flows and is sensitive to growth rates and discount rates applied to the future cash flows, and as such was an area of focus. Management performed an impairment assessment for each CGU.	We tested management's assumptions used in their impairment testing model for intangible assets including goodwill, including the future cash flow projections, discount rates and revenue growth rates applied. With the assistance of our valuation expert, we performed the following procedures, amongst others, to evaluate the impairment assessment performed by management: • Obtained management's discounted cash flow model (DCF) including qualitative and quantitative analyses and updated our understanding of the process used by management to determine fair value of each CGU • Agreed the 31 December 2019 base year financial information and current year forecast to our audited results. • Tested management's assumptions as follows: o Compared the revenue growth rates to historical revenue growth and externally derived data as well as our own assessments in relation to key inputs such as projected economic growth, inflation and discount rates; o Compared EBITDA margins to historical results, reconciling variances to underlying supporting data and current period results; o Developed a range of independent parameters using available market inputs to determine a reasonable discount rate and compared to management's results. • Tested the calculations for mathematical accuracy and considered the sensitivity of the calculation by varying the key assumptions and adjustments within management's forecast. Based on the testing performed, no adjustment to the carrying value of intangible assets was considered necessary.

Key audit matter	How our audit addressed the key audit matter
Business Combination *Refer to 2(b), 17 and 38 to the consolidated financial statements for disclosures of related accounting policies, judgements and estimates and balances.* During November 2019, the Group acquired a 100% holding of High Tech Corporation (HTC), S.A de C.V. (domiciled in El Salvador) and High Tech Consulting (also referred to as 'HTC'), S.A de C.V. (domiciled in Honduras) for a total consideration of US$3.3 million. We focused on this area due to the nature of the business combination, the requirements of which can be complex and require management to exercise judgement in determining certain estimates. The complex judgements include determining, identifying and estimating the fair value of HTC and the intangible assets acquired as a result of the subjective nature of the consideration due to the earnout element. The earnout element is calculated as four times the average EBITDA of 2019 through 2022 minus 10% charge reflecting the Group's contribution to the EBITDA of the HTC companies. The Group was assisted by external valuation experts in this process.	With the assistance of our valuation expert, we performed the following procedures, amongst others: • Obtained an understanding and evaluated the application of the valuation methodology utilised to derive the fair value of identified intangible assets. • Corroborated the inputs included in the earnout element calculation by reference to historical information and approved strategic initiatives • Tested the reasonableness of valuation assumptions and inputs: o Agreed the historical information in management's cash flow projections to supporting source documents and information; o Corroborated the revenue forecasts, retention ratio, expense forecasts, capital and growth rates by comparison to independent economic and statistical data; o Compared the discount rates to that used by other market participants; and o Agreed the remaining useful life of each intangible asset identified to the period over which the cash flows are expected to be generated. • Assessed the competence and capability of management's valuation expert. Based on the procedures performed, no adjustments were considered necessary.
Revenue Recognition – Non- standard contracts related to reprographic products *Refer to notes 2(d) and 6 of the consolidated financial statements for disclosures of related accounting policies, judgements and balances.* Revenues earned from reprographic products are through either an outright sale or an operating lease of equipment and from related service contracts. These revenues are generated from invoices and standard lease agreements. These include reprographic products sold with full	We performed the following procedures, amongst others, on the non-standard contracts related to reprographic products: • Updated our understanding of the Group's accounting policies as they relate to IFRS 15 and assessed the reasonableness of those accounting policies with the requirements of the standard.

Key audit matter	How our audit addressed the key audit matter
service maintenance agreements. Sales and lease agreements that are individually negotiated and tailored to meet the specific circumstances of the customers typically include clauses that have revenue recognition implications. We focused on this area as there is increased management judgement surrounding the timing of revenue recognition for reprographic contracts with multiple performance obligations.	• Performed cut-off testing over a sample of revenue contracts to check that revenue is recognised in the correct period based on the terms of the contracts and in accordance with the Group's accounting policy. • Tested, on a sample basis, a selection of revenue throughout the year to evaluate appropriate revenue recognition specifically with focus on areas of impact of the timing of revenue recognition for reprographic contracts with multiple performance obligations. • We examined the reversal of any sales in the subsequent period to evaluate appropriate revenue recognition. No exceptions were identified from our testing that required management to make any adjustments to the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michelle White-Ying.

PricewaterhouseCoopers SRL

Bridgetown, Barbados
30 April 2020

Productive Business Solutions Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

(Expressed in United States dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Continuing Operations			
Revenue	6	180,104	179,294
Direct expenses		(108,246)	(104,226)
Gross Profit		71,858	75,068
Other income	7	770	1,397
Selling, general and administrative expenses	8	(60,486)	(64,507)
Impairment losses		(591)	(194)
Operating Profit		11,551	11,764
Finance costs	10	(7,511)	(9,154)
Profit before Taxation		4,040	2,610
Taxation	11	(1,955)	(2,476)
Net Profit for the year		2,085	134
Other Comprehensive Income			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences on the net assets of foreign subsidiaries		336	(2,456)
		336	(2,456)
TOTAL COMPREHENSIVE INCOME/(LOSS)		2,421	(2,322)
Profit for the Year is Attributable to:			
Shareholders of the Company		1,798	69
Non-controlling interests		287	65
		2,085	134
Total Comprehensive Income/(Loss) for the Year is Attributable to:			
Shareholders of the Company		2,134	(2,387)
Non-controlling interests		287	65
		2,421	(2,322)
		Cents	**Cents**
Basic and diluted earnings per share for profit from continuing operation attributable to ordinary share holders	13	1.46	0.06

The accompanying notes form an integral part of these consolidated financial statements.

Productive Business Solutions Limited

Consolidated Statement of Financial Position

31 December 2019

(Expressed in United States dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Non-Current Assets			
Property, plant and equipment	15	25,519	22,657
Right-of-use assets	16	16,092	-
Intangible assets	17	21,104	18,393
Lease receivables	18	3,126	2,393
Long term receivables	19	1,935	1,566
Deferred income tax assets	20	1,349	1,439
		69,125	46,448
Current Assets			
Due from related parties	21	3,356	7,611
Inventories	22	39,810	42,956
Contract assets	36	6,079	826
Trade and other receivables	23	44,057	50,589
Current portion of lease receivables	18	1,536	2,048
Taxation recoverable		10,148	9,992
Cash and cash equivalents	24	5,297	6,570
		110,283	120,592
Current Liabilities			
Trade and other payables	25	34,579	40,487
Contract liabilities	36	4,232	3,670
Due to related parties	21	5,162	8,043
Taxation payable		3,418	2,602
Current portion of lease liabilities	26	2,726	-
Short term loans	27	2,101	1,526
Current portion of long-term loans	27	999	99
Bank overdraft	27	3,398	3,505
		56,615	59,932
Net Current Assets		53,668	60,660
		122,793	107,108

Productive Business Solutions Limited

Consolidated Statement of Financial Position (Continued)
31 December 2019
(Expressed in United States dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Equity			
Attributable to Shareholders of the Company			
Share capital	28	57,317	57,317
Other reserves	29	(15,871)	(16,207)
Accumulated deficit	14 & 30	(6,232)	(6,030)
		35,214	35,080
Non-controlling interests		836	549
		36,050	35,629
Non-Current Liabilities			
Retirement benefit obligation	32	557	565
Deferred income tax liabilities	20	394	423
Lease liabilities	26	14,402	-
Borrowings	27	71,390	70,491
		86,743	71,479
		122,793	107,108

Approved for issue by the Board of Directors on 30 April 2020 and signed on its behalf by:

Paul Scott — Director

Pedro Baris — Director

The accompanying notes form an integral part of these consolidated financial statements.

Productive Business Solutions Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

(Expressed in United States dollars unless otherwise indicated)

	Attributable to Shareholders of the Company					
	Number of Shares '000	Share Capital $'000	Other Reserves $'000	Accumulated Deficit $'000	Non-Controlling Interest $'000	Total $'000
Balance at 1 January 2018	123,272	57,317	(13,751)	(5,533)	484	38,517
Change in accounting policy (note 37)	-	-	-	(566)	-	(566)
Balance at 1 January 2018, restated	123,272	57,317	(13,751)	(6,099)	484	37,951
Currency translation differences	-	-	(2,456)	-	-	(2,456)
Net profit	-	-	-	69	65	134
Total comprehensive loss	-	-	(2,456)	69	65	(2,322)
Balance at 1 January 2019	123,272	57,317	(16,207)	(6,030)	549	35,629
Currency translation differences	-	-	336	-	-	336
Net profit	-	-	-	1,798	287	2,085
Total comprehensive income	-	-	336	1,798	287	2,421
Dividends (note 39)				(2,000)		(2,000)
Balance at 31 December 2019	123,272	57,317	(15,871)	(6,232)	836	36,050

The accompanying notes form an integral part of these consolidated financial statements.

Productive Business Solutions Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2019

(Expressed in United States dollars unless otherwise indicated)

	2019 $'000	Restated 2018 $'000
Cash Flows from Operating Activities (Note 34)	5,325	722
Cash Flows from Financing Activities		
Interest paid	(5,810)	(6,771)
Dividends paid	(1,000)	-
Proceeds from borrowing	5,145	786
Repayments of borrowings	(78)	(2,063)
Repayments of lease liabilities	(2,455)	-
Net cash used in financing activities	(4,198)	(8,048)
Cash Flows from Investing Activities		
Interest received	543	549
Purchase of property, plant and equipment	(3,206)	(2,945)
Proceeds on disposal of property, plant and equipment	424	694
Net cash used in investing activities	(2,23h9)	(1,702)
Net Decrease in Cash and Cash Equivalents	(1,166)	(9,028)
Cash and cash equivalents at beginning of the year	3,065	12,097
Exchange losses on cash and cash equivalents	-	(4)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 24)	1,899	3,065

The principal non-cash transactions include:

- Transfer to property, plant and equipment from inventory during operating lease period of $13,193,000 (2018 - $12,643,000).
- Transfer from property, plant and equipment to inventory upon expiry of operating lease of $4,517,000 (2018 - $9,434,000).
- Netting of certain related party balances during the year. See note. 3(d) for details.
- Acquisition of High Tech for which payment of consideration is outstanding. See note. 38 for details.
- Dividends declared of $1,000,000 (2018: nil) but not yet paid.

The accompanying notes form an integral part of these consolidated financial statements.

1. Identification and Principal Activities

Productive Business Solutions Limited ("the Company") is a company incorporated and domiciled in Barbados on 16 December 2010, originally under the International Business Corporation (IBC) Act Cap. 77 on 16 December 2010.

Effective January 1,2019, the International Business Companies Act Cap. 77 was repealed, and all companies licensed under this Act prior to its repeal, will now be required to carry on business under and in accordance with the Companies Act Cap, 308. The Company will be grandfathered under the provisions of the International Business Companies (Repeal) Act, 2018-40 of Barbados until June 30, 2021.

The revised tax rates for fiscal years commencing 1 January 2019 are as follows:
first $500,000 of taxable income is subject to tax at 5.5%, the next $9,500,000 at 3.0%, the next $10,000,000 at 2.5% and all amounts in excess of $15,000,000 at 1.0%

The registered office of the Company is at Facey House # 42 Warrens Industrial Park, Warrens, St. Michaels, Barbados.

The Company is capitalised by ordinary shares and preference shares. The Company is a subsidiary of Facey Group Limited, a company incorporated in Barbados under the Companies Act, Cap. 308 of the laws of Barbados as an international business company which owns 68.28% of the ordinary shares. The preference shares are 25,800,000 9.75% Jamaican dollars redeemable cumulative preference shares.

The Company is listed on the Jamaica Stock Exchange and the International Securities Market in Barbados.

The Company's ultimate parent company and controlling party are Elkon Limited ("Elkon"), which is incorporated and domiciled in Jamaica, and Paul B. Scott, respectively.

The principal activities of the Company and its subsidiaries, (referred to as "Group") are the distribution of printing equipment, business machines, handsets and related accessories.

In November 2019, the Group acquired a 100% holding in High Tech Corporation S.A. de C.V. and High Tech Consulting, S.A. de C.V., incorporated and domiciled in El Salvador and Honduras respectively (Notes 2(b) and 38).

The financial statements were authorised for issue by the directors on 30 April 2020. The directors have the power to amend and reissue the financial statements.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements, herein after referred to as the financial statements, are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain items of property, plant and equipment.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on managements' best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in current year

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has affected the following, which are immediately relevant to its operations:

Amendments to IFRS 9, 'Prepayment features with negative compensation', (effective for annual periods beginning on or after 1 January 2019). The narrow-scope amendments made to IFRS 9, 'Financial Instruments' enable entities to measure certain prepaid financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit and loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held at 'held to collect' business model. The adoption of the standard did not have any significant impact on the operations of the Group.

IFRIC 23, 'Uncertainty over income tax treatments', (effective for annual period beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. The adoption of the standard did not have any significant impact on the operations of the Group.

