



# **Productive Business Solutions Limited**

## **Consolidated Financial Statements**

**For the Quarter Ended**

**December 31<sup>st</sup>, 2019**

**UNAUDITED**



## **INTERIM REPORT TO OUR STOCKHOLDERS**

### **Summary**

The 2019 financial year continued Productive Business Solutions' (PBS) fast-paced transformation into the leading provider of information technology and printing services to enterprises and governments across the Caribbean and Central America. PBS also reported its highest EBITDA and Net Profit as a listed company in 2019.

Key wins included the continued development of the company's advance services business with the acquisition of HighTech Consulting and the continued growth of its networking, security and information technology businesses. PBS also continued to leverage its long-standing relationships with key technology partners including Cisco, Oracle and Xerox. These developments increasingly diversified PBS business which now spans 23 offices in 16 countries and over 2,000 employees.

Profitability increased significantly year over year driven by margin improvements as a result of increased sales of higher-end service-oriented products.

### **Financial Highlights – Year ended December 31<sup>st</sup>, 2019**

- Revenue of US\$180.5 million versus US\$179.5 million in 2018.
- Gross profit of US\$82.0 million, an increase of US\$6.5 million above 2018.
- EBITDA was US\$25.5 million, an increase of US\$4.7 million above 2018.
- Finance costs were lower by US\$1.2 million versus 2018 primarily due to the refinancing of our bond.
- Net Profit for the period was US\$2.4 million, an improvement of US\$2.2 million.



**Productive Business Solutions Limited  
Directors' Statement**

**2020 Outlook**

PBS has built one of the largest integrated information technology sales and distributions platforms in the Caribbean and Central America. Our platform provides a powerful value proposition to leading global principals and clients including governments, multinationals and domestic businesses of all sizes. In 2020 we look forward to building on our base of high-quality recurring revenues by executing on several new projects across our printing, information technology, professional services, networking and advanced services business lines.

The Board of Directors is pleased to present the unaudited results of the Group.

Approved on behalf of the Board:

P.B. Scott  
Chairman

Pedro M. Paris  
Director, CEO



**Productive Business Solutions Limited**  
**Consolidated Statement of Comprehensive Income**  
**For the quarter ending December 31<sup>st</sup>, 2019**  
(expressed in United States dollars unless otherwise indicated)

	<b>Fourth Quarter</b>		<b>For the Year Ending December 31st</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
<b>Continuing Operations</b>				
Revenue	48,347	54,063	180,548	179,294
Direct expenses	(24,404)	(32,128)	(98,528)	(104,226)
<b>Gross Profit</b>	<b>23,943</b>	<b>21,935</b>	<b>82,020</b>	<b>75,068</b>
Other income	(231)	65	419	1,397
Selling, general and administrative expenses	(19,000)	(15,402)	(70,053)	(64,701)
<b>Operating Profit</b>	<b>4,711</b>	<b>6,599</b>	<b>12,386</b>	<b>11,764</b>
Finance costs	(1,533)	(3,950)	(7,845)	(9,154)
<b>Profit before Taxation</b>	<b>3,178</b>	<b>2,649</b>	<b>4,541</b>	<b>2,610</b>
Taxation	(901)	(1,170)	(2,182)	(2,476)
<b>Profit/(loss) for the period</b>	<b>2,277</b>	<b>1,479</b>	<b>2,359</b>	<b>134</b>
<b>Items that may be subsequently reclassified to profit or loss:</b>				
Currency translation differences on net assets of subsidiaries	196	(723)	332	(2,456)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	<b>2,472</b>	<b>756</b>	<b>2,692</b>	<b>(2,322)</b>
<b>Comprehensive (Loss)/Income for the Year Attributable to:</b>				
Shareholder of the Company	2,484	756	2,485	(2,322)
Non-controlling interest	(12)	-	207	-
	<b>2,472</b>	<b>756</b>	<b>2,692</b>	<b>(2,322)</b>
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share for (loss)/profit from continuing operation attributable to ordinary share holder	2.02	0.61	2.02	(1.88)

Note: shares outstanding in December 2019 and in December 2018: 123,272,727



**Productive Business Solutions Limited**  
Non-IFRS Performance Measures - Unaudited  
**For the quarter ending December 31<sup>st</sup>, 2019**  
(expressed in United States dollars unless otherwise indicated)

