



Productive Business Solutions Limited

Consolidated Financial Statements

For the Quarter Ended

June 30th, 2020

UNAUDITED



**Productive Business Solutions Limited
Directors' Statement**

INTERIM REPORT TO OUR STOCKHOLDERS

The first half of 2020 was marked by two significantly different quarters. While Q1 2020 was a strong quarter versus prior year, the second quarter was adversely impacted by Covid-19 pandemic. The Company's primary concern is the safety and welfare of its employees. That said, PBS leadership focused on expense reduction and maximizing cash flow which somewhat mitigated the impact that the Covid-19 had on our results in Q2.

Q2 2020 revenue was materially affected by Covid-19. Revenue was down \$10.6 million (25.4%) versus the prior quarter (Q1 2020). Despite lower sales, the company was able to maintain Gross Margin at pre Covid-19 levels (44.6% versus 44.7% Q1).

The loss in revenue was primarily related to our printing business, specifically in the office, print shops, education and government segments. PBS is working with our partners in the printing business to implement marketing and incentive programs to recover page volume and associated revenue (paper, supplies, and services).

The decrease in revenue was partially offset by an increase in our technology related business segments, which will strengthen and solidify PBS position in the years to come.

In response to Covid-19, PBS successfully reduced its Administrative Expenses by \$3.1 million (19.4%) versus prior quarter, which substantially offset the second quarter revenue decrease. Included in first half expenses are \$443 thousands of restructuring expenses (and are not expected to recur in future quarters).

PBS signed a Tier 2 regionally distribution agreement with Apple in Q3. This further strengthens PBS' position in the Education market and high end Enterprise market and opens PBS ability to sell its existing portfolio solutions and services. We are honored to be selected by Apple to be their regional distributor. PBS was also awarded an exclusive provider of computer equipment for three years with the largest American multinational retail corporation that operates a chain of hypermarkets in Central America.




**Productive Business Solutions Limited
Directors' Statement**

Financial Highlights – Quarter Ended June 30th, 2020

- Revenue of US\$31.2 million versus US\$41.5 million in 2019.
- Gross profit of US\$13.9 million, down \$4.9 million versus 2019; Gross Margin 44.6% vs 45.5%.
- Selling, General and Administrative Expenses were US\$12.9 million, lower than 2019 by US\$4.0 million.
- EBITDA was US\$4.7 million, flat versus 2019.

Net Loss for the period was US\$862 thousand, unfavorable US\$1,586 thousand to second quarter 2019 results.



P.B. Scott
Chairman



Pedro Paris
Director, CEO



Productive Business Solutions Limited
 Consolidated Statement of Comprehensive Income
For the quarter ending June 30th, 2020
 (Expressed in United States dollars unless otherwise indicated)

	Second Quarter		Six Months Ending June 30th	
	2020	2019	2020	2019
	Unaudited	Unaudited	Unaudited	Unaudited
	USD'000	USD'000	USD'000	USD'000
Continuing Operations				
Revenue	31,260	41,525	73,165	85,083
Direct expenses	(17,326)	(22,637)	(40,488)	(47,472)
Gross Profit	13,934	18,888	32,678	37,611
Other income	254	341	301	488
Selling, general and administrative expenses	(12,908)	(16,911)	(28,919)	(33,060)
Operating Profit	1,280	2,318	4,060	5,039
Finance costs	(1,730)	(1,273)	(4,389)	(3,821)
Profit before Taxation	(451)	1,045	(330)	1,218
Taxation	(412)	(321)	(809)	(1,033)
Profit/(loss) for the period	(862)	724	(1,139)	184
Items that may be subsequently reclassified to profit or loss:				
Currency translation differences on net assets of subsidiaries	(567)	231	(902)	387
TOTAL COMPREHENSIVE INCOME/(LOSS)	(1,429)	955	(2,041)	572
Profit for the Year is Attributable to:				
Shareholder of the Company:	(910)	724	(1,205)	(35)
Non-controlling interest	48	-	66	219
	(862)	724	(1,139)	184
Comprehensive (Loss)/Income for the Year Attributable to:				
Shareholder of the Company:	(1,477)	955	(2,107)	353
Non-controlling interest	48	-	66	219
	(1,429)	955	(2,041)	572
	Cents	Cents	Cents	Cents
Basic and diluted earnings per share for (loss)/profit from continuing operation attributable to ordinary share holder	(0.74)	0.59	(0.98)	(0.03)

Note: shares outstanding in June 2020 and in June 2019: 123,272,727



Productive Business Solutions Limited
Non-IFRS Performance Measures - Unaudited
For the quarter ending June 30th, 2020
(Expressed in United States dollars unless otherwise indicated)

	Second Quarter		Six Months Ending June 30th	
	2020 USD'000	2019 USD'000	2020 USD'000	2019 USD'000
Operating profit	1,280	2,318	4,060	5,039
(+) Depreciation/amortization and gain/loss on disposition of property (included in Operating profit)				
Depreciation	3,157	2,131	6,351	4,189
Amortization	295	248	543	496
EBITDA	4,732	4,697	10,954	9,724



Productive Business Solutions Limited
Consolidated Statement of Financial Position
June 30th, 2020

(Expressed in United States dollars unless otherwise indicated)

