Productive Business Solutions Limited

Consolidated Financial Statements

31 December 2020

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Consolidated Financial Statements

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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 2020, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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 industry in which the Group operates.

The Group is comprised of twelve (12) reporting components of which we selected ten (10) components for testing which represent the principal business units within the Group and covered entities within Jamaica, Barbados, Central America, the Netherlands Antilles, Nicaragua, St. Lucia and Dominican Republic. A full scope audit was performed for Productive Business Solutions (Central America), S.A. and its subsidiaries and Productive Business Solutions (Nicaragua) S. A. as these were determined to be individually financially significant. Additionally, based on our professional judgement, eight (8) other components within the group were selected to perform audit procedures on specific account balances, classes of transactions or disclosures.

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 PwC 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) S.A. and its subsidiaries and Productive Business Solutions (Nicaragua) S. A. The Group team reviewed all reports with regards to the audit approach and findings submitted in detail by the full scope components.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Impairment Assessment of Goodwill
Refer to notes 2(f), 4 and 17 of the consolidated financial statements for disclosures of related accounting policies, judgements, estimates and balances.

As at 31 December 2020, Goodwill accounted for US$15.8 million, which represents 8.7% of total assets.

On an annual basis, management tests whether goodwill is subject to impairment. The recoverable amounts of cash-generating units have been determined based on value in use calculations.

We focused on this area because the assessment of the carrying value of goodwill involves significant judgement and estimation, is sensitive to changes in key assumptions and due to challenge involved in determining the impact of COVID - 19 on these assumptions.

The key assumptions were assessed by management as being:
• Revenue growth rate,
• Terminal growth rate,
• Average EBITDA to revenue and
• Discount rate.</td><td>Our approach to testing management's impairment assessment, with the assistance of our valuation expert involved the following procedures, amongst others:
○ 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 the value in use of each cash generating unit (CGU).
○ Agreed the 31 December 2020 base year financial information to current year results and compared previous forecasts to actual results to assess the performance of the business and the accuracy of management's forecasting.
○ 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;
○ Developed a range of parameters using available market inputs and historical information and performed sensitivity analyses using these parameters, which was compared to management's terminal growth and discount rate
○ Compared EBITDA margins to historical results, and verified reconciling variances to underlying supporting data and current period results;
Tested management's impairment testing model calculations for mathematical accuracy. Based on the procedures performed, management's assumptions and judgements relating to the carrying value of goodwill, in our view, were not unreasonable.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
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, estimates 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 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.	Our approach to testing revenue recognition on non-standard contracts related to reprographic products involved the following procedures, amongst others: • Updated our understanding of the Group's accounting policies and evaluated consistency with prior year. • On a sample basis, tested 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. • Selected a sample of revenue transactions throughout the year to evaluate appropriate revenue recognition with specific focus on impact of the timing of revenue recognition for reprographic contracts with multiple performance obligations. • Examined the reversal of any sales in the subsequent period to evaluate appropriate revenue recognition. Based on the procedures performed, management's judgements relating to revenue recognition for the non-standard contracts related to reprographic products, in our view, were not unreasonable.

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 judgment 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.

- 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, actions taken to eliminate threats or safeguards applied.

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
23 April 2021

Productive Business Solutions Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

(Expressed in United States dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Continuing Operations			
Revenue	6	161,860	180,104
Direct expenses	8	(97,896)	(108,246)
Gross Profit		63,964	71,858
Other income	7	1,910	770
Selling, general and administrative expenses	8	(54,306)	(60,486)
Impairment losses		(706)	(591)
Operating Profit		10,862	11,551
Finance costs	10	(8,618)	(7,511)
Profit before Taxation		2,244	4,040
Taxation	11	(2,124)	(1,955)
Net Income for the year		120	2,085
Other Comprehensive Income			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences on the net assets of foreign subsidiaries		(2,558)	336
		(2,558)	336
TOTAL COMPREHENSIVE INCOME		(2,438)	2,421
Net Income for the Year is Attributable to:			
Shareholders of the Company		105	1,798
Non-controlling interests		15	287
		120	2,085
Total Comprehensive (Loss)/Income for the Year is Attributable to:			
Shareholders of the Company		(2,453)	2,134
Non-controlling interests		15	287
		(2,438)	2,421
		Cents	**Cents**
Basic and diluted earnings per share for profit from continuing operation attributable to ordinary share holders	13	0.09	1.46

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

Productive Business Solutions Limited

Consolidated Statement of Financial Position

31 December 2020

(Expressed in United States dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Non-Current Assets			
Property, plant and equipment	15	24,844	25,519
Right-of-use assets	16	13,873	16,092
Intangible assets	17	20,010	21,104
Lease receivables	18	2,280	3,126
Pension plan assets	32	85	-
Long term receivables	19	1,085	1,935
Deferred income tax assets	20	1,326	1,349
		63,503	69,125
Current Assets			
Due from related parties	21	3,708	3,356
Inventories	22	31,947	39,810
Contract assets	36	12,684	6,079
Trade and other receivables	23	51,726	44,057
Current portion of lease receivables	18	1,296	1,536
Taxation recoverable		10,222	10,148
Cash and cash equivalents	24	5,850	5,297
		117,433	110,283
Current Liabilities			
Trade and other payables	25	30,516	34,579
Contract liabilities	36	4,110	4,232
Due to related parties	21	8,270	5,162
Taxation payable		5,290	3,418
Current portion of lease liabilities	26	2,683	2,726
Short term loans	27	2,959	2,101
Current portion of long term loans	27	3,241	999
Bank overdraft	27	3,174	3,398
		60,243	56,615
Net Current Assets		57,190	53,668
		120,693	122,793

Productive Business Solutions Limited

Consolidated Statement of Financial Position (Continued)

31 December 2020

(Expressed in United States dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Equity			
Attributable to Shareholders of the Company			
Share capital	28	57,317	57,317
Other reserves	29	(18,429)	(15,871)
Accumulated deficit	14 & 30	(6,127)	(6,232)
		32,761	35,214
Non-controlling Interests		851	836
		33,612	36,050
Non-Current Liabilities			
Retirement benefit obligations	32	525	557
Contingent consideration payable	39	1,728	-
Deferred income tax liabilities	20	334	394
Lease liabilities	26	12,648	14,402
Borrowings	27	71,846	71,390
		87,081	86,743
		120,693	122,793

Approved for issue by the Board of Directors on 23 April 2021 and signed on its behalf by:

Paul Scott	Director	Pedro Paris	Director

Productive Business Solutions Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