	<b>Fourth Quarter</b>		<b>For the Year Ending December 31st</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
Operating profit	4,711	6,599	12,386	11,756
(+) Depreciation/amortization and gain/loss on disposition of property (included in Operating profit)				
Depreciation	2,973	2,131	12,085	7,759
Amortization	248	248	992	1,224
<b>EBITDA</b>	<b>7,932</b>	<b>8,979</b>	<b>25,464</b>	<b>20,737</b>



**Productive Business Solutions Limited**  
Consolidated Statement of Financial Position  
**December 31<sup>st</sup>, 2019**  
(Expressed in United States dollars unless otherwise indicated)

	<b>December 2019</b>	<b>December 2018</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	25,578	22,657
Intangible assets	20,860	18,393
Right of use *	16,091	-
Lease receivables	1,498	2,393
Long term receivables	2,158	1,566
Deferred tax assets	1,153	1,439
	<u>67,339</u>	<u>46,448</u>
<b>Current Assets</b>		
Due from related parties	2,827	7,611
Inventories	37,965	42,956
Trade and other receivables	47,924	51,415
Current portion of lease receivables	3,163	2,048
Taxation recoverable	10,272	9,992
Cash and cash equivalents	5,101	6,570
	<u>107,253</u>	<u>120,592</u>
<b>Current Liabilities</b>		
Trade and other payables	35,308	44,158
Due to related parties	3,655	8,043
Taxation payable	3,255	2,602
Lease payable ST *	2,697	-
Finance lease ST	265	-
Short term loans	6,611	5,130
	<u>51,792</u>	<u>59,933</u>
<b>Net Current Assets</b>	<u>55,460</u>	<u>60,659</u>
	<u>122,800</u>	<u>107,107</u>



Productive Business Solutions Limited  
Shareholders

Equity

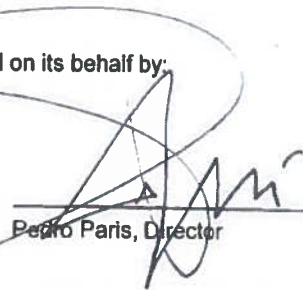
Attributable to Shareholder of the Company

Share capital	57,318	57,317
Other reserves	(15,884)	(16,207)
Accumulated deficit	(5,451)	(6,030)
	<u>35,983</u>	<u>35,080</u>
<b>Non-controlling Interests</b>	<u>836</u>	<u>549</u>
	<u>36,819</u>	<u>35,629</u>
<b>Non-Current Liabilities</b>		
Retirement benefit obligation	567	565
Deferred income tax liabilities	497	423
Lease payable LT *	14,240	-
Finance lease LT	280	-
Borrowings	70,396	70,490
	<u>85,981</u>	<u>71,478</u>
	<u>122,800</u>	<u>107,107</u>

\* IFRS 16 (Leases) related accounts

Approved for issue by the Board of Directors on 31 January 2020 and signed on its behalf by:

  
\_\_\_\_\_  
Paul Scott, Chairman

  
\_\_\_\_\_  
Pedro Paris, Director

**Productive Business Solutions Limited**  
**Consolidated Statement of Cash Flows**  
**December 31<sup>st</sup>, 2019**

(Expressed in United States dollars unless otherwise indicated)