Annual Improvements to IFRS Standards 2015-2017 Cycle, (effective for annual periods beginning on or after 1 January 2019). The amendment to IAS 23 Borrowing Costs, clarifies that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. The adoption of the standard did not have any significant impact on the operations of the Group. The amendments also include: IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business. IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way. The adoption of these standards did not have a significant impact on the Group.

IFRS 16, 'Leases', (effective for annual periods beginning on or after 1 January 2019). IFRS 16 affects primarily the accounting by lessees and results in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The statement of comprehensive income is also affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense is replaced with interest and depreciation, so key metrics like Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) will change. Operating cash flows is higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group changed its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules utilising the simplified approach under the modified retrospective approach on 1 January 2019. As such on 1 January 2019 management assessed the present value of the remaining lease payments, discounted using the incremental borrowing rate and recognised the right of use asset at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments related to the lease. See note 37 for the impact of IFRS 16 on the Group.

There are no other IFRSs or IFRIC interpretations effective in the current year which are expected to have a significant impact on the accounting policies or financial disclosures of the Group.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group

The Group has concluded that the following standards which are published but not yet effective, are relevant to its operations and will impact the Group's accounting policies and financial disclosures as discussed below. These standards and amendments to existing standards are mandatory for the Group's accounting periods beginning after 1 January 2020, but the Group has not early adopted them:

Amendments to IFRS 3 –definition of a business (effective for annual periods beginning or after 1 January 2020). This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. The adoption of this amendment is not expected to have a significant impact on the Group.

Amendments to IAS 1 and IAS 8 on the definition of material (effective for annual periods beginning or after 1 January 2020). These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.The adoption of this amendment is not expected to have a significant impact on the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7 (effective for annual periods beginning or after 1 January 2020) – Interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the statement of comprehensive income. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries. The adoption of these amendments is not expected to have a significant impact on the Group.

There are no other new or amended standards and interpretations that are published but not yet effective that would be expected to have an impact on the accounting policies or financial disclosures of the Group.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations involving third parties by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired and liabilities assumed is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss, in the statement of comprehensive income.

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2. Summary of Significant Accounting Policies (Continued)

(b) Consolidation (continued)
(i) Subsidiaries (continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group's subsidiaries, countries of incorporation, and the Group's percentage interest are as follows:

	Country of incorporation	Group's Percentage Interest	
		2019	**2018**
Productive Business Solutions Limited	Barbados	100	100
Productive Business Solutions Caribbean Limited and its subsidiaries	Saint Lucia	100	100
Productive Business Solutions Limited	Jamaica	100	100
Cayman Business Machines Limited*	Cayman	40	40
Mobay Holdings N.V. and its subsidiary	Curacao	100	100
Productive Business Solutions (Curacao) B.V. and its subsidiary	Curacao	100	100
Productive Business Solutions (Aruba) N.V.	Aruba	100	100
Productive Business Solutions Limited and its subsidiaries	Saint Lucia	100	100
Productive Business Solutions Dominicana, S.A.S.	Dominican Republic	100	100
Nicaragua Holdings and its subsidiary	Saint Lucia	100	100
Productive Business Solutions (Nicaragua), S.A.	Nicaragua	100	100
Springer Clarke Business Machines Limited and its subsidiaries**	Barbados	-	100
Productive Business Solutions (Barbados) Limited**	Barbados	100	100
ADB Investments Limited**	Barbados	-	100
Productive Business Solutions (Central America), S.A and its subsidiaries	Panama	100	100
Dorada Management Inc.	British Virgin Islands	100	100
Productive Business Solutions (Guatemala), S.A.	Guatemala	100	100
Global Products Alliance, Incorporated	USA	100	100
Productive Business Solutions Costa Rica, S.A.	Costa Rica	100	100
Documentos y Digitales S.A.	Guatemala	100	100
Negocios Fotográficos, S.A.	Guatemala	100	100
Productive Business Solutions El Salvador, S.A. de C.V.	El Salvador	100	100
High Tech Corporation, S.A. de C.V.***	El Salvador	100	-
Productive Business Solutions (Panama), S.A. and Tradeco Zona Libre S.A.	Panama	100	100
Productive Business Solutions (Belize) Limited	Belize	100	100
Productive Business Solutions Honduras, S.A. de C.V.	Honduras	75	75
High Tech Consulting, S.A. de C.V.***	Honduras	100	-
Productive Business Solutions (Colombia), S.A.S.	Colombia	100	100
Productive Business Solutions (South America) Limited	Saint Lucia	100	100
Productive Business Solutions (Suriname) Limited	Saint Lucia	100	100

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2. Summary of Significant Accounting Policies (Continued)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

* In accordance with Cayman laws, entities that are domiciled in the Cayman Island and are not issued as Local Companies Control Law Licenses, are required to be at least 60% owned by a Caymanian. The operation of Cayman Business Machines Limited is however controlled by Productive Business Solutions Limited and is therefore, in substance, categorised as a subsidiary.

** As at the 25 November 2019, there was an amalgamation of the following companies, Productive Business Solutions (Barbados) Limited., Springer Clarke Business Machines Limited and ADB investments Limited, which are now collectively referred to as Productive Business Solutions (Barbados) Limited and is the legal name of the amalgamated companies.

***In November 2019, Productive Business Solutions Limited, through its subsidiary, Productive Business Solutions (Central America), S.A.., acquired 100% of the shares of High-Tech Corporation S.A. de C.V. and High Tech Consulting, S.A. de C.V.). See note 38 for further details. In accounting for the acquisition of High-Tech Corporation S.A de C.V and High Tech Consulting S.A. de CV., the Group has provisionally identified and ascribed certain values to intangible assets, as required by IFRS 3, as part of the purchase price allocation. The values for those intangibles assets have been determined using established valuation techniques. In applying those valuation techniques, management makes assumptions regarding cash flows, growth rates for those cash flows, certain earnings ratios, discount factors and terminal growth rates. The values arrived at for the intangible assets are sensitive to changes in those assumptions.

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases of ownership interest in subsidiaries from non-controlling interests in which the Group retains control of the subsidiary, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests where control is retained by the Group are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates ('the functional currency'). The consolidated financial statements are presented in United States Dollars, which is the company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. At the statement of financial position date, monetary assets and liabilities denominated in foreign currencies are translated using the weighted average closing exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated as follows:

a) Assets and liabilities for each statement of financial position presented are translated at year end rates,
b) Items affecting the statement of comprehensive income are translated at average rates, and
c) The resultant gains or losses are recognised in other comprehensive income as translation gains or losses.

Productive Business Solutions Limited

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2. Summary of Significant Accounting Policies (Continued)

(c) Foreign currency translation (Continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of applicable value added taxes, returns, rebates and discounts and after eliminating sales within the Group.

Revenue is recognised as follows:

Reprographic products
Revenue earned from reprographic products is either through an outright sale or an operating lease of equipment and from related service contracts.

Revenues from the sale of equipment, including those from sales-type leases, are recognised at the time of sale or at the inception of the lease, as appropriate. For equipment sales that require installation, revenue is recognised when the equipment has been delivered and installed at the customer location. Sales of customer-installable products are recognised upon shipment or receipt by the customer according to the customer's shipping terms. Revenues from equipment under other leases and similar arrangements are accounted for by the operating lease method and are recognised as earned over the lease term, which is generally on a straight-line basis.

A substantial portion of the Group's reprographic products is sold with full-service maintenance agreements. Service revenues are derived primarily from these maintenance contracts on equipment sold to customers and are recognised over the term of the contracts in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Revenue is recognised only after there are specific indicator of transfer of control to the customer. To evidence transfer of control on contracts where revenue is recognised at a point in time, management has defined that revenue can only be recognised after the equipment or part is installed or the supplies are delivered. Bill and hold agreements are scrutinised to ensure the transfer of control to the customer is effective.

For contracts where revenue is recognised over time, management verifies the contract checklist has been properly filled out and evidence is captured to demonstrate the service is being provided to the customer.

Telecommunications products
Revenue from telecommunications products comprises revenue from the sales of cellular phones. These products are sold under contractual agreements with the telecommunications providers.

Revenue from the sale of telecommunications products is recognised on a gross basis as management has determined that the Group acts as a principal in relation to these transactions, due to the fact that the Group bears the majority of risk, principally credit and inventory risk, in relation to such transactions, and the Group also acts as primary obligor. *Control* is the key consideration when assessing the nature of the promise to the customer. When the entity does not control the good or service (or inventory) before it is transferred to the customer it is likely that the promise in the contract is to *arrange* for goods or services to be delivered (rather than these to be provided by the entity). In such cases, the net of revenue minus its cost is presented as a commission, within the Other Income account of the statement of comprehensive income.

Revenue from the sale of telecommunications products is recognised when a Group entity has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

Interest income is recognised on the accrual basis on the effective interest basis, except when collectability is considered doubtful. In such cases, income is recorded when economic benefits are received.

2. Summary of Significant Accounting Policies (Continued)

(e) Property, plant and equipment

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholder's equity. Decreases that offset previous increases of the same asset are recorded in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the profit or loss.

All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Land is not depreciated as it is deemed to have an indefinite life. For all other property, plant and equipment, depreciation is calculated at annual rates on the straight-line basis to write-off the cost of the assets to their residual values over their estimated useful lives at annual rates as follows:

Freehold buildings	2 - 2 ½%
Leasehold buildings and improvements	10 - 20%
Furniture, fixtures, plant and equipment	10 - 33⅓%
Motor vehicles	20 - 25%

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in operating profit.

Repairs and maintenance expenditure is charged to profit or loss during the financial period in which it is incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

(f) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in investment in associates and investment in joint venture, respectively. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Brands, contracts, software, franchise agreements and licences.

Brands, contracts, software, franchise agreements and licences are shown at historical cost less amortisation and impairment and are deemed to have finite useful lives. Amortisation is calculated using the straight-line method to allocate the cost of the intangible assets over their estimated useful lives between 6 and 20 years.

(iii) Computer software

This represents acquired computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. The costs of these assets are amortised over their estimated useful lives of three years.

2. Summary of Significant Accounting Policies (Continued)

(f) Intangible assets(continued)

(iv) Proprietary Software
The Group is the owner of a software internally developed to address diverse customer needs. This asset is carried at cost and amortised according to its defined useful life.

(g) Impairment of non-financial assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Financial instruments
A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets

Classification
The Group classifies its financial assets at amortised cost. The classification depends on the business model used for managing the financial assets and the contractual terms of the cash flows.

Impairment
The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its financial assets classified at amortised cost, lease receivables, long term receivables and related party balances.

Application of the General Model
The Group has applied the 'general model' as required under IFRS 9 for financial assets other than trade receivables. Under this model, the Group is required to assess on a forward-looking basis the ECL associated with its financial assets carried at amortised cost. The ECL will be recognised in profit or loss before a loss event has occurred. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The probability-weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. Under current guidance, impairment amount represents the single best outcome; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECL is calculated by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The impairment model uses a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk since origination and are not credit impaired. The ECL will be computed using a 12-month PD that represents the probability of default occurring over the next 12 months.

Stage 2 – When a financial asset experiences a significant increase in credit risk subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horison being considered compared to 12 months in Stage 1.

Stage 3 – Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

2. Summary of Significant Accounting Policies (Continued)

(h) Financial instruments

The Group uses judgement when considering the following factors that affect the determination of impairment:

Assessment of Significant Increase in Credit Risk
The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant and at the segment level.

This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

Macroeconomic Factors, Forward Looking Information and Multiple Scenarios
The Group applies an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

Macroeconomic factors and forward-looking information are incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group uses three scenarios that are probability weighted to determine ECL.

Expected Life
When measuring ECL, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options.

Application of the Simplified Approach
For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for trade receivables.

The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward looking information.

Financial liabilities
The Group's financial liabilities are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method, this is the initial recognition minus the cumulative amortisation of any difference between that initial amount and the maturity amount. Financial liabilities at amortised costs are classified as current or non-current depending whether these are due within 12 months after the statement of financial position date or beyond. Financial liabilities are derecognised when either of the following take place: The Group is discharged from its obligation, upon expiration or when they are cancelled or replaced by a new liability.

Productive Business Solutions Limited

2. Summary of Significant Accounting Policies (Continued)

(h) Inventories

Inventories are carried at weighted average purchase cost. These items are stated less provision for write down to net realisable value, where necessary and are stated at the lower of average cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(i) Trade receivables

Impairment over trade receivables is monthly determined with the aid of a matrix based on the ageing of the account. Twice a year, management assess whether there has been any indicator of a change in the credit risk. Additionally (also twice a year) a comprehensive evaluation is performed with the objective of identifying individual accounts that may be subject of impairment. Those accounts identified are either written off from the records or provided for by the total of its carrying value.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, restricted cash (where applicable) and short-term deposits with original maturities of three months or less, net of bank overdrafts. In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and at bank, short term bank deposits and bank overdrafts. Bank overdrafts are shown in current liabilities on the statement of financial position.

(k) Trade payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(l) Income taxes

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted at the date of the statement of financial position.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when the legal right of offset exists.

Deferred tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income, in which case, deferred tax is also dealt with in other comprehensive income.