(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 2019	123,272	57,317	(16,207)	(6,030)	549	35,629
Currency translation differences	-	-	336	-	-	336
Net income	-	-	-	1,798	287	2,085
Total comprehensive income	-	-	336	1,798	287	2,421
Dividends (note 38)	-	-	-	(2,000)	-	(2,000)
Balance at 1 January 2020	123,272	57,317	(15,871)	(6,232)	836	36,050
Currency translation differences	-	-	(2,558)	-	-	(2,558)
Net income	-	-	-	105	15	120
Total comprehensive loss	-	-	(2,558)	105	15	(2,438)
Balance at 31 December 2020	123,272	57,317	(18,429)	(6,127)	851	33,612

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 2020

(Expressed in United States dollars unless otherwise indicated)

	2020 $'000	2019 $'000
Cash Flows from Operating Activities (Note 34)	16,008	5,271
Cash Flows from Financing Activities		
Interest paid	(8,116)	(5,810)
Dividends paid	(1,000)	(1,000)
Proceeds from borrowing	6,842	5,145
Repayments of borrowings	(3,903)	(78)
Repayments of lease liabilities	(3,269)	(2,455)
Net cash used in financing activities	(9,446)	(4,198)
Cash Flows from Investing Activities		
Interest received	584	543
Purchase of property, plant and equipment	(6,399)	(3,206)
Proceeds on disposal of property, plant and equipment	30	424
Net cash used in investing activities	(5,785)	(2,239)
Net Increase/(Decrease) in Cash and Cash Equivalents	777	(1,166)
Cash and cash equivalents at beginning of the year	1,899	3,065
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 24)	2,676	1,899

The principal non-cash transactions include:

- Transfer to property, plant and equipment from inventory during operating lease period of $6,334,000 (2019 - $13,193,000).
- Transfer from property, plant and equipment to inventory upon expiry of operating lease of $2,806,000 (2019 - $4,517,000).
- Acquisition of High Tech for which payment of consideration is outstanding. See note 37 for details.
- Dividends declared of nil (2019: 1,000,000).

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 on 16 December 2010, and domiciled in Barbados, originally under the International Business Corporation (IBC) Act 77.

Effective January 1,2020, 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, 2019-40 of Barbados until June 30, 2021.

The tax rates for the fiscal year commencing 1 January 2020 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.

The financial statements were authorised for issue by the directors on 23 April 2021. The directors have the power to amend and reissue the financial statements.

2. 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 Interpretations 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. 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 IAS 1 'Presentation of financial statements and IAS 8 'Accounting policies, changes in accounting estimates and errors', (effective for annual periods beginning on or after 1 January 2020). The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The adoption of this amendment did not have any significant impact on the operations of the Group.

Amendments to IFRS 7, 'Financial Instruments: Disclosures', IFRS 9, 'Financial Instruments' and IAS 39, 'Financial Instruments: Recognition and Measurement' (effective for annual periods beginning or after 1 January 2020) – These amendments provide certain relief in relation to interest rate benchmark reforms. 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 did not have any impact on the operations of the Group.

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. The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions. The adoption of this amendment did not have a significant impact on the Group.

Amendments to IFRS 16, 'Covid-19-related Rent Concessions', (effective for annual periods beginning on or after 1 June 2020). As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this would result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

The amendment was early adopted in current period to all qualifying rent concessions.

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.

Productive Business Solutions Limited
Notes to the Consolidated Financial Statements
31 December 2020
(Expressed in United States dollars unless otherwise indicated)

2. 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 IAS 1, 'Presentation of Financial Statements', (effective for annual periods beginning on or after 1 January 2022 (possibly deferred to 1 January 2023). The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date, such as, the receipt of a waiver or a breach of covenant. The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023. The adoption of this amendment is not expected to have any significant impact on the operations of the Group.

Amendments to IAS 16, 'Property, Plant and Equipment', (effective for annual periods beginning on or after 1 January 2022. The amendment to IAS 16 Property, Plant and Equipment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The adoption of this amendment is not expected to have any significant impact on the operations of the Group.

Annual Improvements to IFRS Standards 2018-2020 Cycle, (effective for annual periods beginning on or after 1 January 2022). The IASB issued its Annual Improvements to IFRSs 2018-2020 cycle amending a number of standards, the following of which might be relevant to the Group:

- IFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – Clarifies the treatment of lease incentives and payments from lessor relating to leasehold improvements.

The adoption of the standard is not expected to have any significant impact on the operations of 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.

2. Significant Accounting Policies (Continued)

(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.

2. 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	
		2020	**2019**
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
Productive Business Solutions (Barbados) Limited	Barbados	100	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
Easton Commerce, S.A.	Costa Rica	100	100
Distribuidora Fotográfica Industrial, 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	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	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

2. Significant Accounting Policies (Continued)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

* In accordance with Cayman laws, entities that are domiciled in the Cayman Islands and are not issued with 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.

(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 statement of comprehensive income.

(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.

2. 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 indicators 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 that 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. 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 it's 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 accumulated 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. 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 loss (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 horizon 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. Significant Accounting Policies (Continued)

(h) Financial instruments (continued)

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 on 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.

2. Significant Accounting Policies (Continued)

(i) 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.

(j) Trade receivables

Impairment over trade receivables is determined with the aid of a matrix based on the ageing of the account. Twice a year, management assesses whether there has been any indicator of a change in the credit risk. Additionally, periodically a comprehensive evaluation is performed with the objective of identifying individual accounts that may be subject to impairment which are either written off or fully provided for.

(k) 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.

(l) 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.

(m) 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. Significant Accounting Policies (Continued)

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) Leases
As Lessee

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.

2. 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 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 an 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 (continued)

(i) Credit risk (continued)

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+	AA+
CIBC First Caribbean International Bank	F1+	AA-
Citibank	F1	A+

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:

	2020 $'000	2019 $'000
Government	19,496	10,139
Private entities	27,782	30,820
	47,278	40,959
Less: Provision for credit losses	(2,455)	(2,502)
	44,823	38,457

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 2020 and 2019 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 2020	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	0.02%	1.29%	16.46%	55.08%	
Gross carrying amount	31,438	10,285	1,926	3,629	47,278
Loss allowance provision	6	133	317	1,999	2,455

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

The closing loss allowances for trade receivables as at 31 December 2020 reconcile to the opening loss allowances as follows:

	2020 $'000	2019 $'000
Opening loss allowance as at 1 January	2,502	1,843
On acquisition of subsidiary	-	403
Expected credit losses on receivables during the year	557	690
Amounts written-off	(577)	(419)
Unused amounts reversed	-	(9)
Exchange difference	(27)	(6)
At 31 December	2,455	2,502

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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 2020 and 2019 as follows:

Long term receivables

	2020			
	Stage 1 12-month ECL $'000	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Total $'000**
Gross carrying amount	1,234	-	374	1,608
Loss allowance	(149)	-	(374)	(523)
Carrying amount	1,085	-	-	1,085

	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

Lease receivables

	2020			
	Stage 1 12-month ECL $'000	**Stage 2 Lifetime ECL $'000**	**Stage 3 Lifetime ECL $'000**	**Total $'000**
Gross carrying amount	3,576	-	-	3,576
Carrying amount	3,576	-	-	3,576

Leased assets are fully protected as there is a pledge on these assets.