	For the year ending	
	2019	2018
	Unaudited	Audited
	USD'000	USD'000
<b>Net profit/(loss)</b>	<b>2,359</b>	<b>134</b>
<b>Items not affecting cash:</b>		
Depreciation	11,915	7,759
Amortization	992	1,223
Share of profits of joint venture	(505)	-
Taxation expense	2,182	2,476
Foreign exchange losses	26	(2,357)
Interest income	(439)	(549)
Interest expense	10,158	8,093
Deferred tax	436	-
	<b>27,124</b>	<b>16,779</b>
<b>Changes in non-cash working capital balances:</b>		
Inventories	(3,976)	(8,539)
Contract assets	(486)	(826)
Accounts receivable	2,954	(6,941)
Due from related parties	299	(2,001)
Long-term receivable	(661)	(180)
Lease receivables	(221)	(474)
Accounts payable	(8,936)	1,273
Contract liabilities	1,200	3,670
Retirement benefit obligation	-	(14)
Due to related parties	(419)	794
	<b>16,877</b>	<b>3,541</b>
<b>Taxation paid</b>	<b>298</b>	<b>(2,819)</b>
<b>Cash Flows from Financing Activities</b>		
Interest paid	(8,905)	(6,771)
Dividends paid	(1,000)	-
Proceeds from borrowing	5,350	4,291
Repayments of borrowings	(4,276)	(2,063)
<b>Net cash (used in)/provided by financing activities</b>	<b>(8,831)</b>	<b>(4,543)</b>
<b>Cash Flows from Investing Activities</b>		
Interest received	439	549
Purchase of property, plant and equipment	(10,319)	(2,945)
Proceeds on disposal of property, plant and equipment	-	694
<b>Net cash (used in)/provided by investing activities</b>	<b>(9,880)</b>	<b>(1,702)</b>
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>	<b>(1,535)</b>	<b>(5,523)</b>
Cash and cash equivalents at beginning of the year	6,632	12,097
Exchange losses on cash and cash equivalents	4	(4)
<b>Cash and Cash Equivalents at end of Period</b>	<b>5,101</b>	<b>6,570</b>





**Productive Business Solutions Limited**  
**Consolidated Statement of Changes in Equity - Unaudited**  
**December 31<sup>st</sup>, 2019**  
(Expressed in United States dollars unless otherwise indicated)

	Number of Shares	Share Capital	Other Reserves	Accumulated (Deficit)/Profit	Non-controlling Interest	Total
		USD'000	USD'000	USD'000	USD'000	USD'000
<b>Balance at 1 January 2019</b>	<b>123,272</b>	<b>57,317</b>	<b>(16,207)</b>	<b>(6,030)</b>	<b>549</b>	<b>35,629</b>
Currency translation differences			332	4		336
Dividends paid				(1,000)		(1,000)
Acquisition of subsidiaries				(505)		(505)
Net income				2,072	287	2,359
Total comprehensive income	-	-	332	571	287	1,190
<b>Balance at 31 December 2019</b>	<b>123,272</b>	<b>57,317</b>	<b>(15,875)</b>	<b>(5,459)</b>	<b>836</b>	<b>36,819</b>

	Number of Shares	Share Capital	Other Reserves	Accumulated (Deficit)/Profit	Non-controlling Interest	Total
		USD'000	USD'000	USD'000	USD'000	USD'000
<b>Balance at 1 January 2018</b>	<b>123,272</b>	<b>57,317</b>	<b>(13,751)</b>	<b>(5,533)</b>	<b>484</b>	<b>38,517</b>
Change in accounting policy				(566)	-	(566)
Currency translation differences			(2,456)			(2,456)
Net profit	-	-	-	69	65	134
Total comprehensive income	-	-	(2,456)	69	65	(2,322)
<b>Balance at 31 December 2018</b>	<b>123,272</b>	<b>57,317</b>	<b>(16,207)</b>	<b>(6,030)</b>	<b>549</b>	<b>35,629</b>



## Productive Business Solutions Limited

Notes to the Financial Statements

December 31<sup>st</sup>, 2019

(Expressed in United States dollars unless otherwise indicated)

### 1. Identification and Principal Activities

Productive Business Solutions Limited (“the Company”) is a company incorporated and domiciled in Barbados under the International Business Corporation (IBC) Act Cap. 77 on 16 December 2010. The registered office of the Company is at Corporate Services Limited, Erin Court, Bishop Court’s Hill, and St. Michael, Barbados.

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.

### 2. Summary of Significant Accounting Policies

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

#### (a) Basis of preparation

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

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

#### *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:

**IFRS 9, ‘Financial Instruments’** (effective for annual periods beginning on or after 1 January 2018) specifies how an entity should classify and measure financial instruments, including some hybrid contracts. It requires all financial assets to be classified on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset; initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and subsequently measured at amortised cost or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its own classification criteria. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. Management has assessed the application of the credit loss model on trade receivables, lease receivables and inter-company balances under IFRS 9. The impact on these financial statements were not material. Management has utilised the modified retrospective transition approach. The Group applied IFRS 9 on 1 January 2018 and has elected not to restate comparative information in accordance with the transitional provisions. As a result, the comparative information provided continues to be accounted for in accordance with the Group’s previous accounting policy. Additional disclosures in accordance with the standard have been included in the financial statements in Note 35.



