Productive Business Solutions Limited

Consolidated Financial Statements

For the Quarter Ended

September 30th, 2020

UNAUDITED

INTERIM REPORT TO OUR STOCKHOLDERS

Productive Business Solutions Limited's third quarter revenues versus prior quarter are up 26.5% reflecting a strong rebound led primarily by the technology segment of the Company.

There is an important shift in the revenue towards our IT portfolio and PBS remains upbeat that our strong pipeline will help us navigate these challenging times. PBS has signed various important agreements in the Caribbean and Central America. These transactions will be reflected in subsequent quarters.

The rebound in revenue reflects countries opening up their economies during this time period. In the 16 countries that PBS operates in, as of September 30th; 6 were completely open, and the balance were all in various stages of reopening their economies. As the countries continue to reopen their economies, we can expect an additional favorable impact to our revenue.

Versus the same period 2019, revenues were down 16% reflecting the continued impact of Covid-19 on results. To offset the revenue decrease, management has been able to reduce the operating expenses in Q3 by approximately 25%, or US$4.5 million. As a result, Q3 2020 Operating Profit was only 5% below 2019 in the comparable period. In connection with the operating expense reductions, the Company incurred approximately US$0.7 million of one-time restructuring charges.

The gross profit in Q3 2020 declined 23.9% versus the same quarter of 2019 as a result of lower revenues.

Finance Costs in Q3 2020 were favorable versus 2019 due to the renegotiated bond interest rates and lower interest associated with lease liabilities, offset partially by foreign exchange losses. Foreign exchange losses for the nine months ended September 30, 2020 are US$0.4 million unfavorably higher in comparison to the same period of 2019.

Profit before Taxation in the third quarter 2020 was US$0.4 million, favorable US$0.2 million to 2019.

Financial Highlights – Nine Months Ending September 30th, 2020

- Revenue of US$112.7 million versus US$132.2 million in 2019.
- Gross profit of US$48.3 million, down US$9.8 million versus 2019; Gross Margin 42.9% vs 43.9%.
- Selling, General and Administrative Expenses were US$42.4 million, lower than 2019 by US$8.6 million.
- EBITDA was US$16.8 million, lower than 2019 by US$0.7 million.

Net Loss for the nine months was US$1.3 million, unfavorable US$1.4 million as compared to the same period in 2019.

P.B. Scott
Chairman

Pedro Paris
Director, CEO

Productive Business Solutions Limited

Consolidated Statement of Comprehensive Income

For the quarter ending September 30th, 2020

(Expressed in United States dollars unless otherwise indicated)

	Third Quarter		Nine Months Ending September 30th	
	2020 Unaudited	2019 Unaudited	2020 Unaudited	2019 Unaudited
	USD'000	USD'000	USD'000	USD'000
Continuing Operations				
Revenue	39,538	47,118	112,703	132,201
Direct expenses	(23,954)	(26,652)	(64,441)	(74,124)
Gross Profit	**15,584**	**20,466**	**48,262**	**58,077**
Other income	411	162	712	650
Selling, general and administrative expenses	(13,493)	(17,992)	(42,412)	(51,052)
Operating Profit	**2,502**	**2,636**	**6,562**	**7,675**
Finance costs	(2,084)	(2,491)	(6,474)	(6,312)
Profit before Taxation	**418**	**145**	**88**	**1,363**
Taxation	(555)	(247)	(1,364)	(1,280)
Profit/(loss) for the period	**(137)**	**(102)**	**(1,276)**	**83**
Items that may be subsequently reclassified to profit or loss:				
Currency translation differences on net assets of subsidiaries	(1,031)	(251)	(1,933)	137
TOTAL COMPREHENSIVE LOSS	**(1,168)**	**(352)**	**(3,209)**	**219**
(Loss)/Income for the Year Attributable to:				
Shareholder of the Company	(114)	(90)	(1,319)	83
Non-controlling interest	(23)	(12)	43	-
	(137)	**(102)**	**(1,276)**	**83**
Comprehensive (Loss)/Income for the Year Attributable to:				
Shareholder of the Company:	(1,100)	(340)	(3,207)	12
Non-controlling interest	(68)	(12)	(2)	207
	(1,168)	**(352)**	**(3,209)**	**219**
	Cents	**Cents**	**Cents**	**Cents**
Basic and diluted earnings per share for (loss)/profit from continuing operation attributable to ordinary share holder	(0.09)	(0.07)	(1.07)	0.07

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

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

	Third Quarter		Nine Months Ending September 30th	
	2020 USD'000	**2019 USD'000**	**2020 USD'000**	**2019 USD'000**
Operating profit	2,502	2,636	6,562	7,675
(+) Depreciation/amortization and gain/loss on disposition of property (included in Operating profit)				
Depreciation	3,108	4,923	9,459	9,112
Amortization	272	248	815	744
EBITDA	**5,882**	**7,807**	**16,836**	**17,531**