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3. Financial Risk Management (Continued)

Impairment of financial assets (continued)

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

	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

The following tables contain a movement analysis of the expected credit losses for lease receivables and long-term receivables as at 31 December 2020 and 2019:

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 2020	121	9	-	130
Movements without profit and loss impact:	(121)	(9)	374	244
Movements with profit and loss impact:	149	-	-	149
Loss allowance as at 31 December 2020	149	-	374	523

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

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3. Financial Risk Management (Continued)

Impairment of financial assets (continued)

(ii) Lease receivables and long-term receivables (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 2020	69	-	-	69
Movements without profit and loss impact	-	-	-	-
Movements with profit and loss impact:	(69)	-	-	(69)
Loss allowance as at 31 December 2020	-	-	-	-

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

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 from related parties and there were no movements during the current year, as the amounts determined were deemed immaterial. Loss allowance recognised for other receivables during the year was $149,000.

(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)

(iii) 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
				2020
Trade payables	21,681	-	-	21,681
Other payables	8,828	7	-	8,835
Due to related parties	8,270	-	-	8,270
Lease liabilities	3,611	11,893	2,798	18,302
Borrowings – non-related parties	12,093	94,397	-	106,490
Borrowings – related parties	-	11	-	11
Bank Overdraft	3,174	-	-	3,174
Contingent consideration payable	-	1,931	-	1,931
	57,657	108,239	2,798	168,694
		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

(iv) 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 invoicing where possible in US dollars and converting foreign currency balances into US Dollar denominated accounts.

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3. Financial Risk Management (Continued)

(iv) 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
					2020				
Financial Assets									
Long term receivables	522	534	-	2	-	-	27	-	1,085
Lease receivables	1,829	-	-	-	-	-	-	1,747	3,576
Due from related parties	2,633	-	1,021	-	-	-	-	54	3,708
Trade receivables	21,086	3,820	2,166	1,592	1,231	3,662	3,972	7,294	44,823
Other receivables	1,325	410	219	42	260	1,696	60	291	4,303
Cash and cash equivalents	3,117	29	330	554	105	45	841	829	5,850
Total financial assets	30,512	4,793	3,736	2,190	1,596	5,403	4,900	10,215	63,345
Financial liabilities									
Trade payables	19,585	204	40	243	58	1,143	279	129	21,681
Other payables	4,305	433	587	1,121	43	147	1,094	1,105	8,835
Lease liabilities	10,265	-	219	-	953	-	-	3,894	15,331
Due to related parties	8,179	-	2	-	-	-	-	89	8,270
Borrowings – non-related parties	58,010	-	17,555	-	-	258	-	131	75,954
Borrowings – related parties	11	-	1	-	-	-	-	-	12
Finance Leases	1,879	-	-	-	53	-	-	148	2,080
Bank Overdraft	-	-	3,174	-	-	-	-	-	3,174
Contingent consideration payable	1,728	-	-	-	-	-	-	-	1,728
Total financial liabilities	103,962	637	21,578	1,364	1,107	1,548	1,373	5,496	137,065
Net position	(73,450)	4,156	(17,842)	826	489	3,855	3,527	4,719	(73,720)

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

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3. Financial Risk Management (Continued)

(iv) Market risk (continued)

Currency risk (continued)

	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	(78,042)

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

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3. Financial Risk Management (Continued)

(iv) 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 2020	Effect on Profit before Tax 2020 $'000
Currency:		
HNL	-6	(249)
HNL	+2	83
JMD	-6	(1,071)
JMD	+2	357
NIO	-6	50
NIO	+2	(17)
DOP	-6	(29)
DOP	+2	10
CRC	-6	(231)
CRC	+2	77
GTQ	-6	(212)
GTQ	+2	71

	% 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

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3. Financial Risk Management (Continued)

(v) 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 2020 $'000	Effect on Profit before Tax 2019 $'000
Change in basis points:		
2020: -100 (2019: - 100)	32	752
2020: +100(2019: +100)	(32)	(752)

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.

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

No offsetting arrangements have taken place in 2020. In 2019 there were offsetting arrangements within the group for certain related parties. As such financial assets and liabilities were offset and the net amount reported in the statement of financial position. The financial assets and liabilities with offsetting arrangements included certain related party balances. The gross amounts of these financial assets and financial liabilities amounted 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 tests 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, terminal growth rate 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.

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 Notes 11 and 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)

	2020			
	Central America	**Caribbean**	**Intersegment elimination**	**Total**
Revenue from external customers	112,444	49,416	-	161,860
Revenue from another operating segment	12,928	-	(12,928)	-
Total Income	125,372	49,416	(12,928)	161,860
Adjusted EBITDA	17,521	8,091	-	25,612
Finance costs				(8,618)
Depreciation				(12,572)
Amortisation				(1,086)
Unallocated				(1,092)
Profit before taxation				2,244
Other profit and loss disclosures				
Depreciation	(9,340)	(3,232)	-	(12,572)
Amortisation	(804)	(90)	(192)	(1,086)
Income tax	(2,040)	(84)	-	(2,124)
Segment assets-				
Total segment assets	155,397	48,732	(163,989)	40,140
Unallocated items				140,711
Total assets per statement of financial position				180,851
Capital expenditure	5,449	950	-	6,399
Segment liabilities-				
Total segment liabilities	87,784	81,061	(127,349)	41,496
Unallocated items				105,743
Total liabilities per statement of financial position				147,239

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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

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.

	2020	2019
	$'000	$'000
Barbados	8,060	8,420
Costa Rica	26,562	25,707
Dominican Republic	7,894	10,160
El Salvador	22,044	21,395
Guatemala	21,838	27,827
Honduras	9,544	13,131
Nicaragua	13,996	11,645
Panama	11,389	15,251
USA	7,308	114
Antilles	6,199	7,308
Jamaica	11,853	8,909
Other	15,173	30,237
Total	161,860	180,104

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

	2020	2019
	$'000	$'000
Antilles	614	690
Barbados	80	381
Costa Rica	315	2,877
El Salvador	346	986
Guatemala	3,087	4,356
Nicaragua	608	1,273
Panama	447	2,069
Other	902	3,767
Total	6,399	16,399

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6. Revenue

	2020 $'000	2019 $'000
Business Solutions		
Sale of goods	102,189	109,022
Services	39,904	49,202
	142,093	158,224
Lease Income	19,767	21,880
	161,860	180,104

	Central America $'000	Caribbean $'000	Intersegment elimination $'000	2020 $'000
Timing of Revenue Recognition				
At a point in time	101,505	40,531	(12,928)	129,108
Over time	10,366	2,619	-	12,985
	111,871	43,150	(12,928)	142,093