## Productive Business Solutions Limited

Notes to the Financial Statements

December 31<sup>st</sup>, 2019

(Expressed in United States dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

- **IFRS 15, 'Revenue from Contracts with Customers'**, (effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. Management has utilised the modified retrospective transition approach. The Group applied IFRS 15 on 1 January 2018 and has elected not to restate comparative information in accordance with the transitional provisions. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. Furthermore management has identified contract assets and liabilities as reported in the statement of financial position. Additional disclosures in accordance with the standard have been included in the financial statements in Note 35.
- **Amendment to IFRS 15, 'Revenue from contracts with customers'**, (effective for accounting periods beginning on or after 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard.
- **IFRIC 22, 'Foreign currency transactions and advance consideration'**, (effective for annual periods beginning on or after 1 January 2018). The amendment clarifies how to determine the exchange rate for initial recognition of a non-monetary asset or non-monetary liability in connection with an advance consideration. The entity has not been materially impacted by this interpretation as there has always been consensus on the definition of date of the transaction (consequently the date for determining the exchange rate) as the date of initial recognition, as required by the interpretation.

#### **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 2018, but the Group has not early adopted them:

- **IFRS 16, 'Leases'** (effective for annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied). The International Accounting Standards Board (IASB) published IFRS 16, 'Leases', which replaces the current guidance in IAS 17. This will require changes in accounting by lessees in particular. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has commenced assessment and has identified that a right of use asset and lease obligation would have to be recorded on the consolidated financial statements and the associated depreciation and interest expense within the consolidated statement of comprehensive income.
- **IFRIC 23, 'Uncertainty over income tax treatments'** (effective for annual period beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The adoption of this standard is not expected to have a significant impact on the group.



**Productive Business Solutions Limited**  
Notes to the Financial Statements  
**December 31<sup>st</sup>, 2019**  
(Expressed in United States dollars unless otherwise indicated)

**2. Summary of Significant Accounting Policies (Continued)**

**(a) Basis of preparation (continued)**

- **Amendment to IFRS 9, Financial instruments', on prepayment features with negative compensation** (effective for annual period beginning on or after 1 January 2019). This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The adoption of this standard is not expected to have a significant impact on the group.

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

- **Annual improvements 2015–2017** (effective for annual period beginning on or after 1 January 2019). These amendments include minor changes to:
  - IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
  - IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The adoption of these standards is not expected to have a significant impact on the Group.

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

**(b) Consolidation**

**(i) Subsidiaries**

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

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

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

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.





## Productive Business Solutions Limited Shareholders

### Ten Largest Shareholders

Facey Group Limited	84,181,818
Portland Caribbean Fund II L.P.	21,948,716
Portland Caribbean Fund II Barbados L.P.	4,372,151
Pedro Paris Coronado	3,636,300
NCB Capital Markets (Cayman) Ltd	3,044,314
Portland Fund II Co-Invest Partnership	951,860
Jose Misrahi	727,200
Courtney Sylvester	663,473
Jose Guillermo Rodriguez Perdomo	363,600
Jason Martin Corrigan	363,600
Marco Antonio Almendarez Cisneros	363,600

### Shareholding of Directors

	Personal	Connected
Paul B Scott	-	84,181,818
Thomas Agnew	-	-
Lois Denny	-	-
Douglas Hewson	-	27,272,727
Ricardo Hutchinson	-	27,272,727
Edward Ince	-	-
Jose Misrahi	727,200	-
Pedro Paris Coronado	3,636,300	-
Patrick A. W. Scott	-	-
Melanie M. Subratie	-	84,181,818
Blondel Walker	-	-

### Shareholders of Executives

Pedro Paris Coronado	3,636,300
Jose Guillermo Rodriguez Perdomo	363,600
Marco Antonio Almendarez Cisneros	363,600
Christian Asdrubal Sanchez Mena	254,500
Leonardo Jesus Velasquez Foucault	163,600
Michael Raphael Lewis	163,600
Elvin Howard Nash	142,700
Sergio Roberto Molina Barrios	127,200
Lucia Vielman Ruiz De Bernard	90,900
Mario Estuardo Pons Espana	90,900
Francisco Jose Lupiac Rodriguez	90,900
Alvin A. Greene	9,000
Maria Elena C. Thompson	2,100
Christopher John Derrell	1,800