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

	September 2020	September 2019	December 2019
	Unaudited	Unaudited	Audited
Non-Current Assets			
Property, plant and equipment	24,245	25,360	25,519
Intangible assets	20,282	17,661	21,104
Right of use *	13,892	16,722	16,092
Lease receivables	557	1,692	3,126
Long term receivables	1,948	1,650	1,935
Deferred tax assets	1,252	1,266	1,349
	62,176	64,351	69,125
Current Assets			
Due from related parties	3,190	6,172	3,356
Inventories	36,153	42,670	39,810
Trade and other receivables	49,741	47,744	46,166
Current portion of lease receivables	3,336	3,163	1,536
Taxation recoverable	10,510	11,066	10,148
Contract assets	6,149	-	3,970
Cash and cash equivalents	3,250	3,493	5,297
	112,329	114,309	110,283
Current Liabilities			
Trade and other payables	31,629	35,365	38,811
Due to related parties	9,365	8,380	5,162
Taxation payable	3,874	2,855	3,418
Lease payable ST *	2,544	2,785	2,726
Finance lease ST	166	641	285
Short term loans	9,591	7,018	6,213
Contract liabilities	308	-	-
	57,476	57,045	56,615
Net Current Assets	54,853	57,264	53,668
	117,029	121,615	122,793

Productive Business Solutions Limited
Consolidated Statement of Financial Position (continued)
September 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	(17,759)	(16,078)	(15,871)
Accumulated deficit	(7,551)	(7,150)	(6,232)
	32,007	34,089	35,214
Non-controlling Interests	834	756	836
	32,841	34,844	36,050
Non-Current Liabilities			
Retirement benefit obligation	459	567	557
Deferred income tax liabilities	344	606	394
Lease payable LT *	12,747	13,944	14,402
Finance lease LT	486	65	1,752
Borrowings	70,152	71,589	69,638
	84,188	86,771	86,743
	117,029	121,615	122,793

*IFRS 16 implementation

Approved for issue by the Board of Directors on 12th of November 2020 and signed on its behalf by:

Paul Scott Director

Pedro Paris Director

Productive Business Solutions Limited
Consolidated Statement of Cash Flows
September 30th, 2020
(Expressed in United States dollars unless otherwise indicated)

	Nine months ending September	
	2020	**2019**
	Unaudited	**Unaudited**
	USD'000	**USD'000**
Net profit/(loss)	**(1,276)**	**83**
Items not afecting cash:		
Depreciation	9,459	9,112
Amortization	815	744
Taxation expense	1,365	1,280
Foreign exchange losses	(1,953)	(554)
Interest expense	6,740	7,002
Deferred tax	(2)	433
Right of use in initial recognition	-	(19,307)
Lease liability in recognition of right of use	-	16,729
	15,148	**15,522**
Changes in non-cash working capital balances:		
Inventories	1,776	(1,879)
Accounts receivable	(7,223)	3,134
Due from related parties	4,884	2,011
Long-term receivable	(443)	(153)
Lease receivables	768	(414)
Taxation recoverable	333	(896)
Accounts payable	(9,477)	(10,812)
Due to related parties	180	(752)
Cash provided by operations	**5,945**	**5,761**
Cash Flows from Financing Activities		
Interest paid	(5,826)	(5,540)
Dividends paid	(1,000)	(1,000)
Proceeds from borrowing	8,622	4,951
Repayments of borrowings	(5,683)	(575)
Net cash used in financing activities	**(3,887)**	**(2,164)**
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(4,103)	(6,730)
Net cash used in investing activities	**(4,103)**	**(6,730)**
Net Decrease in Cash and Cash Equivalents	(2,045)	(3,133)
Cash and cash equivalents at beginning of the year	5,297	6,632
Exchange losses on cash and cash equivalents	(1)	(6)
Cash and Cash Equivalents at end of Period	**3,251**	**3,493**

Productive Business Solutions Limited
Consolidated Statement of Changes in Equity - Unaudited
September 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			(1,888)		(45)	(1,933)
Dividends paid						-
Acquisition of subsidiaries						-
Net income				(1,319)	43	(1,276)
Total comprehensive income	-	-	(1,888)	(1,319)	(2)	(3,209)
Balance at 30 September 2020	**123,272**	**57,317**	**(17,759)**	**(7,551)**	**834**	**32,841**

	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			128	4		132
Net profit	-	-	-	(124)	207	83
Total comprehensive income	-	-	128	(120)	207	215
Transfer from reserve			-	-		-
Dividends paid				(1,000)		(1,000)
Balance at 30 September 2019	**123,272**	**57,317**	**(16,079)**	**(7,150)**	**756**	**34,844**

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.

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)

- **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 Guiliermo 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 Guiliermo 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