	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

7. Other Income

	2020 $'000	2019 $'000
Interest income	584	543
Commission	666	124
Vendor's incentive	348	-
Government support	137	-
Miscellaneous	175	103
	1,910	770

8. Expenses by Nature

Total direct, selling, administration and other operating expenses:

	2020 $'000	2019 $'000
Cost of inventories and cost related to services	92,896	108,246
Staff costs (Note 9)	24,923	27,968
Depreciation (Notes 15 and 16)	12,572	12,328
Commission	3,451	4,020
Travel	1,299	2,143
Management fees	864	1,600
Telephone and communication	964	1,058
Transportation	568	1,027
Amortisation of intangible assets (Note 17)	1,086	992
Legal and professional fees	648	842
Occupancy costs	942	827
Bank charges	333	817
Auditor's remuneration	711	692
Office supplies, printing and stationery	369	457
Repairs and maintenance	153	197
Advertising	158	223
Other expenses	5,265	5,295
	54,306	60,486
	152,202	168,732

9. Staff Costs

Staff costs comprise:

	2020 $'000	2019 $'000
Salaries and wages	17,149	23,761
Payroll taxes – employer's portion	2,080	1,773
Pension costs – defined contribution	353	204
Redundancy costs	1,382	859
Retirement benefit obligation (Note 32)	432	422
Other	3,527	949
	24,923	27,968

10. Finance Costs

	2020 $'000	2019 $'000
Net foreign exchange gains	(166)	(345)
Interest expense - Loans, operating and finance leases	8,784	7,856
	8,618	7,511

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:

	2020 $'000	2019 $'000
Current tax	2,175	1,822
Deferred tax (Note 20)	(51)	133
	2,124	1,955

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

	2020 $'000	2019 $'000
Profit before tax	2,244	4,040
Tax calculated at domestic tax rate of 2.5%	56	101
Adjusted for the effects of:		
Different tax rates in other countries	2,008	1,194
Tax on net assets at 1%	-	206
Income not subject to tax	(388)	(3)
Expenses not deductible for tax purposes	571	454
Other charges and credits	(123)	3
Tax charge	2,124	1,955

11. Taxation (Continued)

	2020		
	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	(2,558)	-	(2,558)
Other comprehensive loss	(2,558)	-	(2,558)
Deferred tax (Note 20)		-	

	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)		-	

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:

	2020 $'000	**2019 $'000**
Productive Business Solutions Honduras S.A. de C.V.	15	287

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

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

	2020 $'000	2019 $'000
Current		
Assets	7,705	7,240
Liabilities	(5,791)	(5,102)
Total net current assets	1,914	2,138
Non-current		
Assets	2,143	2,444
Liabilities	(653)	(1,441)
	1,490	1,003
Net assets	3,404	3,141

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12. Investment in Other Entities (Continued)

Summarised statement of comprehensive income

	2020 $'000	2019 $'000
Revenue	8,376	12,575
Profit before income tax	333	1,452
Income tax expense	(142)	(375)
Net profit for the year/Total comprehensive income	191	1,077

Summarised cash flows

	2020 $'000	2019 $'000
Cash flows from operating activities		
Net cash provided by/ (used in) operating activities	74	(1,844)
Net cash provided by/ (used in) investing activities	262	(1,215)
Net increase/(decrease) in cash and cash equivalents	336	(3,059)
Cash, cash equivalents and bank overdrafts at beginning of year	215	3,314
Exchange gains/(losses) on cash and cash equivalents	5	(40)
Cash and cash equivalents at end of year	556	215

13. Earnings per Share

	2020 $'000	2019 $'000
Profit for the year attributable to ordinary shareholders	105	1,798
Number of shares	123,272	123,272
Total basic and diluted earnings per share attributable to ordinary shareholders (cents)	0.09	1.46

14. Net Income and Accumulated Deficit

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

	2020 $'000	2019 $'000
Net Income		
The Company	(2,077)	(3,931)
Subsidiaries	2,182	5,729
	105	1,798

	2020 $'000	2019 $'000
Accumulated deficit		
The Company	(22,350)	(20,273)
Subsidiaries	16,223	14,041
	(6,127)	(6,232)

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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
			2020			
At Cost/ Valuation -						
At 1 January	53	3,018	71,884	1,286	13	76,254
Exchange differences	-	(65)	(1,778)	(62)	-	(1,905)
Additions	-	297	3,517	-	2,585	6,399
Transfers from inventory	-	-	6,334	-	-	6,334
Disposals	(20)	(134)	(188)	(19)	-	(361)
Transfers to inventory	-	-	(8,549)	-	-	(8,549)
At 31 December	33	3,116	71,220	1,205	2,598	78,172
Depreciation -						
At 1 January	-	1,796	48,051	888	-	50,735
Exchange differences	-	20	(281)	(36)	-	(297)
Charge for the year	-	264	8,621	79	-	8,964
On transfer to inventory	-	4	(5,747)	-	-	(5,743)
Relieved on disposals	-	(131)	(181)	(19)	-	(331)
At 31 December	-	1,953	50,463	912	-	53,328
Net Book Value -						
At 31 December	33	1,163	20,757	293	2,598	24,844

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15. Property, Plant and Equipment (Continued)

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.

	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

15. Property, Plant and Equipment (Continued)

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

	2020 $'000	2019 $'000
Equipment held for lease at cost	59,451	60,737
Accumulated depreciation	(40,553)	(38,933)
Net book value	18,898	21,804

Equipment is ordinarily moved from inventory to docu-centers, printshops and internal use. Equipment from inventory is also placed under lease contracts. When the equipment is no longer assigned to a specific function, it is moved back to inventory at net book value. The most significant of these movements is for equipment held for lease which is as follows:

	2020 $'000	2019 $'000
Opening net book value	21,804	19,410
Additions	2,347	-
Transfers from inventory during operating lease period	4,319	13,193
Depreciation charges	(6,421)	(6,287)
Disposals – transfers to inventory upon expiry of operating lease	(7,866)	(7,327)
Depreciation released	4,715	2,815
Closing net book value	18,898	21,804

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 2020 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	-	33
	-	33

	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	-	33
San Salvador, El Salvador: Km.49.5 Litoral, Atami	20	-
	20	33

15. Property, Plant and Equipment (Continued)

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 at 31 December 2019 and 2020 using significant unobservable inputs (Level 3)

	Land – Surges St Thomas, Barbados $'000	Total $'000
Opening and Closing balance	33	33

Description	Fair value at December 2019 and 2020 $'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	33	Market Comparable approach	None	None	Not applicable

16. Right-of-Use Assets

(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	**2020 $'000**	**2019 $'000**
Buildings	12,418	14,382
Equipment	1,346	1,553
Motor vehicles	109	157
	13,873	16,092

Recognition of the right-of-use assets upon the adoption of IFRS 16 in 2019, was $19,583,000. During the financial year there were no additions to right-of use assets.