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2. Summary of Significant Accounting Policies (Continued)

(m) Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(n) Share capital
Ordinary Shares are classified as equity instruments. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(o) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing:
- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:
- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(p) Borrowings
Borrowings are recognised initially at cost, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(q) Leases
As Lessee
As at 1 January 2019:
As of the 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the lessee's incremental borrowing rates, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

As at 31 December 2018:
Until 31 December 2018 leases of property, plant and equipment where the group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

2. Summary of Significant Accounting Policies (Continued)

(r) Leases (continued)

As Lessor
Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessee are classified as finance leases. When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised in profit or loss on a straight-line basis over the period of the lease. In some instances, transfers are made from Inventory to Property, Plant and Equipment to facilitate the leasing of assets. In instances where leased equipment is returned this is transferred from Property, Plant and Equipment to Inventory.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised in profit or loss in the period in which termination takes place.

(s) Post-employment benefits
The Group participates in a defined contribution plan operated by a related party, Musson (Jamaica) Limited, whereby it pays contributions to a separate, trustee-administered fund for its Jamaican operation. Once the contributions have been paid, the Group has no further payment obligations. Contributions to the plan are charged to profit or loss in the period to which they relate.

There is an unfunded retirement benefit plan in the Nicaragua and El Salvador operations which is reflected in the statement of financial position as a liability. Changes to benefits are calculated by third party actuaries and are reflected in the Statement of Comprehensive Income.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(t) Finance costs
Finance costs includes interest payable on borrowings calculated using the effective interest method, interest on finance leases, material bank charges and foreign exchange gains and losses recognised in profit or loss.

(u) Offsetting financial instruments
Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(v) Segment information
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker is the Chief Executive Officer.

(w) Dividend distribution
Dividend distribution is recognised as equity in the financial statements in which the dividends are approved by the shareholders of the Group.

3. Financial Risk Management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(i) Credit risk

The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit exposures arise principally from the Group's receivables from customers and are influenced mainly by the individual characteristics of each customer. The Group has established credit policies under which each customer is analysed individually for creditworthiness prior to the Group offering them a credit facility. Credit limits are assigned to each customer and are reviewed on an ongoing basis. The Group has procedures in place to restrict customer orders if the order will result in customers exceeding their credit limits. Customers who fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

Customer credit risk is monitored according to their credit characteristics such as whether it is an individual or company, geographic location, industry, aging profile, and previous financial difficulties. The Group establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables. The Group addresses impairment assessment in two areas: individually and collectively assessed allowances.

Cash transactions are limited to high credit quality financial institutions. The Group has policies in place to limit the amount of exposure to any one financial institution. The maximum exposure to credit risk is the amount reflected on the statement of financial position.

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3. Financial Risk Management (Continued)

(a) Financial risk factors

(i) Credit risk

At year end, the banks where the Group maintains most of its cash, were rated by Fitch Ratings as follows:

	Short Term	Long Term
BAC Bank, Int.	F1+	AAA
CIBC First Caribbean International Bank	F1+	AA-
Citibank	F1+	AAA

Maximum credit risk exposure
The Group's maximum exposure to credit risk equals the carrying amounts on the statement of financial position, of the assets which expose the Group to credit risk. There has been no change over the prior year in the manner in which the Group manages and measures credit risk.

Analysis of trade receivables
The Group's trade receivables, broken down by customer sector is as follows:

	2019 $'000	2018 $'000
Government	10,139	16,645
Private entities	30,820	27,897
	40,959	44,542
Less: Provision for credit losses	(2,502)	(1,843)
	38,457	42,699

Impairment of financial assets
The Group has two types of financial assets that are subject to expected credit losses as follows:

(i) Trade receivables; and

(ii) Other debt instruments carried at amortised cost including lease receivables and long-term receivables.

Impairment of financial assets

(i) Trade receivables
The Group applies the IFRS 9 simplified approach to measure expected credit losses (ECL) which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for trade receivables. The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward-looking information. On that basis, the loss allowance at 31 December 2019 and 2018 was determined as follows for trade receivables:

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3. **Financial Risk Management (Continued)**

Impairment of financial assets (continued)

(i) **Trade receivables (continued)**

31 December 2019	**Current (0-30 days) $'000**	**1-180 days past due $'000**	**181-360 days past due $'000**	**Over 360 days past due $'000**	**Total $'000**
Expected loss rate	0%	4.70%	26.07%	55.81%	
Gross carrying amount	26,017	10,724	1,197	3,021	40,959
Loss allowance provision	-	504	312	1,686	2,502

31 December 2018	**Current (0-30 days) $'000**	**1-180 days past due $'000**	**181-360 days past due $'000**	**Over 360 days past due $'000**	**Total $'000**
Expected loss rate	0%	0.47%	11.12%	49.72%	
Gross carrying amount	29,177	10,930	1,070	3,365	44,542
Loss allowance provision	-	51	119	1,673	1,843

The closing loss allowances for trade receivables as at 31 December 201 reconcile to the opening loss allowances as follows:

	2019 $'000	**2018 $'000**
Opening loss allowance as at 1 January	1,843	1,827
On acquisition of subsidiary	403	-
Expected credit losses on receivables during the year	690	438
Amounts written-off	(419)	(311)
Unused amounts reversed	(9)	(103)
Exchange difference	(6)	(8)
At 31 December	2,502	1,843

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3. Financial Risk Management (Continued)

Impairment of financial assets (continued)

(ii) Lease receivables and long term receivables

The Group applies the 'three stage' model of IFRS 9 in measuring the expected credit losses (ECL) for all lease and long term receivable. The application makes estimation about likelihood of default occurring, of the associated loss ratios of default correlations between counter parties. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The probability-weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. Under current guidance, impairment amount represents the single best outcome; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The following tables contains an analysis of the credit exposure for lease and long term receivables as at 31 December 2019 and 2018 as follows:

Long term receivables

	2019			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross carrying amount	2,032	33	-	2,065
Loss allowance	(121)	(9)	-	(130)
Carrying amount	1,911	24	-	1,935

	2018			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross carrying amount	1,656	-	-	1,656
Loss allowance	(90)	-	-	(90)
Carrying amount	1,566	-	-	1,566

Lease receivables

	2019			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross carrying amount	4,731	-	-	4,731
Loss allowance	(69)	-	-	(69)
Carrying amount	4,662	-	-	4,662

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3. Financial Risk Management (Continued)

Impairment of financial assets (continued)

(ii) Lease receivables and long term receivables(continued)

	2018			
	Stage 1 12-month ECL $'000	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Total $'000**
Gross carrying amount	4,538	-	-	4,538
Loss allowance	(97)	-	-	(97)
Carrying amount	4,441	-	-	4,441

The following tables contain a movement analysis of the expected credit losses for lease receivables and long-term receivables as at 31 December 2019 and 2018:

Loss Allowance – Long term receivables:

	Stage 1 12-month ECL $'000	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Total $'000**
Loss allowance as at 1 January 2019	90	-	-	90
Movements with profit and loss impact:	31	9	-	40
Loss allowance as at 31 December 2019	121	9	-	130

Loss Allowance – Long term receivables:

	Stage 1 12-month ECL $'000	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Total $'000**
Loss allowance as at 1 January 2018	-	-	-	-
Movements with profit and loss impact:	90	-	-	90
Loss allowance as at 31 December 2018	90	-	-	90

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3. Financial Risk Management (Continued)

Impairment of financial assets (continued)

Loss Allowance – Lease Receivables:

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loss allowance as at 1 January 2019	97	-	-	97
Movements with profit and loss impact:	(28)	-	-	(28)
Loss allowance as at 31 December 2019	69	-	-	69

Loss Allowance – Lease Receivables:

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loss allowance as at 1 January 2019	-	-	-	-
Movements with profit and loss impact:	97	-	-	97
Loss allowance as at 31 December 2019	97	-	-	97

3. Financial Risk Management (Continued)

Impairment of financial assets (continued)

(ii) Lease receivables and long term receivables (continued)

Lease and long term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity, and where the Group's recovery method is foreclosing on collateral, and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Expected credit losses are presented net of subsequent recoveries of amounts previously written off.

Cash and bank and other receivables
Other financial assets at amortised cost include cash and bank balances, due from related parties and other receivables. These debt instruments at amortised cost are considered to have low credit risk. The loss allowance recognised during the period on those deemed to have low credit risk was therefore limited to the 12 month expected losses. Management considers these instruments as having low credit risk when there is a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The allowance is assessed by estimating the likelihood of default, associated loss ratio and default correlation between counterparties.

No opening loss allowances were recognised on balances for cash and bank, due to related parties and other receivables and there were no movements during the current year, as the amounts determined were deemed immaterial.

(iii) Liquidity risk
Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and other liquid assets, and maintaining the availability of funding through an adequate amount of committed credit facilities.

Liquidity risk management process
The Group's liquidity management process, as carried out within the Group and monitored by the Board of Directors, primarily includes:

(i) Monitoring future cash flows and liquidity on an ongoing basis. This incorporates an assessment of expected cash flows and the availability of collateral which could be used to secure funding if required;
(ii) Maintaining committed lines of credit; and
(iii) Managing the concentration and profile of debt maturities.

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3. Financial Risk Management (Continued)

(ii) Liquidity risk (continued)

Undiscounted cash flows of financial liabilities

The maturity profile of financial liabilities based on contractual undiscounted payments is as follows:

	Within 12 Months $'000	1 to 5 Years $'000	Over 5 years $'000	Total $'000
		2019		
Trade payables	21,682	-	-	21,682
Other payables	9,545	57	3,295	12,897
Due to related parties	5,162	-	-	5,162
Lease liabilities	4,017	12,448	4,564	21,029
Borrowings – non-related parties	5,706	18,048	75,369	99,123
Borrowings – related parties	1,482	23	-	1,505
Bank Overdraft	3,398	-	-	3,398
	50,992	30,576	83,228	164,796
		2018		
Trade payables	29,968	-	-	29,968
Other payables	10,519	-	-	10,519
Due to related parties	8,043	-	-	8,043
Borrowings – non-related parties	7,123	65,379	21,321	93,823
Borrowings – related parties	517	24	-	541
Bank Overdraft	3,505	-	-	3,505
	59,675	65,403	21,321	146,399

(iii) Market risk

The Group takes on exposure to market risks, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Facey Group Limited's treasury department which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Jamaican (JMD) dollar, Honduran Lempira (HNL), Nicaraguan Córdoba (NIO), Dominican Peso (DOP), Costa Rican Colón (CRC) and the Guatemala Quetzal (GTQ). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Group further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

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3. Financial Risk Management (Continued),.

(iii) Market risk (continued)

The Group has certain investments in foreign operations, the net assets of which are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December:

	USD	HNL	JMD	NIO	DOP	CRC	GTQ	Other*	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
					2019				
Financial Assets									
Long term receivables	1,341	523	8	2	-	-	61	-	1,935
Lease receivables	2,507	-	-	-	-	-	-	2,155	4,662
Due from related parties	2,777	-	579	-	-	-	-	-	3,356
Trade receivables	18,988	4,261	2,274	991	798	3,343	3,820	3,982	38,457
Other receivables	1,382	12	299	121	43	774	11	366	3,008
Cash and cash equivalents	2,828	27	125	385	574	14	799	545	5,297
Total financial assets	29,823	4,823	3,285	1,499	1,415	4,131	4,691	7,048	56,715
Financial liabilities									
Trade payables	19,627	386	120	34	57	633	572	253	21,682
Other payables	9,832	339	207	637	137	201	1,132	412	12,897
Lease liabilities	9,291	71	434	2,503	477	-	-	4,352	17,128
Due to related parties	5,065	-	97	-	-	-	-	-	5,162
Borrowings – non-related parties	51,717	-	18,871	131	-	687	-	221	71,627
Borrowings – related parties	826	-	-	-	-	-	-	-	826
Finance Leases	1,687	-	-	-	350	-	-	-	2,037
Bank Overdraft	-	-	3,398	-	-	-	-	-	3,398
Total financial liabilities	98,045	796	23,127	3,305	1,021	1,521	1,704	5,238	134,757
Net position	(68,222)	4,027	(19,842)	(1,806)	394	2,610	2,987	1,810	

* Includes currencies traded at fixed exchange rate or with minimum fluctuation.

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3. Financial Risk Management (Continued)

(iii) Market risk (continued)

Currency risk (continued)

	USD $'000	HNL $'000	JMD $'000	NIO $'000	DOP $'000	CRC $'000	GTQ $'000	Other* $'000	Total $'000
					2018				
Financial Assets									
Long term receivables	738	762	40	5	-	-	21	-	1,566
Lease receivables	2,514	-	-	-	-	-	-	1,927	4,441
Due from related parties	5,300	-	1,153	-	-	-	-	1,158	7,611
Trade receivables	23,124	6,612	1,885	2,486	2,544	2,076	1,344	2,628	42,699
Other receivables	3,985	37	19	141	61	578	5	649	5,475
Cash and cash equivalents	1,797	3,169	131	260	138	70	263	742	6,570
Total financial assets	37,458	10,580	3,228	2,892	2,743	2,724	1,633	7,104	68,362
Financial liabilities									
Trade payables	23,371	3,964	111	304	110	1,528	355	225	29,968
Other payables	6,013	1,088	120	726	222	636	1,372	342	10,519
Due to related parties	7,790	-	181	-	-	-	-	72	8,043
Borrowings – non-related parties	50,899	-	19,417	-	-	-	-	-	70,316
Borrowings – related parties	530	-	-	-	-	-	-	-	530
Finance Leases	660	-	-	-	-	610	-	-	1,270
Bank Overdraft	-	-	3,505	-	-	-	-	-	3,505
Total financial liabilities	89,263	5,052	23,334	1,030	332	2,774	1,727	639	124,151
Net position	(51,805)	5,528	(20,106)	1,862	2,411	(50)	(94)	6,465	

* Includes currencies traded at fixed exchange rate or with minimum fluctuation.