	June 2020	June 2019	December 2019
	Unaudited	Unaudited	Audited
Non-Current Assets			
Property, plant and equipment	24,947	23,868	25,519
Intangible assets	20,555	17,893	21,104
Right of use *	14,987	591	16,092
Lease receivables	831	2,860	3,126
Long term receivables	1,822	1,420	1,935
Deferred tax assets	1,241	1,339	1,349
	<u>64,382</u>	<u>47,970</u>	<u>69,125</u>
Current Assets			
Due from related parties	3,196	7,295	3,356
Inventories	39,023	37,641	39,810
Trade and other receivables	48,101	47,890	46,166
Current portion of lease receivables	3,163	2,105	1,536
Taxation recoverable	10,275	10,783	10,148
Contract assets	6,393	-	3,970
Cash and cash equivalents	4,131	2,944	5,297
	<u>114,283</u>	<u>108,658</u>	<u>110,283</u>
Current Liabilities			
Trade and other payables	36,937	31,930	38,811
Due to related parties	5,883	8,530	5,162
Taxation payable	3,557	1,770	3,418
Lease payable ST *	2,580	-	2,726
Finance lease ST	214	1,020	285
Short term loans	9,204	6,869	6,213
Contract liabilities	789	-	-
	<u>59,163</u>	<u>50,120</u>	<u>56,615</u>
Net Current Assets	<u>55,120</u>	<u>58,538</u>	<u>53,668</u>
	<u>119,502</u>	<u>106,508</u>	<u>122,793</u>



Productive Business Solutions Limited
Consolidated Statement of Financial Position (continued)
June 30th, 2020
(Expressed in United States dollars unless otherwise indicated)

Equity

Attributable to Shareholder of the Company

Share capital	57,317	57,317	57,317
Other reserves	(16,773)	(15,828)	(15,871)
Accumulated deficit	(7,437)	(7,058)	(6,232)
	<u>33,107</u>	<u>34,431</u>	<u>35,214</u>

Non-controlling Interests

	<u>902</u>	<u>768</u>	<u>836</u>
	<u>34,009</u>	<u>35,199</u>	<u>36,050</u>

Non-Current Liabilities

Retirement benefit obligation	557	567	557
Deferred income tax liabilities	359	604	394
Lease payable LT *	13,753	-	14,402
Finance lease LT	250	347	1,752
Borrowings	70,573	69,791	69,638
	<u>85,492</u>	<u>71,309</u>	<u>86,743</u>
	<u>119,502</u>	<u>106,508</u>	<u>122,793</u>

*IFRS 16 implementation

Approved for issue by the Board of Directors on 14 July 2020 and signed on its behalf by:



Paul Scott Director



Pedro Paris Director



Productive Business Solutions Limited

Consolidated Statement of Cash Flows

June 30th, 2020

(Expressed in United States dollars unless otherwise indicated)

	Six months ending June	
	2020	2019
	Unaudited USD'000	Unaudited USD'000
Net profit/(loss)	(1,139)	184
Items not affecting cash:		
Depreciation	6,350	4,188
Amortization	543	499
Taxation expense	810	1,033
Foreign exchange losses	(1,150)	(120)
Interest expense	4,446	3,717
Deferred tax	25	357
	9,884	9,858
Changes in non-cash working capital balances:		
Inventories	(136)	4,775
Accounts receivable	(5,827)	2,988
Due from related parties	1,623	225
Long-term receivable	(317)	77
Lease receivables	667	(524)
Taxation recoverable	251	(1,699)
Accounts payable	(570)	(14,500)
Due to related parties	200	62
Cash provided by (used in) operations	5,776	1,262
Cash Flows from Financing Activities		
Interest paid	(3,896)	(2,988)
Dividends paid	(1,000)	(1,000)
Proceeds from borrowing	2,280	5,277
Repayments of borrowings	(575)	(1,124)
Net cash (used in)/proved by financing activities	(3,191)	165
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(3,750)	(5,115)
Net cash (used in)/provided by investing activities	(3,750)	(5,115)
Net (Decrease)/Increase in Cash and Cash Equivalents	(1,165)	(3,688)
Cash and cash equivalents at beginning of the year	5,297	6,632
Exchange losses on cash and cash equivalents	(1)	-
Cash and Cash Equivalents at end of Period	4,131	2,944



Productive Business Solutions Limited
 Consolidated Statement of Changes in Equity - Unaudited
June 30th, 2020
 (Expressed in United States dollars unless otherwise indicated)

	Number of Shares	Share Capital	Other Reserves	Accumulated (Deficit)/Profit	Non-controlling Interest	Total
	'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance at 1 January 2020	123,272	57,317	(15,871)	(6,232)	836	36,050
Currency translation differences			(902)			(902)
Net income				(1,205)	66	(1,139)
Total comprehensive income	-	-	(902)	(1,205)	66	(2,041)
Balance at 30 June 2020	123,272	57,317	(16,773)	(7,437)	902	34,009

	Number of Shares	Share Capital	Other Reserves	Accumulated (Deficit)/Profit	Non-controlling Interest	Total
	'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance at 1 January 2019	123,272	57,317	(16,207)	(6,030)	549	35,629
Currency translation differences			387			387
Net profit	-	-	-	(35)	219	184
Total comprehensive income	-	-	387	(35)	219	571
Transfer from reserve			(8)	8		-
Dividends paid				(1,000)		(1,000)
Balance at 30 June 2019	123,272	57,317	(15,828)	(7,057)	768	35,200



Productive Business Solutions Limited Shareholders

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 Shareholders

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.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)



Productive Business Solutions Limited Shareholders

- **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, in the statement of comprehensive income.



Productive Business Solutions Limited Shareholders

Ten Largest Shareholders

Facey Group Limited	84,181,818
Portland Caribbean Fund II L.P.	22,900,576
Portland Caribbean Fund II Barbados L.P.	4,372,151
Pedro Paris Coronado	3,636,300
NCB Capital Markets (Cayman) Ltd	3,065,214
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
JCSD Trustee Services - Sigma Joint Venture	320,433
Christian Asdrubal Sanchez Mena	254,500

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	-	-
Brian Wynter	-	-

Shareholdings 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