(ii) 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	**2020 $'000**	**2019 $'000**
Buildings	2,913	3,081
Equipment	648	374
Motor vehicles	47	36
	3,608	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.

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17. Intangible Assets

	Goodwill $'000	Brands $'000	Contracts $'000	Franchise Agreement, Licenses & Proprietary Software $'000	Total $'000
			2020		
Year ended 31 December 2020					
Opening net book value	15,837	1,367	2,705	1,195	21,104
Exchange differences	-	-	-	(8)	(8)
Amortisation (Note 8)	-	(192)	(710)	(184)	(1,086)
Closing net book amount at 31 December 2020	15,837	1,175	1,995	1,003	20,010
Cost	16,753	4,169	14,204	7,133	42,259
Accumulated amortisation and impairment	(916)	(2,994)	(12,209)	(6,130)	(22,249)
Closing net book value	15,837	1,175	1,995	1,003	20,010

	Goodwill $'000	Brands $'000	Contracts $'000	Franchise Agreement & Licenses $'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 at 31 December 2019	15,837	1,367	2,705	1,195	21,104
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

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:

	2020 $'000	2019 $'000
Productive Business Solutions (Barbados) 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	2,957
Other	159	159
	15,837	15,837

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 2020 were as follows:

	Revenue growth rate year 1	Terminal growth rate	Average EBITDA to revenue	Pre-tax Discount rate 2020
Productive Business Solutions (Barbados) Limited	2.7%	2.0%	19.2%	19.2%
PBS Central America S.A.	6.6%	3.6%	11.9%	19.3%
Mobay Holdings N.V.	5.2%	3.5%	10.4%	14.6%
Productive Business Solutions Limited (Dominican Republic)	7.3%	4.8%	13.3%	16.5%
High Tech Corporation	20.5%	3.5%	15.7%	18.1%

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

	Revenue growth rate year 1	Terminal growth rate	Average EBITDA to revenue	Pre-tax Discount rate 2019
Productive Business Solutions (Barbados) Limited	13.9%	2.0%	16.8%	18.4%
PBS Central America S.A.	9.6%	3.0%	13.6%	18.5%
Mobay Holdings N. V.	14.0%	3.0%	13.4%	13.9%
Productive Business Solutions Limited (Dominican Republic)	23%	3.0%	13.9%	14.7%
High Tech Corporation	11.1%	5.9%	27.1%	19.6%

17. Intangible Assets (Continued)

Impact of possible changes in key assumptions are as follows:

Productive Business Solutions (Barbados) Limited
2020

If the budgeted revenue growth for year 1 had been 1.5% lower than the estimated assumption disclosed for the Productive Business Solutions (Barbados) Limited CGU, the Group would have an excess of $7,284,000 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 the estimated assumption disclosed, the Group would have an excess over the carrying value of goodwill of $6,201,000 and therefore no impairment would have been recognised. If the terminal growth rate had been 1% lower than the estimated assumption disclosed, the Group would have an excess over the carrying value of goodwill of $7,043,000 and therefore no impairment would have been recognised. If the average EBITDA had been 2% lower than the estimated assumption disclosed, the Group would have an excess over the carrying value of goodwill of $5,815,000 and therefore no impairment would have been recognised.

2019

If the budgeted revenue growth for year 1 had been 11.09% lower than management's estimates for the Productive Business Solutions (Barbados) 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.

PBS Central America S.A
2020

If the budgeted revenue growth for year 1 had been 1.5% lower than the estimated assumption disclosed for PBS Central America, SA. CGU, the Group would have an excess of $5,775,000 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 the estimated assumption disclosed, the Group would have a deficit over the carrying value of goodwill of $669,000 and the Group would be required to recognise an impairment on this premise. If the terminal growth rate had been 1% lower than the estimated assumption disclosed, the Group would have an excess over the carrying value of goodwill of $4,318,000 and therefore no impairment would have been recognised. If the average EBITDA had been 2% lower than the estimated assumption disclosed, the Group would have a deficit over the carrying value of goodwill of $9,218,000 and therefore would be required to recognise an impairment on this premise.

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.

Mobay Holdings N. V.
2020

If the budgeted revenue growth for year 1 had been 1.5% lower than the estimated assumption disclosed for Mobay Holdings N.V. CGU, the Group would have an excess of $1,590,000 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 the estimated assumption disclosed, the Group would have an excess over the carrying value of goodwill of $520,000 and therefore no impairment would have been recognised. If the terminal growth rate had been 1% lower than the estimated assumption disclosed, the Group would have an excess over the carrying value of goodwill of $1,226,000 and therefore no impairment would have been recognised. If the average EBITDA had been 2% lower than the estimated assumption disclosed, the Group would have an excess over the carrying value of goodwill of $38,000 and therefore no impairment would have been recognised.

17. Intangible Assets (Continued)

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.

Productive Business Solutions Limited (Dominican Republic)
2020

If the budgeted revenue growth for year 1 had been 1.5% lower than the estimated assumption disclosed for Producitive Business Solutions Limited (Dominica Republic) CGU, the Group would have an excess of $1,734,000 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 the estimated assumption disclosed, the Group would have an excess over the carrying value of goodwill of $860,000 and therefore no impairment would have been recognised. If the terminal growth rate had been 1% lower than the estimated assumption disclosed, the Group would have an excess over the carrying value of goodwill of $1,458,000 and therefore no impairment would have been recognised. If the average EBITDA had been 2% lower than the estimated assumption disclosed, the Group would have a deficit over the carrying value of goodwill of $65,000 and would be required to recognise and impairment on this premise.

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.

High Tech Corporation
2020
If the budgeted revenue growth for year 1 had been 1.5% lower than the estimated assumption disclosed for High Tech Corporation CGU, the Group would have an excess of $64,000 over the carrying value of goodwill and therefore no impairment would have been recognised. If the pre-tax discount rate had been 0.5% higher than the estimated assumption disclosed, the Group would have a deficit over the carrying value of goodwill of $58,000 and would be required to recognise an impairment on this premise. If the terminal growth rate had been 1% lower than the estimated assumption disclosed, the Group would have a deficit over the carrying value of goodwill of $60,000 and would be required to recognise an impairment on this premise. If the average EBITDA had been 0.5% lower than the estimated assumption disclosed, the Group would have a deficit over the carrying value of goodwill of $60,000 and would be required to recognise an impairment on this premise.

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.