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3. Financial Risk Management (Continued)

(iii) Market risk (continued)

Currency risk (continued)
The following tables indicate the currencies to which the Group had significant exposure on their monetary assets and liabilities and forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a reasonably expected change in foreign currency rates. The sensitivity of the profit or loss was primarily as a result of foreign exchange gains and losses on translation of trade receivables and payables, long term receivables and borrowings. There would be an immaterial impact on other components of equity.

	% Change in Currency Rate 2019	Effect on Profit before Tax 2019 $'000
Currency:		
HNL	-6	(162)
HNL	+4	108
JMD	-6	1,175
JMD	+4	(783)
NIO	-6	185
NIO	+4	123
DRP	-6	(123)
DRP	+4	82
CRC	-6	125
CRC	+4	(83)
GTQ	-6	(376)
GTQ	+4	251

	% Change in Currency Rate 2018	Effect on Profit before Tax 2018 $'000
Currency:		
HNL	-4	31
HNL	+2	(14)
JMD	-4	103
JMD	+2	(50)
NIO	-4	(38)
NIO	+2	18
DRP	-4	147
DRP	+2	(70)
CRC	-4	(233)
CRC	+2	110
GTQ	-4	111
GTQ	+2	(52)

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3. Financial Risk Management (Continued)

(iv) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate exposure arises from borrowings. Borrowings issued at variable rates and revolving short-term borrowings expose the Group to cash flow interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated for borrowings that represent the major interest-bearing positions, taking into consideration refinancing, renewal of existing positions and alternative financing.

The following table indicates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the profit or loss. As the Group's interest rate risk arises primarily from borrowings, the sensitivity of the profit or loss is the effect of the assumed changes in interest rates based on floating rate long-term and revolving short-term borrowings. There is no direct impact on other components of equity.

	Effect on Loss before Tax 2019 $'000	Effect on Profit before Tax 2018 $'000
Change in basis points:		
- 100 (2018: 200)	752	1,487
+100 (2018: 100)	(752)	(744)

3. Financial Risk Management (Continued)

(b) Capital management
The capital management process is carried out by the parent company. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders. The Board of Directors monitors the return on capital, which the Group defines as net operating income (excluding non-recurring items) divided by total equity (excluding non-redeemable preference shares and non-controlling interests). There was no change to the capital management process during the year.

Net debt to equity ratio

The net debt to equity ratio increased from 1.94 to 2.49 following the adoption of IFRS 16 *Leases*. Both net debt and gross assets increased following the recognition of lease liabilities and right-of-use assets on 1 January 2019. The net debt includes loan balance of $7,399,000 acquired during the year, excluding this loan balance the ratio decreased from 2.49 to 2.28.

The Group has no specific capital management strategy and is exposed to externally imposed capital requirements through debt covenants as outlined in the loan agreement with JCSD Trustee Services Limited on behalf of Bondholders. The financial covenants include: The Current ratio, Interest coverage ratio and the net total debt to EBITDA ratio. The Group was in compliance with the financial covenants as at the year end.

(c) Fair values of financial instruments
Fair value is the amount for which an asset could be exchanged, or a liability settled, in an orderly transaction between market participants at the measurement date.

The fair value of the Group's financial instruments that, subsequent to initial recognition, are not measured at fair value is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. The fair values of these financial instruments are determined as follows:

(i) The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances, trade receivables and payables and short-term borrowings.

(ii) The carrying values of non-current borrowings to non-related parties approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions. The fair value of borrowings is disclosed in note 27.

(iii) The fair values of the long-term receivables and loans to and from related parties could not be reliably determined as these instruments were granted under special terms and are not likely to be traded in a fair market exchange.

(d) Offsetting of financial assets and liabilities

There are offsetting arrangements within the group for certain related parties. As such financial assets and liabilities are offset and the net amount reported in the statement of financial position. The financial assets and liabilities with offsetting arrangements include certain balances related party balances. The gross amounts of these financial assets and financial liabilities amount to $3,757,000 and $3,470,000 respectively resulting in a net due from related parties balance of $287,000

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill
The Group test annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(f). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, which require the use of estimates. In determining the value in use, management has made certain assumptions regarding revenue growth rate, EBITDA to revenue ratios and discount rates. See Note 17 for sensitivity of amounts to estimates.

Intangible assets
Intangible assets arising from the acquisition of subsidiaries have been deemed to be indefinite life intangibles. Other intangible assets have been deemed to be finite life intangibles. Their estimated useful lives have been determined by management, based on their best estimate of the time period over which the Group will benefit from the assets acquired. Management has estimated that the useful lives of the intangibles will be between 6 and 20 years. See note 17 for sensitivity of amounts to estimates.

Income taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. The Group recognises liabilities for actual and anticipated tax audit issues based on estimates of whether additional taxes will be due. In determining these estimates, management considers the merit of any audit issues raised, based on their interpretation of the taxation laws, and their knowledge of any precedents established by the taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences could materiality impact the current tax and deferred tax provisions in the period in which such determination is made (see Note 20).

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of administrative offices, retail stores, equipment and vehicles, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Most extension options in offices equipment and vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

5. Segment Financial Information

The Group's Chief Executive Officer examines the Group's performance from a geographic perspective and has identified two reportable segments of business:

- **Central America-** The principal activities of this part of the business is the sale and leasing of reprographic products including printing equipment, business machines and related accessories to customers in the Central America Region such as Guatemala, El Salvador, Honduras, Costa Rica, Nicaragua and Panama.

- **Caribbean-** The principal activities of this part of the business is the sale and leasing of reprographic products including printing equipment, business machines and related accessories to customers in the Caribbean region such as Dominican Republic, Jamaica, Barbados, Curacao and Aruba, Colombia and Suriname.

Management primarily uses a measure of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the performance of the operating segments. However, information about the segments' revenue, assets and liabilities are also submitted for review on a monthly basis.

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5. Segment Financial Information (Continued)

	2019			
	Central America	**Caribbean**	**Intersegment elimination**	**Total**
Revenue from external customers	125,584	54,520	-	180,104
Revenue from another operating segment	21,601	2	(21,603)	-
Total Income	147,185	54,522	(21,603)	180,104
Adjusted EBITDA	21,325	4,775	-	26,100
Finance costs				(7,511)
Depreciation				(12,328)
Amortisation				(992)
Unallocated				(1,229)
Profit before taxation				4,040
Other profit and loss disclosures				
Depreciation	(9,082)	(3,246)	-	(12,328)
Amortisation	(710)	(90)	(192)	(992)
Income tax	(1,574)	(381)	-	(1,955)
Segment assets-				
Total segment assets	159,671	47,836	(161,893)	45,614
Unallocated items				133,794
Total assets per statement of financial position				179,408
Capital expenditure	12,878	3,521	-	16,399
Segment liabilities-				
Total segment liabilities	93,066	81,296	(127,753)	46,609
Unallocated items				96,749
Total liabilities per statement of financial position				143,358

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5. Segment Financial Information (Continued)

	2018			
	Central America	**Caribbean**	**Intersegment elimination**	**Total**
Revenue from external customers	129,248	48,495	-	177,743
Revenue from another operating segment	27,281	659	(26,389)	1,551
Total Income	156,529	49,154	(26,389)	179,294
Adjusted EBITDA	17,356	4,525	-	21,881
Finance costs				(9,154)
Depreciation				(7,759)
Amortisation				(1,223)
Unallocated				(1,135)
Profit before taxation				2,610
Other profit and loss disclosures				
Depreciation	(5,637)	(2,122)	-	(7,759)
Amortisation	(710)	(321)	(192)	(1,223)
Income tax	(2,082)	(394)	-	(2,476)
Segment assets-				
Total segment assets	142,572	44,057	(152,659)	33,970
Unallocated items				133,070
Total assets per statement of financial position				167,040
Capital expenditure	12,595	3,001	-	15,596
Segment liabilities-				
Total segment liabilities	84,140	75,889	(118,712)	41,317
Unallocated items				90,094
Total liabilities per statement of financial position				131,411

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5. Segment Financial Information (Continued)

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment.

The parent entity is domiciled in Barbados. The amount of its revenue from external customers broken down by location of the customers is shown in table below.

	2019 $'000	2018 $'000
Barbados	8,420	7,275
Costa Rica	25,707	26,768
Dominican Republic	10,160	11,380
El Salvador	21,395	20,910
Guatemala	27,827	31,166
Honduras	13,131	9,078
Nicaragua	11,645	20,223
Panama	15,251	15,376
USA	114	15
Antilles	7,308	10,612
Jamaica	8,909	14,115
Other	30,237	12,376
Total	180,104	179,294

The total of capital expenditure, broken down by location of the assets is shown in the table below.

	2019 $'000	2018 $'000
Antilles	690	885
Barbados	381	103
Costa Rica	2,877	2,574
El Salvador	986	1,898
Guatemala	4,356	3,032
Nicaragua	1,273	649
Panama	2,069	3,203
Other	3,767	3,252
Total	16,399	15,596

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6. Revenue

	2019 $'000	2018 $'000
Telecommunications		
Sale of goods	-	891
Business Solutions		
Sale of goods	109,022	111,381
Services	49,202	46,668
	158,224	158,940
Lease Income	21,880	20,354
	180,104	179,294

	Central America $'000	Caribbean $'000	Intersegment elimination $'000	2019 $'000
Timing of Revenue Recognition				
At a point in time	87,704	40,169	(21,609)	106,264
Over time	44,558	7,402	-	51,960
	132,262	47,571	(21,609)	158,224

	Central America $'000	Caribbean $'000	Intersegment elimination $'000	2018 $'000
Timing of Revenue Recognition				
At a point in time	103,016	34,987	(26,389)	111,614
Over time	39,802	7,524	-	47,326
	142,818	42,511	(26,389)	158,940

7. Other Income

	2019 $'000	2018 $'000
Interest income	543	549
Commission	124	138
Miscellaneous	103	710
	770	1,397

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8. Expenses by Nature

Total direct, selling, administration and other operating expenses:

	2019 $'000	2018 $'000
Cost of inventories and cost related to services	108,246	104,226
Staff costs (Note 9)	27,968	34,597
Depreciation (Notes 15 and 16)	12,328	7,759
Commission	4,020	3,632
Travel	2,143	1,974
Management fees	1,600	-
Telephone and communication	1,058	1,106
Transportation	1,027	903
Amortisation of intangible assets (Note 17)	992	1,223
Legal and professional fees	842	800
Occupancy costs	827	5,262
Bank charges	817	405
Auditor's remuneration	692	671
Office supplies, printing and stationery	457	480
Impairment charge for trade and other receivables	-	438
Repairs and maintenance	197	174
Advertising	223	342
Other expenses	5,295	4,741
	60,486	64,507
	168,732	168,733

In 2018 staff cost of $6,154,000 directly related to the production of revenue was classified as part of Selling, general and administrative expenses instead of Cost of inventories and cost related to services. Had this amount being classified correctly, the Cost of inventories and cost related to services would had amounted $110,380,000 and Selling, general and administrative expenses and Staff costs would had been $58,353,000 and $28,443,000 respectively.

9. Staff Costs

Staff costs comprise:

	2019 $'000	2018 $'000
Salaries and wages	23,761	27,712
Payroll taxes – employer's portion	1,773	2,703
Pension costs – defined contribution	204	204
Redundancy costs	859	1,937
Retirement benefit obligation (Note 32)	422	602
Other	949	1,439
	27,968	34,597

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10. Finance Costs

	2019 $'000	2018 $'000
Net foreign exchange (losses)/gains	(345)	1,061
Interest expense - Loans, operating and finance leases	7,856	8,093
	7,511	9,154

Effective the 19 December 2019, the terms of the secured bonds were modified with and amendment to the trust deed (Second Amendment to Trust Deed). The impact of the amendment resulted in the maturity date of both bonds being extended from December 2020 to December 2025. Additionally, there was a reduction in the interest rate from 7.75% and 7.70% for both US dollars tranche and the Jamaican dollars indexed tranche respectively), to 6.50%. The modification was deemed to be non-substantial and under IFRS 9, the requirement is for the cash flows under the modification to be rediscounted at the original effective interest rate, which will result in a gain or loss being immediately recognised in the statement of comprehensive income. At the date of modification, the Group recognised $2,823,000 in the statement of comprehensive income.

11. Taxation

Taxation is based on profit for the year or, in some jurisdictions, the greater of a percentage of profit before tax or revenue adjusted for taxation purposes, and comprises:

	2019 $'000	2018 $'000
Current tax	1,822	2,587
Deferred tax (Note 20)	133	(111)
	1,955	2,476

The tax on the profit before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	2019 $'000	2018 $'000
Profit before tax	4,040	2,610
Tax calculated at domestic tax rate of 2.5%	101	65
Adjusted for the effects of:		
Different tax rates in other countries	1,194	1,774
Tax on net assets at 1%	206	498
Income not subject to tax	(3)	(14)
Expenses not deductible for tax purposes	454	233
Tax in respect of prior years	-	86
Other charges and credits	3	(166)
Tax charge	1,955	2,476

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11. Taxation (Continued)

	2019		
	Before tax $'000	**Tax charge $'000**	**After tax $'000**
Items that may be subsequently reclassified to profit or loss			
Currency translation differences on the net assets of foreign subsidiaries	336	-	336
Other comprehensive income	336	-	336
Deferred tax (Note 20)		-	

	2018		
	Before tax $'000	**Tax charge $'000**	**After tax $'000**
Items that may be subsequently reclassified to profit or loss			
Currency translation differences on the net assets of foreign subsidiaries	(2,456)	-	(2,456)
Other comprehensive income	(2,456)	-	(2,456)
Deferred tax (Note 20)		-	

12. Investment in other Entities

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

The total non-controlling interest for the period was as follows:

	2019 $'000	**2018 $'000**
Productive Business Solutions Honduras S.A. de C.V.	287	65

Non-controlling interest in Cayman Business Machines Limited is immaterial to the shareholder and as such is not disclosed.

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12. Investment in Other Entities (Continued)

Summarised financial information on subsidiary with material non-controlling interest

Set out below is summarised financial information for Productive Business Solutions Honduras S.A. de C.V. that has non-controlling interests that are material to the group. The amounts disclosed are before inter-company eliminations.

Summarised statement of financial position

	2019 $'000	2018 $'000
Current		
Assets	7,240	12,199
Liabilities	(5,102)	(12,383)
Total net current assets/ (liabilities)	2,138	(184)
Non-current		
Assets	2,444	2,364
Liabilities	(1,441)	-
	1,003	
Net assets	33,141	2,180

Summarised statement of comprehensive income

	2019 $'000	2018 $'000
Revenue	12,575	8,978
Profit before income tax	1,452	563
Income tax expense	(375)	(211)
Net profit for the year/Total comprehensive income	1,077	352

Summarised cash flows

	2019 $'000	2018 $'000
Cash flows from operating activities		
Net cash (used in)/ provided by operating activities	(1,844)	1,204
Net cash (used in)/ provided by investing activities	(1,215)	1,583
Net (decrease)/ increase in cash and cash equivalents	(3,059)	2,787
Cash, cash equivalents and bank overdrafts at beginning of year	3,314	532
Exchange losses on cash and cash equivalents	(40)	(5)
Cash and cash equivalents at end of year	215	3,314

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13. Earnings per Share

	2019 $'000	2018 $'000
Profit for the year attributable to ordinary shareholders	1,798	69
Number of shares	123,272	123,272
Total basic and diluted earnings per share attributable to ordinary share holders (cents)	1.46	0.06

14. Net Profit and Accumulated Deficit

The net profit and accumulated deficit attributable to the shareholder of the Group are reflected in the accounts of the Company and its subsidiaries as follows:

	2019 $'000	2018 $'000
Net Profit/(Loss)		
The Company	(3,931)	(5,684)
Subsidiaries	5,729	5,753
	1,798	69

	2019 $'000	2018 $'000
Accumulated deficit		
The Company	(20,273)	(14,342)
Subsidiaries	14,041	8,312
	(6,232)	(6,030)

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15. Property, Plant and Equipment

	Freehold Land and Buildings $'000	Leasehold Buildings and Improvements $'000	Furniture, Fixtures, Plant and Equipment $'000	Motor Vehicles $'000	Capital Work in Progress $'000	Total $'000
			2019			
At Cost/ Valuation -						
At 1 January	52	2,666	64,854	1,066	157	68,795
Exchange differences	1	(27)	161	7	-	142
Additions	-	458	2,481	254	13	3,206
Acquisition of subsidiary	-	-	130	-	-	130
Transfers from inventory	-	-	13,193	-	-	13,193
Disposals	-	(79)	(1,608)	(41)	-	(1,728)
Transfers to inventory	-	-	(7,327)	-	-	(7,327)
Transfer from CWIP	-	-	-	-	(157)	(157)
At 31 December	53	3,018	71,884	1,286	13	76,254
Depreciation -						
At 1 January	-	1,658	43,641	839	-	46,138
Exchange differences	-	(4)	(215)	15	-	(204)
Charge for the year	-	229	8,530	78	-	8,837
Acquisition of subsidiary	-	-	78	-	-	78
On disposals and transfer to inventory	-	2	(2,815)	3	-	(2,810)
Relieved on disposals	-	(89)	(1,168)	(47)	-	(1,304)
At 31 December	-	1,796	48,051	888	-	50,735
Net Book Value -						
At 31 December	53	1,222	23,833	398	13	25,519

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15. Property, Plant and Equipment (Continued)

	Freehold Land and Buildings $'000	Leasehold Buildings and Improvements $'000	Furniture, Fixtures, Plant and Equipment $'000	Motor Vehicles $'000	Capital Work in Progress $'000	Total $'000
			2018			
At Cost/ Valuation -						
At 1 January	52	3,035	61,087	956	212	65,342
Exchange differences	-	(122)	(1,053)	(14)	-	(1,189)
Additions	-	330	2,475	129	11	2,945
Transfers from inventory	-	-	12,643	-	-	12,643
Disposals	-	(642)	(864)	(5)	(1)	(1,512)
Transfers to inventory	-	-	(9,434)	-	-	(9,434)
Transfer from CWIP	-	65	-	-	(65)	-
At 31 December	52	2,666	64,854	1,066	157	68,795
Depreciation -						
At 1 January	-	1,615	42,647	789	-	45,051
Exchange differences	-	(67)	(702)	(11)	-	(780)
Charge for the year	-	225	7,468	66	-	7,759
On disposals and transfer to inventory	-	(5)	(5,069)	-	-	(5,074)
Relieved on disposals	-	(110)	(703)	(5)	-	(818)
At 31 December	-	1,658	43,641	839	-	46,138
Net Book Value -						
At 31 December	52	1,008	21,213	227	157	22,657

The furniture, fixtures, plant and equipment category for the Group includes equipment held for operating leases by various subsidiaries. Operating lease contracts for these items are entered into with third parties, with periodic lease payments being 36 to 60 months. Items which are leased are transferred from inventory on commencement of the lease arrangements and are transferred back to inventory on termination of the lease arrangements.

15. Property, Plant and Equipment (Continued)

The amounts included in property, plant and equipment are as follows:

	2019 $'000	2018 $'000
Equipment held for lease at cost	45,544	40,905
Accumulated depreciation	(27,824)	(24,887)
Net book value	17,720	16,018

The movement in equipment held for lease was as follows:

	2019 $'000	2018 $'000
Opening net book value	16,018	13,164
Additions – transfers from inventory during operating lease period	9,951	12,643
Depreciation charges	(4,391)	(5,424)
Disposals – transfers to inventory upon expiry of operating lease	(5,312)	(9,434)
Depreciation released	1,454	5,069
Closing net book value	17,720	16,018

15. Property, Plant and Equipment (Continued)

The pieces of freehold land of the Group were independently revalued as at various dates during 2015 on the basis of open market value or other market comparable approaches by independent qualified valuators. The directors are of the view that there were no material changes in the value over the prior year for Freehold land.

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, or directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2), and
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

	Fair value measurements at 31 December 2019 using	
	Significant other observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Recurring fair value measurements		
Land and buildings		
Land – Surges St Thomas, Barbados	-	32
San Salvador, El Salvador: Km.49.5 Litoral, Atami	20	-
	20	32

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15. Property, Plant and Equipment (Continued)

	Fair value measurements at 31 December 2018 using	
	Significant other observable inputs (Level 2) $'000	**Significant unobservable inputs (Level 3) $'000**
Recurring fair value measurements		
Land and buildings		
Land – Surges St Thomas, Barbados	-	32
San Salvador, El Salvador: Km.49.5 Litoral, Atami	20	-
	20	32

There were no transfers between levels during the year.

Level 2 fair values of land and buildings have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot. The valuation techniques for Level 3 fair values of land and buildings are disclosed in the tables below.

Fair value measurements using significant unobservable inputs (Level 3)

Fair value measurements at 31 December 2018 and 2019 using significant unobservable inputs

	Land – Surges St Thomas, Barbados $'000	**Total $'000**
Opening and Closing balance	32	32

Description	**Fair value at December 2018 and 2019 $'000**	**Valuation Technique(s)**	**Unobservable inputs**	**Range of unobservable inputs (probability – weighted average)**	**Relationship of unobservable inputs to fair value**
Land – Surges St Thomas, Barbados	32	Market Comparable approach	None	None	Not applicable

16. Right-of-Use Assets

The Group adopted IFRS 16, 'Leases' as at 1 January 2019.

(i) Amounts recognised in the statement of financial position

a) The statement of financial position shows the following amounts relating to leases:

Right-of-use assets	**2019 $'000**	**1 January 2019 $'000**
Buildings	14,382	17,463
Equipment	1,553	1,927
Motor vehicles	157	193
	16,092	19,583

Recognition of the right-of-use assets upon the adoption of IFRS 16 is $19,583,000. During the financial year there were no additions to right-of use assets.

(j) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	**2019 $'000**
Buildings	3,081
Equipment	374
Motor vehicles	36
	3,491

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability

- any lease payments made at the commencement date less any lease incentives received

Right-of-use assets are generally depreciated over the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 *Leases*. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. Refer to note 37, for adjustments recognised on adoption of IFRS 16 on 1 January 2019.

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17. Intangible Assets

	Goodwill $'000	Brands $'000	Contracts $'000	Franchise Agreement, Licenses & Proprietary Software $'000	Total $'000
			2019		
Year ended 31 December 2019					
Opening net book value	12,880	1,559	3,419	535	18,393
Exchange differences	-	-	(4)	-	(4)
Acquisition of subsidiaries (note 38)	2,957	-	-	750	3,707
Amortisation (Note 8)	-	(192)	(710)	(90)	(992)
Closing net book amount	15,837	1,367	2,705	1,195	21,104
At 31 December 2019					
Cost	16,753	4,169	14,204	7,133	42,259
Accumulated amortisation and impairment	(916)	(2,802)	(11,499)	(5,938)	(21,155)
Closing net book value	15,837	1,367	2,705	1,195	21,104

	Goodwill $'000	Brands $'000	Contracts $'000	Franchise Agreement & Licenses $'000	Total $'000
			2018		
Year ended 31 December 2018					
Opening net book value	12,880	1,751	4,129	858	19,618
Exchange differences	-	-	-	(2)	(2)
Amortisation (Note 8)	-	(192)	(710)	(321)	(1,223)
Closing net book amount	12,880	1,559	3,419	535	18,393
At 31 December 2018					
Cost	13,796	4,169	14,208	6,383	38,556
Accumulated amortisation and impairment	(916)	(2,610)	(10,789)	(5,848)	(20,163)
Closing net book value	12,880	1,559	3,419	535	18,393

Amortisation charges have been included in the other operating expenses in the statement of comprehensive income.

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17. Intangible Assets (Continued)

Impairment tests for goodwill

The Group determines whether goodwill is impaired at least on an annual basis or when events or changes in the circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the cash generating unit (CGU) to which the goodwill is allocated. The recoverable amount is usually determined by reference to the value in use. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those future cash flows.

The allocation of goodwill to the Group's cash generating units (CGUs) as categorised by subsidiary is as follows:

	2019 $'000	**2018 $'000**
Barbados Business Machines Limited	403	403
PBS Central America, S.A.	7,539	7,539
Mobay Holdings N. V.	4,256	4,256
Productive Business Solutions Limited (Dominican Republic)	523	523
High Tech Corporation S.A. de C.V	2,957	-
Other	159	159
	15,837	12,880

The recoverable amount of each CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period. Cash flows beyond the 5th year are extrapolated using the estimated growth rates stated below.