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18. Lease Receivables

	2020 $'000	2019 $'000
Gross investment in finance leases		
Not later than one year	1,621	2,056
Later than one year and not later than five years	2,564	3,504
	4,185	5,560
Less: Unearned income	(609)	(829)
	3,576	4,731
Less: Expected credit loss on lease receivables	-	(69)
	3,576	4,662
Net investment in finance leases may be classified as follows:		
Not later than one year	1,296	1,605
Later than one year and not later than five years	2,280	3,126
	3,576	4,731
Less: Expected credit loss on lease receivables	-	(69)
	3,576	4,662

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19. Long Term Receivables

	2020 $'000	2019 $'000
Banco Central de Nicaragua (Note a)	374	-
Inversiones Yum Kaax S.R.L. (Note b)	91	72
Expresión Creativa/José Bautista (Note c)	52	-
Máxima Industria Litográfica S.R.L. de C.V. (Note d)	47	76
Artes Gráficas Maximiliano (Note e)	46	-
In House Print, S.A. de C.V. (Note f)	38	63
Artes Gráficas Rivera (Note g)	37	-
Rent deposits (Note h)	35	-
Impresos Creativos S.R.L. (Note i)	34	-
Impresiones Industriales (Note j)	31	-
Imprezos S.R.L. de C.V. ((Note k)	28	-
Olvin Zelin Cruz Ferrera ((Note l)	27	-
Comercial Plaza (Note m)	26	64
Impresos Gráficos Sánchez (Note n)	26	-
Más Color, S.A. (Note o)	25	-
Ediciones AGM (Note p)	24	34
Fundación Empresarial para el Desarrollo Ejecutivo - FEPADE (Note q)	21	-
Profuturo (Note r)	-	504
Digital Color S.A. de C.V. (Note s)	-	65
Accesorios y Computadoras, S.A. (Note t)	-	59
Designs Factory S.R.L. de C.V. (Note u)	-	55
Gráfica Fénix, S.A. de C.V. (Note v)	-	34
Impresos Gráficos Sánchez - IMGRASA (Note w)	-	37
Staff loans (Note x)	434	621
Other (Note y)	212	381
	1,608	2,065
Less: Expected credit loss on long term receivables	(523)	(130)
	1,085	1,935

19. Long Term Receivables (Continued)

a) *Banco Central de Nicaragua*
The balance does not earn interest and it is maintained as an investment fund with no specified maturity date.

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

c) *Expresión Creativa/José Bautista D.*
The balance earns interest of 12% per annum and matures on October 2022.

d) *Máxima Industria Litográfica, S.R.L. de C.V.*
The balance earns interest of 12% per annum and matures on December 2022.

e) *Artes Gráficas Maximiliano.*
The balance earns interest of 12% per annum and matures on December 2022.

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

g) *Artes Gráficas Rivera*
The balance earns interest of 12% per annum and matures on December 2022.

h) *Rental Deposits*
This represents various bank deposits to secure rented property.

i) *Impresos Creativos S.R.L.*
The balance earns interest of 12% per annum and matures on December 2022.

j) *Impresiones Industriales*
The balance earns interest of 12% per annum and matures on November 2022.

k) *Imprezos S.R.L. de C.V.*
The balance earns interest of 12% per annum and matures on November 2022.

l) *Olvin Zelín Cruz Ferrera*
The balance earns interest of 12% per annum and matures on December 2022.

m) *Comercial Plaza*
The balance earns interest of 18% per annum and matures on July 2022.

n) *Impresos Gráficos Sánchez*
The balance earns interest of 12% per annum and matures on February 2022.

o) *Más Color, S.A.*
The balance earns interest of 12% per annum and matures on December 2022.

p) *Ediciones AGM*
The balance earns interest of 15% per annum and matures on October 2022.

q) *Fundación Empresarial Para el Desarrollo Educativo (FEPADE)*
The balance earns interest of 12% per annum and matures on August 2023.

r) *Profuturo*
The balance earned interest of 5.17% per annum and was maintained as an investment fund with no specified maturity date.

s) *Digital Color S.A. de C.V.*
The balance earned interest of 18% per annum and originally matured on December 2024. The terms were renegotiated to be paid in 2021.

19. Long Term Receivables (Continued)

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

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

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

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

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

y) *Other*
The balance relates to amounts that are individually insignificant. These balances relate to equipment sales with terms between 13 months and up to 37 months. These are secured with promissory notes and earns interest between 12% and 21% and is guaranteed with a pledge on the financed equipment.

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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:

	2020 $'000	2019 $'000
Deferred income tax assets	1,326	1,349
Deferred income tax liabilities	(334)	(394)
Net deferred income tax asset	992	955

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

	2020 $'000	2019 $'000
Net asset at beginning of the year	955	1,016
Credit/(Charge) to profit and loss (Note 11)	51	(133)
Exchange difference	(14)	72
Net assets at end of the year	992	955

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

	2020 $'000	2019 $'000
Property, plant and equipment	60	56
Provisions	776	822
Foreign exchange losses	25	4
Other	131	73
	992	955

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

	2020 $'000	2019 $'000
Property, plant and equipment	9	(404)
Provisions	74	135
Foreign exchange losses	20	(83)
Interest payable	3	(46)
Other	(55)	337
	51	(61)

(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 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 44,652,000 (2019: $35,370,000).

21. Related Party Transactions and Balances

The following transactions were carried out with related parties:

(a) Sale of goods and services

	2020 $'000	2019 $'000
Sale of goods		
Other related parties	2,042	6,323

Goods are sold based on the price lists in force and terms that would be available to third parties.

(b) Purchase of goods and services

	2020 $'000	2019 $'000
Purchases of goods		
Other related parties	738	834

Transactions with other related parties include those with Interlinc International Incorporation.

(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:

	2020 $'000	2019 $'000
Salaries and other short-term employee benefits	3,976	3,716
Payroll taxes – employer's portion	303	432
Pension benefits	63	77
Other	87	88
	4,429	4,313
Directors' fees	71	68

(d) Other transactions

	2020 $'000	2019 $'000
Parent		
Management fee expense	864	1,600
Other related parties		
Interest paid	-	34
	864	1,634

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 and paid on 4 February 2020.

	2020 $'000	2019 $'000
Receivable from related parties:		
Parent	1,532	1,576
Fellow subsidiaries and shareholder	2,176	1,780
	3,708	3,356
Payable to related parties:		
Parent	5,758	3,044
Fellow subsidiaries	2,512	1,172
Directors and key management	-	946
	8,270	5,162

22. Inventories

	2020 $'000	2019 $'000
Finished goods	36,238	41,057
Goods in transit	2,634	5,113
	38,872	46,170
Less: Provision for obsolete stock	(6,925)	(6,360)
	31,947	39,810

Cost of inventory recognised as an expense aggregating to $80,102,317 (2019: $98,996,000), were recognised in profit and loss.