Key assumptions for value in use calculations for 2019 were as follows:

	Revenue growth rate year 1	**Revenue growth rate year 2 onwards**	**Average EBITDA to revenue**	**Discount rate 2019**
Barbados Business Machines Limited	13.9%	2.0%	16.8%	18.0%
PBS Central America S.A.	9.6%	3.0%	13.6%	15.9%
Mobay Holdings N.V.	14.0%	3.0%	13.4%	13.7%
Productive Business Solutions Limited (Dominican Republic)	23%	3.0%	13.9%	14.7%
High Tech Corporation	11.1%	5.9%	27.1%	27.6%

Key assumptions for value in use calculations for 2018 were as follows:

	Revenue growth rate year 1	**Revenue growth rate year 2 onwards**	**Average EBITDA to revenue**	**Discount rate 2018**
Barbados Business Machines Limited	22.1%	2.0%	19.9%	16.8%
PBS Central America S.A.	3.5%	3.0%	11.7%	21.6%
Mobay Holdings N. V.	7.8%	3.0%	14.7%	14.9%
Productive Business Solutions Limited (Dominican Republic)	32%	3.0%	12.1%	16.8%

17. Intangible Assets (Continued)

Impact of possible changes in key assumptions are as follows:

Barbados Business Machines Limited
2019

If the budgeted revenue growth for year 1 had been 11.09% lower than management's estimates for the Barbados Business Machines Limited CGU, the Group would have an excess of $9,989,000 over the carrying value of goodwill and therefore no impairment would have been recognised. If the pre-tax discount rate for had been 2% higher than management's estimates, the Group would have an excess over the carrying value of goodwill of $9,638,000 and therefore no impairment would have been recognised.

2018

If the budgeted revenue growth for year 1 had been 11% lower than management's estimates for the Barbados Business Machines Limited CGU, the Group would have an excess of $1,563,000 over the carrying value of goodwill and therefore no impairment would have been recognised. If the pre-tax discount rate had been 2% higher than management's estimates, the Group would have an excess over the carrying value of goodwill of $1,933,000 and therefore no impairment would have been recognised.

PBS Central America S.A
2019
If the budgeted revenue growth for year 1 had been 3.8% lower than management's estimates for PBS Central America S.A. CGU, the Group would have an excess of $6,310,000 over the carrying value of goodwill and therefore no impairment would have been recognised. If the pre-tax discount rate for the PBS Central America S.A. CGU had been 2% higher than management's estimates, the Group would have an excess of $1,700,000 over the carrying value of goodwill and therefore no impairment would have been recognised.

2018
If the budgeted revenue growth for year 1 had been 1% lower than management's estimates for PBS Central America S.A. CGU, the Group would have an excess over the carrying value of goodwill of $1,592,000 and therefore an impairment would have been recognised. If the pre-tax discount rate for the PBS Central America S.A. CGU had been 2% higher than management's estimates, the Group would have an excess over the carrying value of goodwill of $1,932,000 and therefore no impairment would have been recognised.

Mobay Holdings N. V.
2019

If the budgeted revenue growth for year 1 had been 11.9% lower than management's estimates for the Mobay Holdings N. V. CGU, the Group would have an excess over the carrying value of goodwill of $100,000 and therefore no impairment would have been recognised. If the pre-tax discount rate for had been 1% higher than management's estimates, the Group have a deficit to the carrying value of goodwill of $361,000 and therefore an impairment would have been recognised.

2018
If the budgeted revenue growth for year 1 had been 3.0% lower than management's estimates for the Mobay Holdings N. V. CGU, the Group would have an excess over the carrying value of goodwill of $1,228,000 and therefore no impairment would have been recognised. If the pre-tax discount rate for had been 1% higher than management's estimates, the Group would have excess of $728,000 and therefore no impairment would have been recognised.

Productive Business Solutions Limited (Dominican Republic)
2019
If the budgeted revenue growth for year 1 had been 15.7% lower than management's estimates for the Productive Business Solutions Limited (Dominican Republic) CGU, the Group would have an excess over the carrying value of goodwill of $676,000 and therefore no impairment would have been recognised. If the pre-tax discount rate for had been 2% higher than management's estimates, the Group would have an excess over the carrying value of goodwill of $522,000 and therefore no impairment would have been recognised.

17. Intangible Assets (Continued)

2018
If the budgeted revenue growth for year 1 had been 25.0% lower than management's estimates for the Productive Business Solutions Limited (Dominican Republic) CGU, the Group would have an excess over the carrying value of goodwill of $1,848,000 and therefore no impairment would have been recognised. If the pre-tax discount rate for had been 2% higher than management's estimates, the Group would have an excess over the carrying value of goodwill of $1,380,000 and therefore no impairment would have been recognised.

High Tech Corporation
2019
If the budgeted revenue growth for year 1 had been 5.0% lower than management's estimates for the High Tech Corporation CGU, the Group would have an excess over the carrying value of goodwill of $270,000 and therefore no impairment would have been recognised. If the pre-tax discount rate for had been 1% higher than management's estimates, the Group would have an excess over the carrying value of goodwill of $319,000 and therefore no impairment would have been recognised.

18. Lease Receivables

	2019 $'000	2018 $'000
Gross investment in finance leases		
Not later than one year	2,056	1,522
Later than one year and not later than five years	3,504	4,313
	5,560	5,835
Less: Unearned income	(829)	(1,297)
	4,731	4,538
Less: Expected credit loss on lease receivables	(69)	(97)
	4,662	4,441
Net investment in finance leases may be classified as follows:		
Not later than one year	1,605	2,145
Later than one year and not later than five years	3,126	2,393
	4,731	4,538
Less: Expected credit loss on lease receivables	(69)	(97)
	4,662	4,441

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19. Long Term Receivables

	2019 $'000	2018 $'000
Profuturo (Note a)	504	494
Máxima Industria Litográfica, S.R.L. de C.V. (Note b)	76	83
Inversiones Yum Kaax S de R.L. (Note c)	72	-
Digital Color S.A. de C.V. (Note d)	65	-
Comercial Plaza (Note e)	64	-
Designs Factory S.R.L. de C.V. (Note f)	55	66
Gráfica Fénix, S.A. de C.V. (Note g)	34	24
Ediciones AGM (Note h)	34	55
Impresos Gráficos Sánchez (Note i)	37	48
Xmedia Impresos (Note j)	-	47
Argelia Melissa Ferrera (Note k)	-	46
Digital Solución Arte, S.R.L. de C.V. (Note l)	-	42
Eiseman Dileyda Lobo Ávila / Creaciones Publicidad (Note m)	28	30
Grupo Aele, S.A., de C.V. (Note n)	-	16
In Hose Print, S.A. de C.V. (Note o)	63	-
Accesorios y Computadoras, S.A. (Note p)	59	-
Staff loans (Note q)	621	621
Other (Note r)	53	84
	2,065	1,656
Less: Expected credit loss on lease receivables	(130)	(90)
	1,935	1,566

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19. Long Term Receivables (Continued)

a) *Profuturo*
The balance earns interest of 5.17% per annum and is maintained as an investment fund with no specified maturity date.

b) *Máxima Industria Litográfica, S.R.L. de C.V.*
The balance earns interest of 15% per annum and matures on December 2021.

c) *Inversiones Yum Kaax, S. de R.L.*
The balance earns interest of 15% per annum and matures on December 2022.

d) *Digital Color S.A. de C.V.*
The balance earns interest of 18% per annum and matures on December 2024.

e) *Comercial Plaza*
The balance earns interest of 18% per annum and matures on January 2022

f) *Designs Factory S.R.L de C.V.*
The balance earns interest of 18% per annum and matures on March 2021.

g) *Gráfica Fénix, S.A.*
The balance earns interest of 12% per annum and matures on May 2021.

h) *Ediciones AGM*
The balance earns interest of 15% per annum and matures on May 2021.

i) *Impresos Gráficos Sánchez IMGRASA*
The balance earns interest of 14% per annum and matures on February 2021.

j) *Xmedia Impresos*
The balance earns interest of 18% per annum and matures on April 2020.

k) *Argelia Melissa Ferrera*
The balance earns interest of 18% per annum and matures on February 2020.

l) *Digital Solución Arte, S.R.L. de C.V.*
The balance earns interest of 18% per annum and matures on February 2020.

m) *Eiseman Dileyda Lobo Avila/Creaciones Publicidad*
The balance earns interest of 18% per annum and and matures on April 2022.

n) *Grupo Aele, S.A. de C.V.*
The balance earns interest of 18% per annum and matures on April 2020.

o) *In House Print, S.A. de C.V.*
The balance earns interest of 15% per annum and and matures on December 2024.

p) *Accesorios y Computadoras, S.A.*
The balance earns interest of 13% per annum and matures on October 2021.

q) *Staff loans.*
The balance does not earn interest and it matures on June 2022.

r) *Other*
The balance relates to amounts that are individually insignificant. These balances relate to equipment sales with terms between 12 and 37 months. These are secured with promissory notes and earns interest between 12% and 21% and is guaranteed with a pledge on the equipment financed

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20. Deferred Income Taxes

(a) Deferred income taxes are calculated in full on all temporary differences under the liability method and comprise:

	2019 $'000	2018 $'000
Deferred income tax assets	1,349	1,439
Deferred income tax liabilities	(394)	(423)
Net deferred income tax asset	955	1,016

(b) The movement on the deferred income tax assets balance for the year is as follows:

	2019 $'000	2018 $'000
Net asset at beginning of the year	1,016	863
(Charge)/Credit to profit and loss (Note 11)	(133)	111
Credit to other comprehensive income on sale of land and building	-	(2)
Exchange difference	72	44
Net assets at end of the year	955	1,016

(c) Deferred income tax assets and liabilities are attributable to:

	2019 $'000	2018 $'000
Property, plant and equipment	56	460
Provisions	822	363
Foreign exchange losses	4	87
Tax losses carried forward	-	46
Other	73	60
	955	1,016

(d) The movement on the deferred tax asset is attributable to:

	2019 $'000	2018 $'000
Property, plant and equipment	(404)	47
Provisions	135	177
Foreign exchange losses	(83)	(123)
Tax losses carried forward	(46)	(149)
Other	337	201
	(61)	153

(e) Except for property, plant and equipment, all deferred income tax items are expected to be recovered/ settled within one year.

(f) Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through taxable profits is probable. Losses amount to nil (2018: $184,000).

(g) Deferred income tax liabilities have not been established for withholding tax that would be payable on unappropriated profits of subsidiaries as the amounts are permanently reinvested. Such unappropriated profits totaled $ 35,370,000 (2018: $27,256,000).

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21. Related Party Transactions and Balances

The following transactions were carried out with related parties:

(a) Sale of goods and services

	2019 $'000	2018 $'000
Sale of goods		
Other related parties	6,323	6,599

Goods are sold based on the price lists in force and terms that would be available to third parties. Transactions with other related parties include those with the ultimate parent.

(b) Purchase of goods and services

	2019 $'000	2018 $'000
Purchases of goods		
Other related parties	834	1,354

Transactions with other related parties include those with Facey Telecom International.

(c) Key management compensation

Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown below:

	2019 $'000	2018 $'000
Salaries and other short-term employee benefits	3,716	3,983
Payroll taxes – employer's portion	432	616
Pension benefits	77	39
Other	88	238
	4,313	4,876
Directors' fees	68	Nil

(d) Other transactions

	2019 $'000	2018 $'000
Parent		
Management fee expense	1,600	-
Other related parties –		
Interest paid	34	711
Interest income	-	(788)
	1,634	(77)

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21. Related Party Transactions and Balances (Continued)

(e) Year end balances with related parties

Balances with the parent company and fellow subsidiaries are repayable on demand and earn no interest. The Directors and key management balance relate to dividends approved on December 2019 to be paid on 4 February 2020.

	2019 $'000	2018 $'000
Receivable from related parties:		
Parent	1,576	1,406
Fellow subsidiaries and shareholder	1,780	6,205
	3,356	7,611
Payable to related parties:		
Parent	3,044	4,207
Fellow subsidiaries	1,172	3,836
Directors and key management	946	-
	5,162	8,043

22. Inventories

	2019 $'000	2018 $'000
Finished goods	41,057	39,474
Goods in transit	5,113	9,145
	46,170	48,619
Less: Provision for obsolete stock	(6,360)	(5,663)
	39,810	42,956

Cost of inventory recognised as an expense aggregating to $98,996,000 (2018: $98,660,000), were recognised in profit and loss.

23. Trade and Other Receivables

	2019 $'000	2018 $'000
Trade receivables	40,959	44,542
Less: Provision for credit losses	(2,502)	(1,843)
	38,457	42,699
Prepaid expenses	2,592	2,415
Other (Note a)	3,008	5,475
	44,057	50,589

a) The current portion of long term receivables amounting to $974,000 (2018: $756,000) has been included in Other receivables.

24. Cash and Cash Equivalents

	2019 $'000	2018 $'000
Cash at bank and in hand	5,297	6,570
Bank overdraft (Note 27)	(3,398)	(3,505)
	1,899	3,065

The weighted average interest rate at the reporting date for short term bank deposits was 0.75% (2018: 0.75%) per annum.

25. Trade and Other Payables

	2019 $'000	2018 $'000
Trade payables	21,682	29,968
Interest Payables	1,963	2,081
Accrued liabilities	5,037	4,944
On acquisition of subsidiary *	3,295	-
Other	2,602	3,494
	34,579	40,487

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

* This balance represents the outstanding sales proceeds payable connected to the acquisition of High-Tech Corporation, S.A. de C.V. (El Salvador) and High Tech Consulting, S.A. de C.V. (Honduras. See Note 38 for details of the acquisition.

26. Lease Liabilities

The Group currently has long term lease agreements related to buildings, equipment and motor vehicles.

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2019 $'000	1 January 2019 $'000
Lease liabilities		
Current	2,726	2,536
Non-current	14,402	17,047
	17,128	19,583

(ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2019 $'000	2018 $'000
Interest expense (included in finance cost)	1,603	-
Expenses relating to short term leases or low value underlaying assets (included in selling, general and administrative expenses)	666	-
	2,269	-

The total cash outflow for leases in 2019 was $2,455,000.

26. Lease Liabilities (Continued)

(iii) Incremental borrowing rate

For the incremental borrowing rate, the Group:
- Where possible, uses recent third-party financing received by bankers as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- Makes adjustments specific to the lease, e.g. term, country, currency and security.

(iv) Lease payments

Payments associated with short-term leases of buildings, equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(v) Extension and termination options

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

As at 31 December 2019, potential future cash outflows of $3,058,000 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was nil.

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27. Borrowings

	2019 $'000	2018 $'000
(a) Bank overdraft	3,398	3,505
Short term loans –		
(b) Facey Telecom Caribbean Limited	-	490
(c) Davivienda	248	250
(d) Eppley Limited	806	786
(e) Operaciones de Consumo, S.A.	131	-
(f) Lafise	916	-
	2,101	1,526
Current portion of non-current borrowings	999	99
Total Current Borrowings	6,498	5,130
Non-Current Borrowings –		
(g) Finance lease	2,039	1,270
(h) JCSD Trustee Services Limited on behalf of Bondholders	48,207	49,863
(i) Redeemable preference shares	18,870	19,417
(j) Eppley Limited	20	40
(k) BAC	1,053	-
(l) CSI	768	-
(m) Lafise	1,011	-
(n) Ficohsa	200	-
(o) Republic Bank	221	-
	72,389	70,590
Current portion of non-current borrowings	(999)	(99)
Total non-current borrowings	71,390	70,491
Total borrowings	77,888	75,621

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27. Borrowings (Continued)

Total borrowings comprise:

	2019 $'000	2018 $'000
Non-related parties	77,062	74,305
Related parties	826	1,316
	77,888	75,621

The exposure of the group's borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting period are as follows:

	2019 $'000	2018 $'000
00-12 months	6,498	5,130
1-5 years	71,390	70,491
	77,888	75,621

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Bonds	48,207	49,863	151,839	51,858
Redeemable preference shares	18,870	19,417	21,570	18,737
Finance lease liabilities	1,752	1,192	22,064	1,192
Other	2,561	19	44,577	19
	71,390	70,491	80,050	71,806

The Group has undrawn borrowing facilities of nil (2018: $3,505,000).

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27. Borrowings (Continued)

(a) Bank overdraft
The Group has various bank overdraft facilities which attract interest at commercial rates.

Short term loans

(b) Facey Telecom Caribbean Limited
These represent unsecured loans which attract interest of 9.75% per annum and are due at call. The loans were paid off during December 2019.

(c) Davivienda
This represents an unsecured loan to finance working capital at a rate of 9% per annum and becomes due on 15 August 2020.

(d) Eppley Limited
This represents an unsecured US dollar loan earning an interest of 8.25% per annum and becomes due on 15 May 2020.

(e) Operaciones de Consumo, S.A.
This represents an unsecured US dollar earning an interest of 9% per annum and matures on 15 March 2020.

(f) Lafise
This represents an unsecured US dollar loan earning an interest of 9.5% per annum and matures on 15 April 2020

Non-Current Borrowings

(g) Finance lease
This represents the present value of finance lease commitments. Finance leases maturing within 12 months amounts to $285,000 (2018 - $78,000). The finance leases maturing within 12 months is included in the current portion of non-current borrowings.

(h) JCSD Trustee Services Limited on behalf of Bondholders
This long-term loan represents monies raised via a private Bond Offering ("Bond"). The Bond is secured by the company and its assets. Under the original trust deed, the entire Bond's principal had a maturity date of December 2020 (5-year term), bearing interest fixed at 7.7% - 7.75% per annum to be paid quarterly. An amendment to the deed (Second Amendment to the Trust Deed with effective date December 9, 2019) extended the maturity date to December 29, 2025 and reduced the interest rate to 6.5% per annum. A consent fee was paid by the amount of $724,673 on the modification of the loan terms. Charges and guarantees over all present and future assets and property of Productive Business Solutions Limited to secure payment of this obligation are as follows:

- Guarantees with Productive Business Solutions Limited and its subsidiaries with the exception of Cayman Business Machines (CBM) Limited, Productive Business Solutions Honduras, High Tech Corporation S.A. de C.V and High Tech Consulting, S.A. de C.V.
- Charge over assets of Productive Business Solutions Limited and its subsidiaries with the exception of Productive Business Solutions Honduras, Productive Business Solutions Belize, Eastern Commerce S.A. (Costa Rica), Cayman Business Machines (CBM) Limited, Productive Business Solutions Limited (St. Lucia), Productive Business Solutions Caribbean Limited and Productive Business Solutions St. Lucia.
- Charge over shares of all entities in the Productive Business Solutions Limited subgroup with restrictions for Productive Business Solutions Honduras, Productive Business Solutions Caribbean Limited and Productive Business Solutions Nicaragua.

The deferred finance charges offset against the loan amounts to $1,241,000 (2018 - $2,390,000).
The loan agreement with JCSD Trustee Services Limited was amended on 28 March 2019 to exclude preference shares from the definition of debt for the purposes of computing the financial covenants.

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27. Borrowings (Continued)

(i) Reedemable preference shares
This represents 25,800,000 Redeemable Cumulative Preference Shares in Jamaica dollars entitled to a fixed preferential cumulative cash dividend of 9.75% per annum, to be paid semi-annually. The maturity date is 30th day of June of 2024. The deferred finance charges offset against the loan amounts to $798,000 (2018 - $929,000).

(j) Eppley Limited
This represents a loan for the acquisition of vehicles commencing December 2017, payable in 36 monthly instalments which attracts interest of 11.5% per annum.

(k) BAC
This represents various unsecured loans to finance working capital earning interest rates that ranging from 7.5% to 8.25% per annum and which earliest maturing date is September 10th, 2020 (March 28th, 2021 the latest).

(l) CSI
This represents various unsecured loans to finance working capital earning interest rates that ranging from 8% to 11% per annum and which earliest maturing date is July 31st, 2023 (October 30th, 2022 the latest).

(m) Lafise
This represents various unsecured loans to finance working capital earning interest rates that ranging from 7.62% to 8% per annum and which earliest maturing date is July 31st, 2023 (December 24th, 2024 the latest).

(n) Ficohsa
This represents an unsecured US dollar loan earning an interest of 8.5% per annum and maturity date of April 2020.

(o) Republic Bank
This represents a loan for the acquisition of vehicles, payable in 60 monthly instalments which attracts interest of 4.75% per annum and matures on June the 1st, 2024.

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28. Share Capital

	2019 $'000	2018 $'000
Authorised -		
123,271,000 Ordinary shares		
Issued and fully paid -		
123,271,000 (2018 – 123,271,000) Ordinary shares	57,317	57,317

29. Other Reserves

Other reserves primarily represent the currency translation differences resulting from the unrealised gains and losses on the translation of the net assets of subsidiaries that have a different functional currency from that of the Company.
Other reserves also include revaluation reserve for the revaluation of land and buildings.

	Revaluation Reserves, Net of Taxes $'000	Currency Translation Differences $'000	Total $'000
Balance as at 1 January 2018	217	(13,968)	(13,751)
Movement during 2018	-	(2,456)	(2,456)
Balance as at 31 December 2018	217	(16,424)	(16,207)
Movement during 2019	-	336	336
Balance as at 31 December 2019	217	(16,088)	(15,871)

30. Accumulated Deficit

	Total $'000
Balance as at 1 January 2018	(5,533)
Change in accounting policy	(566)
Profit for the year	69
Balance as at 31 December 2018	(6,030)
Declared dividends *	(2,000)
Profit for the year	1,798
Balance as at 31 December 2019	(6,232)

* Out of the Declared dividends, $1,000,000 remained unpaid as of December 31st, 2019 with a scheduled payment date of January 24th, 2020.

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31. Litigation and Contingent Liabilities

The Group is subject to various claims, disputes and legal proceedings in the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group and the amount can be reasonably estimated.

Claims asserted against the Group, according to the principles outlined above, have not been provided for. Management is of the opinion that the claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both financial position and results of operations.

32. Retirement Benefit Obligation

The movement in the present value of the defined benefit obligation during the year was as follows:

	2019 $'000	2018 $'000
Initial balance	565	579
Current service cost	392	585
Interest cost	30	17
Loss from change in financial assumptions	-	-
Adjustment	-	-
Benefits paid	(430)	(616)
At end of year	557	565

The amounts recognised in arriving at profit or loss were as follows:

	2019 $'000	2018 $'000
Current service cost	392	585
Interest cost	30	17
At end of year	422	602

The distribution of the obligation by country was as follows:

	2019 $'000	2018 $'000
Nicaragua	90	98
El Salvador	467	467
	557	565

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	2019		
	Impact on Retirement benefit obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	(101)	119
Inflation rate	1%	(82)	99

32. Retirement Benefit Obligation (Continued)

	Increase assumption by one year $'000
Life expectancy	99

	2018 Impact on Retirement benefit obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	(38)	50
Inflation rate	1%	9	(12)

	Increase assumption by one year $'000
Life expectancy	99

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

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32. Retirement Benefit Obligation (Continued)

Termination benefits in El Salvador and Nicaragua are established by law and entitle the employee to receive a payment upon termination of employment, regardless of cause. In El Salvador the benefit is founded in the law 592, that is the regulatory law for the economic benefit for voluntary resignation. Employees with more than two years of uninterrupted service for the company shall receive a payment of, at least, the equivalent of 15 days of minimum wage for each year of service. In Nicaragua, the law 185, Labour Code, entitles the employee to the right to receive a payment equivalent to one monthly salary for each year of service, up to the third year, and 20 days of salary for each additional year. Neither of these plans require the employer to establish a fund.

The principal actuarial assumptions used in valuing post-employment benefits are as follows:

PBS Nicaragua	**2019 $'000**	**2018 $'000**
Discount rate	10.5%	10.5%
Future salary increases	3%	5%
Retirement age	60 years	60 years

PBS El Salvador	**2019 $'000**	**2018 $'000**
Discount rate	1.65%	4.08%
Future salary increases	2.8%	3.4%
Retirement age	55 and 60 years for Women and men respectively	58 years

33. Commitments

Capital commitments

There are no capital expenditures contracted for at the end of the reporting period but not yet incurred.

Operating lease commitments – as lessee

On implementation of IFRS 16 'Leases', operating lease commitments have been capitalised as a lease liability in the statement of financial position. As a result, the Group recognised liabilities by the amount of $ 19,583,000 as of January 2019.

The future minimum lease payments under non-cancellable operating leases before the implementation of IFRS 16 were as follows:

	2018 $'000
Not later than 1 year	3,726
Later than 1 year and not later than 5 years	12,905
Later than five years	2,951
	19,582

The group leases various properties and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The lease arrangements include the option to renew the leases.

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34. Cash Flows from Operating Activities

Reconciliation of the Group's net profit to cash generated from operating activities:

	Note	2019 $'000	2018 $'000
Net profit		2,085	134
Items not affecting cash:			
Depreciation	15 &16	12,328	7,759
Amortisation and impairment of intangible assets	17	992	1,223
Adjustment on debt restructure		(2,822)	-
Taxation expense	11	1,955	2,476
Foreign exchange gains		(1,529)	(2,357)
Interest income	7	(543)	(549)
Interest expense	10	7,856	8,093
		20,322	16,779
Change in non-cash working capital balances:			
Inventories		(5,373)	(8,539)
Contract assets		(5,253)	(826)
Accounts receivable		6,913	(6,941)
Due from related parties		86	(2,001)
Long term receivable		(369)	(180)
Lease receivable		(221)	(474)
Accounts payable		(9,820)	1,273
Contract liabilities		562	3,670
Retirement benefit obligation		(8)	(14)
Due to related parties		(70)	794
		6,769	3,541
Taxation paid		(1,444)	(2,819)
Net cash provided by operating activities		5,325	722

Net Debt Reconciliation

This section sets out an analysis of net debt and the movements in net debt for the year ended 31 December 2019.