23. Trade and Other Receivables

	2020 $'000	2019 $'000
Trade receivables	47,278	40,959
Less: Provision for credit losses	(2,455)	(2,502)
	44,823	38,457
Prepaid expenses	2,600	2,592
Current portion of Long Term Receivable	177	974
Other (Note a)	4,126	2,034
	51,726	44,057

a) Includes advances to vendors by $495,000 and short term deposits as guarantee of rental contracts by $344,000.

24. Cash and Cash Equivalents

	2020 $'000	2019 $'000
Cash at bank and in hand	5,850	5,297
Bank overdraft (Note 27)	(3,174)	(3,398)
	2,676	1,899

The weighted average interest rate at the reporting date for short term bank deposits was 0.75% (2019: 0.75%) per annum.

25. Trade and Other Payables

	2020 $'000	2019 $'000
Trade payables	21,681	21,682
Interest Payables	885	1,963
Accrued liabilities	4,856	5,037
On acquisition of subsidiary *	-	3,295
Other	3,094	2,602
	30,516	34,579

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 37 for details of the acquisition). The remaining balance as at 31 December 2020 has been reflected as Contingent consideration and payable and within loans.

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:

	2020 $'000	2019 $'000
Lease liabilities		
Current	2,683	2,726
Non-current	12,648	14,402
	15,331	17,128

(ii) Amounts recognised in the statement of comprehensive income

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

	2020 $'000	2019 $'000
Interest expense (included in finance cost)	1,433	1,603
Expenses relating to short term leases or low value underlaying assets (included in selling, general and administrative expenses)	557	666
	1,990	2,269

The total cash outflow for leases in 2020 was $3,759,000 (2019: 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.
- The weighted average incremental borrowing rate for the Group in 2019 and 2020 was determined to be 7%.

(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 2020, potential future cash outflows of $3,196,000 (2019: $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

	2020 $'000	2019 $'000
(a) Bank overdraft	3,174	3,398
Short term loans –		
(b) Citibank	1,500	-
(c) Lafise	760	916
(d) BAC	449	-
(e) Davivienda	250	248
(f) Eppley Limited	-	806
(g) Operaciones de Consumo, S.A.	-	131
	2,959	2,101
Current portion of non-current borrowings	3,241	999
Total Current Borrowings	9,374	6,498
Non-Current Borrowings –		
(h) Finance lease	2,080	2,039
(i) JCSD Trustee Services Limited on behalf of Bondholders	48,778	48,207
(j) Redeemable preference shares	17,554	18,870
(k) Operaciones de Consumo, S.A.	2,676	-
(l) Lafise	859	1,011
(m) Baistmo	622	-
(n) BAC	530	1,053
(o) CSI	486	768
(p) Republic Bank	177	221
(q) Eppley Limited	11	20
(r) Ficohsa	-	200
(s) Former owners of High Tech companies	1,314	-
	75,087	72,389
Current portion of non-current borrowings	(3,241)	(999)
Total non-current borrowings	71,846	71,390
Total borrowings	81,220	77,888

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27. Borrowings (Continued)

Total borrowings comprise:

	2020 $'000	2019 $'000
Non-related parties	81,209	77,062
Related parties	11	826
	81,220	77,888

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:

	2020 $'000	2019 $'000
0-12 months	9,374	6,498
1-5 years	71,846	71,390
	81,220	77,888

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

	Carrying amount		Fair value	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Bonds	48,778	48,207	52,519	50,939
Redeemable preference shares	17,554	18,870	17,924	21,570
Finance lease liabilities	2,080	1,752	2,080	1,776
Other	3,434	2,561	3,434	3,925
	71,846	71,390	75,957	78,210

The Group has undrawn borrowing facilities of nil (2019: nil).

27. Borrowings (Continued)

(a) Bank overdraft
The Group has a bank overdraft facility with National Commercial Bank, originally granted in November 2019 which has been subsequently renewed. It attracts an interest at a rate of 8.95% up to J$452,200,000 (US$3,174,000).

Short term loans

(b) Citibank
These represent unsecured loans which attract interest of 5.3% +Libor per annum and are due 22 January 2021.

(c) Lafise
This represents various fiduciary loans to finance working capital earning interest rates that range from 7.75% to 9% per annum and with maturity dates between 31 March 2021 and 31 December 2021.

(d) BAC
This represent two loans in US dollars which are due on 28 June and 30 October 2021, at a rate of 7.5% and 8.25% respectively per annum.

(e) Davivienda
This represents an unsecured loan to finance working capital at a rate of 9% per annum and becomes due on 15 August 2021.

(f) 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. This balance has been paid off during the year.

(g) Operaciones de Consumo, S.A.
This represents an unsecured US dollar earning an interest of 9% per annum. This was paid on March 2020.

Non-Current Borrowings

(h) Finance lease
This represents the present value of finance lease commitments. Finance leases maturing within 12 months amounts to $861,000 (2019 - $285,000). The finance leases maturing within 12 months is included in the current portion of non-current borrowings.

(i) 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 in 2019 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.

27. Borrowings (Continued)

- 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 $1,073,000 (2019 - $1,241,000).
  The loan agreement with JCSD Trustee Services Limited was amended on 28 March 2020 to exclude preference shares from the definition of debt for the purposes of computing the financial covenants.

(j) 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 $652,000 (2019 - $798,000).

(k) Operaciones de Consumo, S.A.
This represents two unsecured US dollar loans earning an interest of 10.2% per annum. The maturity date is 31 October 2025.

(l) Lafise
This represents an unsecured loan to finance working capital at an interest rate of 8% per annum. The maturity date is 30 October 2022.

(m) Baistmo
This represents an unsecured loan in US dollar earning an interest of 7.5% per annum. The maturity date is 30 October 2023.

(n) BAC
This represents a US dollar fiduciary loan at a rate of 7.5% and maturity date on 30 October 2023.

(o) CSI
This represents various unsecured loans to finance working capital earning interest rates that range from 7.62% to 8% per annum and with maturity dates between 31 July 2023 and 31 October 2024.

(p) 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 1 June 2024.

(q) Eppley Limited
This represents an unsecured US dollar loan earning an interest of 10.5% per annum. The maturity date for the loan is during May 2022

(r) Ficohsa
This represents an unsecured US dollar loan earning an interest of 8.5% per annum. It was fully paid on April 2020.

(s) Former owners of High-Tech companies
This represents the deferred purchase price on acquisition of High-Tech subsidiaries in El Salvador and Honduras maturing on April 2021 and April 2022 respectively. These amounts are interest free.