	2019 $'000	2018 $'000
Cash and cash equivalents	5,297	6,570
Borrowings - repayable within one year (including overdraft)	(6,498)	(5,130)
Borrowings - repayable after one year	(71,390)	(70,491)
Lease liability	(17,128)	-
Net debt	(89,719)	(69,051)
Cash and liquid investments	5,297	6,570
Gross debt - fixed interest rates	(77,888)	(75,621)
Lease liability	(17,128)	-
Net debt	(89,719)	(69,051)

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34. Cash Flows from Operating Activities (Continued)

	Cash $'000	Finance leases due within 1 year	Finance leases due after 1 year	Lease liability	Borrowing due within 1 year	Borrowing due after 1 year	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Net debt as at 31 December 2017	12,097	(605)	(1,461)	-	(2,012)	(68,421)	(60,402)
Addition	(5,523)	-	-	-	(786)	-	(6,309)
Addition – bank overdraft	-	-	-	(3,505)	-	-	(3,505)
Repayments	-	527	269		1,251	16	2,063
Foreign exchange adjustments	(4)	-	-		-	369	365
Other non-cash movements	-	-	-	-	-	(1,263)	(1,263)
Net debt as at 31 December 2018	6,570	(78)	(1,192)	-	(5,052)	(69,299)	(69,051)
Implementation IFRS 16	-	-	-	(19,583)	-	-	(19,583)
Net debt as at 1 January 2019	6,570	(78)	(1,192)	(19,583)	(5,052)	(69,299)	(88,634)
Addition	(1,267)	(285)	(562)		(1,769)	(2,529)	(6,412)
Repayments	-	78	-	2,455	-	-	2,533
Foreign exchange adjustments	(6)	-	-	-	118	1,395	1,507
Other non-cash movements	-	-	-	-	490	797	1,287
Net debt as at 31 December 2019	5,297	(285)	(1,754)	(17,128)	(6,213)	(69,636)	(89,719)

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35. Assets Pledged as Security

With the exception of Productive Business Solutions Honduras S.A. de C.V., Easton Commerce S.A. (Costa Rica), Productive Business Solutions (Belize) Ltd., Cayman Business Machines (Cayman Islands), High Tech Corporation S.A. de C.V., High Tech Consulting S.A. de C.V. and Productive Business Solutions Limited (St. Lucia), the assets of the subsidiaries are pledged as security for the borrowings. The pledged assets at year end totaled $154,179,000 (2018: $135,130,000).

36. Contract Assets and Contract Liabilities

The Group classifies rights and obligations from contracts with customers whenever either party to the contract has performed.

The total contract assets are shown in the table below.

	2019 $'000	2018 $'000
Contract assets		
on equipment contracts	5,261	5
on service contracts	818	821
	6,079	826

The contract liabilities refer to advances received from customers under the promise to deliver equipment. Total contract liabilities at the end of the year is reflected in the table below.

	2019 $'000	2018 $'000
Contract liabilities		
on equipment contracts	4,104	3,407
on service contracts	128	263
	4,232	3,670

37. Changes to Accounting Policies

a) Adopted in January 2018

The Group adopted IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on 1 January 2018.

The group elected to apply the limited exemption in IFRS 9 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. On adoption of IFRS 15, the group has opted to recognise the cumulative effect of initially applying this standard at the date of initial application as permitted by paragraph C3.

To ensure compliance on adoption of IFRS 9 and IFRS 15 the Group had to update certain policies.

IFRS 9 – impact of adoption

The effect on the initial balances as a result of the implementation of IFRS 9 is shown below.

	Measurement category		Carrying amount	
	Original	New	Original $'000	New $'000
Current financial assets				
Due from related parties	Amortised cost	Amortised cost	6,231	5,610
Accounts receivable	Amortised cost	Amortised cost	43,593	43,648
Current portion of lease receivables	Amortised cost	Amortised cost	1,885	1,885
Cash and deposits			12,097	12,097
Non-current financial assets				
Long term receivables	Amortised cost	Amortised cost	1,386	1,386
Non-Current portion of lease receivables	Amortised cost	Amortised cost	2,082	2,082
Current financial liabilities				
Accounts payable	Amortised cost	Amortised cost	39,638	39,638
Due to related parties	Amortised cost	Amortised cost	7,249	7,249
Current portion of finance leases	Amortised cost	Amortised cost	605	605
Current portion of long term loans - related parties	Amortised cost	Amortised cost	22	22
Short term loans - non-related parties	Amortised cost	Amortised cost	1,501	1,501
Short term loans - related parties	Amortised cost	Amortised cost	490	490
Non-current financial liabilities				
Non-Current portion of finance leases	Amortised cost	Amortised cost	1,461	1,461
Non-Current portion of long term loans - non-related parties	Amortised cost	Amortised cost	68,383	68,383
Non-Current portion of long term loans - related parties	Amortised cost	Amortised cost	38	38

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37. Changes to Accounting Policies (Continued)

a) Adopted in January 2018(continued)

The adjustment to equity on implementation of IFRS 9 was as follows:

	$'000
Retained earnings at 31 December 2017	(5,533)
Increase in loss allowance	(566)
Retained earnings at 1 January 2018, restated	(6,099)

Impairment of financial assets

The Group has four types of financial assets that are subject to the new expected credit loss model under IFRS 9:

- Loans receivable
- Lease receivables
- Due from related party balances
- Trade receivables

The Group revised its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings is disclosed above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

IFRS 15 – impact of adoption

The effect on financial assets and financial liabilities as a result of implementing IFRS 15 is shown below.

	Carrying amount 31 December 2017 $'000	Reclassification $'000	Re-measurement $'000	Carrying amount 1January 2018 $'000
Trade receivables	40,399	(1,833)	-	38,566
Current contract assets	-	1,883	-	1,883
Other current financial assets	51,809	-	-	51,809
Other current assets	37,115	-	-	37,115
Other non-current assets	24,320	-	-	24,320
Contract liabilities	-.	(1,787)	-	(1,787)
Trade and other payables	(34,477)	1,737	-	(32,740)
Provisions	(4,930)	-	-	(4,930)
Deferred tax assets	401	-	-	401

As part of the requirements introduced by IFRS 15 Revenue from Contracts with Customers, the Group classifies rights and obligations arising from contracts with customers whenever either party to the contract has performed.

Total contract assets are shown in the table below.

	$'000
Contract Assets	
on equipment contracts	5
on service contracts	821
	826

37. Changes to Accounting Policies (Continued)

a) Adopted in January 2018(continued)

The contract liabilities refer to advances received from customers under the promise to deliver equipment. Total contract liabilities at the end of the year is reflected in the table below.

	Current $'000
Contract Liabilities	
on equipment contracts	3,407
on service contracts	263
	3,670

In the current period revenue was recognised in connection with contract liabilities recognised at the beginning of the year. This revenue was broken down as follows:

	$'000
Revenue recognised in contract liabilities	
on equipment contracts	1,200
on service contracts	587
	1,787

The table below reflects the dollar amount of the Group's unsatisfied performance obligations for long term contracts with customers. The Group has not yet recognised revenue on these unsatisfied performance obligations, however as these are contracts in operation or, at least, already signed with our customers, it is expected that most of it will flow be completed during 2019.

	$'000
Unsatisfied long-term contracts	
short term portion	13,861
long term portion	16,504
	30,365

b) Adopted in 2019

The Group adopted IFRS 16 'Leases' on 1 January 2019. This note explains the impact of the adoption of IFRS 16 'Leases' on the group's financial statements.

The group has adopted IFRS 16 'Leases' retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019. The new accounting policies are disclosed in note 2.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7%.

For leases previously classified as 'finance leases' the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. This resulted in measurement adjustments of US$3,014,000 due to the extension and termination of the contract. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

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37. Changes to Accounting Policies (Continued)

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease.*

Measurement of lease liabilities	**$'000**
Operating lease commitments disclosed as at 31 December 2018	19,582
Discounted using the lessee's incremental borrowing rate of at the date of initial application	16,595
Short term leases not recognised as liability	(26)
Adjustments as a result of a different treatment of extension and termination options	3,014
Lease liabilities recognised as at 1 January 2019	19,583
Of which:	
Current lease liabilities	2,578
Non-Current lease liabilities	17,005
	19,583

Measurement of right-of-use assets

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Adjustments recognised in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

Right of use asset increased by US$19,583,000
Lease liabilities increased by US$19,583,000

Lessor accounting

The group did not need to make any adjustments to the accounting for assets held as lessor under as a result of the adoption of IFRS 16.

Impact on segment disclosures, EBITDA and earnings per share

Segment assets and segment liabilities for December 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas operating lease liabilities were previously excluded from segment liabilities. The following segments were affected by the change in policy as at 1 January 2019:

37. Changes to Accounting Policies (Continued)

Impact on segment disclosures, EBITDA and earnings per share (continued)

	Assets $'000	Liabilities $'000
Central America	10,994	(10,994)
Caribbean	8,589	(8,589)
	19,583	(19,583)

The effect of IFRS 16 'Leases' is an increase in depreciation, and a decrease in rent therefore EBITDA for 2019 was positively impacted by $4,107,000 because of the implementation. However, earnings per share decreased by 0.57 cents per share mainly because of interest over the finance liability.

The Group leases various office space, retail offices and equipment. Rental contracts are typically made for periods ranging from 3 year to 10 years and these may be fixed term or have the option to be renewed or extend, extension options are described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until December 31, 2018, leases of property, plant and equipment were classified as operating leases. Payments made under these operating leases were charged to the statement of income on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
-fixed payments (including in-substance fixed payments), less any lease incentives receivable

The lease payments are discounted using the incremental borrowing rate which is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.
Right-of-use assets are measured at cost comprising the following:

-the amount of the initial measurement of lease liability
-any lease payments made at or before the commencement date less any lease incentives received.

Payments associated with short-term leases are recognised as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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38. Acquisition of High Tech Corporation, S.A de C.V.

On November 2019, the Group acquired 100% stake in High Tech Corporation, S.A de C.V. (domiciled in El Salvador) and High Tech Consulting S.A. de C.V. (domiciled in Honduras) The principal activity of the companies is to provide information technology solutions and services to clients in Central and South America (primarily Colombia and Bolivia).

Since the date of acquisition, the company has contributed revenue of $1,876,800 and attributable post-acquisition profit of $1,142,000 to the Group's results in the period to December 31, 2019. If the acquisition had occurred on January 1, 2019, management estimates that revenue from the operations would have been $184 million, and profit for the year would have been $2.66 million.

The following summarises the fair value of the identifiable assets and liabilities recognised by the Group at the date of acquisition:

(i) Identifiable assets acquired

	2019 $'000
Property and equipment	52
Trade and other receivables	381
Cash and cash equivalents	9
Tax recoverable	30
Intangible assets	750
Trade and other payables	(572)
Tax Payable	(312)
Net identifiable assets acquired	338
Cash consideration	3,295
Less net identifiable assets acquired	338
Goodwill	2,957

(ii) Cash flow on acquisition

	2019 $'000
Expected outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	(3,295)
Less: balance acquired	
Cash	9
Net Outflow of cash	(3,286)

(iii) Acquisition-related costs

In 2019 The Group incurred acquisition-related costs of $81,974 which was fully incurred by the Company. These costs have been included in professional fees expenses' in profit for the current period.

(iv) Consideration

The purchase price (at present value) is comprised by the following:

Shares (1,150 common shares equivalent to $1,357.39 per share)	1,561
Earnout	1,734
	3,295

The earn-out is calculated as four times the average EBITDA minus 10% PBS Contribution of EBITDA of the HTC companies. If the average EBITDA is 10% higher, the earn-out will be $351,000 higher. If the average EBITDA is 5% lower, the earn-out will be $173,000 lower.

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38. Acquisition of High Tech Corporation, S.A de C.V (Continued)

(v) The fair value of certain material asset categories was established as follows:

1. Property and equipment:

   The value of property and equipment were assessed as net book values as at the date of acquisition.

2. Intangible assets:

   The value of goodwill and proprietary software, was assessed through market benchmarking information provided by independent data specialists through the multi-period excess earnings method, performed by a qualified independent valuator using the incremental cash flow method.

   Provisional accounting
   The purchase price allocation and the identification and valuation of the net assets acquired were done on a provisional basis, as allowed under IFRS 3. Finalisation of the purchase price allocation and the identification and valuation of the net assets within twelve months of acquisition date may require an adjustment to the financial statements, which, if material, may result in a prior year restatement.

39. Distributions

(a) Distributions to shareholders of the Parent Company

		2019	2018
		$'000	$'000
Dividend paid 27 May 2019	0.81¢	1,000	-
Dividends declared 17 December 2019	0.81¢	1,000	-
		2,000	-

40. Restatement

The Group's financial statements were restated for the year ended 31 December 2018 to correct the inadvertent omission of the bank overdraft of $3,505,000 from the cash and cash equivalents shown in the consolidated statement of cash flows. The comparative consolidated statement of cash flows has been restated to include the bank overdraft balance. The bank overdraft as at 31 December 2017 was nil.

This restatement has had no impact on the consolidated statements of Comprehensive Income or Financial Position for the years ended 31 December 2018 and 2017.

The table below reflects the effect of the above restatement on the statement of cash flows for the year ended 31 December 2018.

	2018, as previously stated $'000	Restatement $'000	2018, as restated $'000
Repayments of borrowings	(2,063)	(3,505)	(5,568)
Net cash used in financing activities	(4,543)	(3,505)	(8,048)
Net Decrease in Cash and Cash Equivalents	(5,523)	(3,505)	(9,028)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6,570	(3,505)	3,065

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41. Subsequent Events

Impact of Covid 19

Global economy is experiencing, and may continue to experience, significant volatility resulting from the spread of the coronavirus identified as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on global and local economies, financial markets, and sectors and the specific industry in which the Company operates is uncertain at this point and has the potential to continue to adversely affect our business, results of operation or financial condition, the impact of which is still under assessment.

Interest payments

On February 4, 2020 the Group paid finance charges related to the 9.75% J$ Redeemable Cumulative Preference Shares by an amount equivalent to $905,846.