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28. Share Capital

	2020	2019
	$'000	$'000
Authorised -		
123,271,000 Ordinary shares		
Issued and fully paid -		
(2019 – 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 2019	217	(16,424)	(16,207)
Movement during 2019	-	336	336
Balance as at 31 December 2019	217	(16,088)	(15,871)
Movement during 2020	-	(2,558)	(2,558)
Balance as at 31 December 2020	217	(18,646)	(18,429)

30. Accumulated Deficit

	Total $'000
Balance as at 1 January 2019	(6,030)
Declared dividends	(2,000)
Profit for the year	1,798
Balance as at 31 December 2019	(6,232)
Profit for the year	105
Balance as at 31 December 2020	(6,127)

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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 and pension plan asset

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

	2020 $'000	2019 $'000
Opening balance	557	565
Current service cost	317	392
Interest cost	5	30
Benefits paid	(354)	(430)
At end of year	525	557

The movement of the pension plan asset during the year was as follows:

	2020 $'000
Opening balance	-
Adjustment	(152)
Current service cost	105
Interest cost	5
Benefits paid	(43)
At end of year	(85)

The total investing fund of $513,000 is held in Profuturo, a financial institution in Panama earning an annual interest of 5.17% with no specific maturity date.

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

	2020 $'000	2019 $'000
Current service cost	422	392
Interest cost	10	30
At end of year	432	422

The distribution of the obligation by country was as follows:

	2020 $'000	2019 $'000
Nicaragua	113	90
El Salvador	412	467
	525	557

The value of the plan asset was as follows:

32. Retirement Benefit Obligation and pension plan asset (Continued)

The distribution of the value of the obligation was as follows:

	2020 $'000	2019 $'000
Nicaragua	113	90
El Salvador	412	467
	525	557

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

	2020		
	Impact on Retirement benefit obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	(128)	158
Inflation rate	1%	17	(15)

	Increase assumption by one year $'000
Life expectancy	73

	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

	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.

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	**2020 $'000**	**2019 $'000**
Discount rate	9%	10.5%
Future salary increases	5%	3%
Retirement age	60 years	60 years

PBS El Salvador	**2020 $'000**	**2019 $'000**
Discount rate	1.15%	1.65%
Future salary increases	2.8%	2.8%
Retirement age	55 and 60 years for Women and men respectively	55 and 60 years for Women and men respectively

PBS Panama	**2020 $'000**
Discount rate	2.03%
Future salary increases	3.75%
Retirement age	57 and 62 years for Women and men respectively

33. Commitments

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

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34. Cash Flows from Operating Activities

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

	Note	2020 $'000	2019 $'000
Net profit		120	2,085
Items not affecting cash:			
Depreciation	15 &16	12,572	12,328
Amortisation and impairment of intangible assets	17	1,086	992
Adjustment on debt restructure		-	(2,822)
Taxation expense	11	2,124	1,955
Currency translation differences		(2,210)	(1,529)
Interest income	7	(584)	(543)
Interest expense	10	8,784	7,856
		21,892	20,322
Change in non-cash working capital balances:			
Inventories		4,335	(5,373)
Contract assets		(6,605)	(5,253)
Accounts receivable		(7,669)	6,913
Due from related parties		(352)	86
Long term receivable		850	(369)
Lease receivable		1,086	(221)
Accounts payable		(974)	(9,820)
Contract liabilities		(122)	562
Retirement benefit obligation		(117)	(8)
Due to related parties		4,061	(70)
		16,385	6,769
Taxation paid		(377)	(1,498)
Net cash provided by operating activities		16,008	5,271

Net Debt Reconciliation

This section sets out an analysis of net debt and the movements in net debt for the year ended 31 December 2020.

	2020 $'000	2019 $'000
Cash and cash equivalents	5,850	5,297
Borrowings - repayable within one year (including overdraft)	(9,374)	(6,498)
Borrowings - repayable after one year	(71,846)	(71,390)
Lease liability	(15,331)	(17,128)
Net debt	(90,701)	(89,719)
Cash and liquid investments	5,850	5,297
Gross debt - fixed interest rates	(81,220)	(77,888)
Lease liability	(15,331)	(17,128)
Net debt	(90,701)	(89,719)

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34. Cash Flows from Operating Activities (Continued)

	Cash $'000	Finance leases due within 1 year $'000	Finance leases due after 1 year $'000	Lease liability $'000	Borrowing due within 1 year $'000	Borrowing due after 1 year $'000	Total $'000
Net debt as at 31 December 2018	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)
Addition	1,478	(1,210)	(189)	(1,505)	(2,153)	(3,290)	(6,869)
Repayments	(912)	1,183	624	3,269	171	1,925	6,260
Foreign exchange adjustments	(13)	(449)	-	33	252	1,812	1,635
Other non-cash movements	-	-	-	-	(670)	(1,338)	(2,008)
Net debt as at 31 December 2020	5,850	(761)	(1,319)	(15,331)	(8,613)	(70,527)	(90,701)

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 $151,264,000 (2019: $154,179,000).

36. Contract Assets and Contract Liabilities

The Group classifies rights and obligations in its relationship with customers whenever either party performs any of its contractual obligations.

The total contract assets are shown in the table below.

	2020 $'000	2019 $'000
Contract assets		
on equipment contracts	12,684	5,261
on service contracts	-	818
	12,684	6,079

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

	2020 $'000	2019 $'000
Contract liabilities		
on equipment contracts	4,029	4,104
on service contracts	81	128
	4,110	4,232

37. 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, 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 expensed. These costs have been included in professional fees expenses 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.

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

(i) 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.

During 2020 the intangible assets were assessed and confirmed at the value recorded in the provisional accounting.

38. Distributions

(a) Distributions to shareholders of the Parent Company

		2020	2019
		$'000	$'000
Dividend paid 27 May 2019	0.81¢	-	1,000
Dividends declared 17 December 2019	0.81¢	-	1,000
		-	2,000

39. Contingent consideration payable

This represents the present value of future earn-outs connected to the acquisition of High-tech (HTC). This has been determined based on four times the average EBITDA minus 10% of Productive Business Solutions (PBS) contribution of EBITDA of the HTC companies. If the average EBITDA is 10% higher, the earn-out will be $270,000 higher. If the average EBITDA is 5% lower, the earn-out will be $135,000 lower. The payment becomes due during 2023 and 2024 based on achieving the terms of the earn-out agreement. This amount was disclosed in Trade and other payables in the prior year. Based on additional information available upon finalising the purchase price allocation, it has been disclosed in contingent consideration payable and borrowings.

40. Impact of Covid-19

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced and there are significant consequences for the global and local economies from 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 the global and local economies and the sectors in which the Company and its customers and suppliers operate is uncertain at this time. However, the Company has taken measures to preserve its operations and the health and safety of its employees and customers. Additionally, measures were taken to reduce operating costs and non-business critical capital expenditures as well as optimize working capital. Due to the impact that Covid-19 had on our customers, some customers were granted deferred billings; however, these deferrals were not material to our financial statements.

Management continues to believe that the going concern presumption remains appropriate for these financial statements and that the Company will continue to be able to meet its obligations as they fall due and its bank covenant compliance requirements.