

PRODUCTIVE BUSINESS SOLUTIONS LIMITED

INTERIM REPORT Q3 2022

UNAUDITED

INTERIM REPORT TO OUR STOCKHOLDERS

PBS' STRONG REVENUE AND EARNINGS GROWTH CONTINUES IN 2022

Fellow Shareholders:

Productive Business Solutions Limited (PBS) is pleased to present its financial results for the third quarter ended September 30th, 2022. PBS delivered another quarter with strong growth in sales, cash generation and profitability. These results demonstrate the power of PBS' position as the largest enterprise information technology company in the Caribbean and Central America.

Q3 Performance

PBS achieved revenues of US\$69.4 million in the third quarter, an increase of US\$27.0 million or 63.7% over the corresponding period in 2021. The EBITDA for this quarter was US\$12.9 million compared to US\$5.1 million in the equivalent quarter of 2021 or an increase of 153%. Net Profit After Tax increased by US\$3.5 million, allowing PBS to record a net profit of US\$2.0 million in the quarter. PBS' growth in Net Profit was achieved despite a US\$1.3 million year-to-date foreign exchange loss as a result of the Jamaican dollar strengthening against the US dollar and US dollar strengthening against most other currencies.

The company ended the third quarter with cash and cash equivalents of US\$36.0 million and over US\$105.9 million of equity showcasing its healthy liquidity and expanded capital base.

Quarter Highlights

PBS' sales to banking and retail clients in the Caribbean and Central America for ATMs and self-checkout devices contributed materially to this quarter's results. Our Education and Financial market segments retained their momentum by adding advanced services and the mission critical solutions to already strong equipment sales.

The Printing and Imaging business line continues its recovery in spite of supply chain challenges in equipment, paper and supplies.


PBS and Xerox Perú collaborated to sell a specialized device to a large printing company with offices in South America. PBS was also selected to provide Xerox branded toner to a governmental entity from Chile. These mark PBS' first transactions south of Colombia and were achieved due to the skill and experience of our team.

Capital Raise

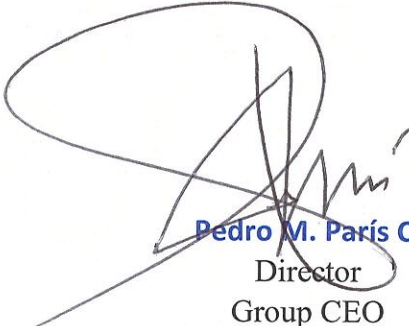
Last quarter, PBS successfully issued Perpetual Cumulative Redeemable Preference Shares in the Jamaican Stock Market receiving Net Proceeds of US\$17.3 million. The transaction was the first of its kind in the Caribbean and demonstrates the capital markets' confidence in our business. We expect to use the proceeds of this transaction to fund PBS' growth and strengthen our balance sheet.

PBS' momentum should continue in the fourth quarter and we expect to have a strong finish to 2022. We would like to thank our team, our clients and our shareholders for their continued support.

Sincerely,



Paul. B. Scott
Chairman of the
Board



Pedro M. Paris C.
Director
Group CEO

Productive Business Solutions Limited

Consolidated Statement of Comprehensive Income

For the quarter ending September 30th, 2022

(Expressed in United States dollars unless otherwise indicated)

	Third Quarter		Nine Months Ending September 30th	
	2022 Unaudited	2021 Unaudited	2022 Unaudited	2021 Unaudited
	USD'000	USD'000	USD'000	USD'000
Continuing Operations				
Revenue	69,377	42,405	226,968	145,462
Direct expenses	(45,138)	(24,488)	(155,819)	(97,168)
Gross Profit	24,239	17,917	71,148	48,294
Other income	1,415	105	2,149	503
Selling, general and administrative expenses	(16,864)	(16,333)	(51,799)	(43,138)
Operating Profit	8,790	1,689	21,499	5,658
Finance costs	(4,931)	(3,001)	(13,077)	(6,498)
Profit before Taxation	3,859	(1,312)	8,422	(840)
Taxation	(1,896)	(247)	(4,100)	(1,403)
Profit/(loss) for the period	1,964	(1,559)	4,322	(2,243)
Items that may be subsequently reclassified to profit or loss:				
Currency translation differences on net assets of subsidiaries	1,904	193	303	(1,045)
TOTAL COMPREHENSIVE INCOME/(LOSS)	3,868	(1,367)	4,625	(3,288)
Income/(loss) for the Year Attributable to:				
Shareholder of the Company	1,969	(1,601)	4,291	(2,290)
Non-controlling interest	(5)	42	31	47
	1,964	(1,559)	4,322	(2,243)
Comprehensive Income/(Loss) for the Year Attributable to:				
Shareholder of the Company:	3,873	(1,409)	4,594	(3,335)
Non-controlling interest	(5)	42	31	47
	3,868	(1,367)	4,625	(3,288)
	Cents	Cents	Cents	Cents
Basic and diluted earnings per share for profit/(loss) from continuing operation attributable to ordinary share holder	1.06	(0.86)	2.30	(1.23)

Note: ordinary shares outstanding in September 2022 and in September 2021: 186,213,523

Productive Business Solutions Limited **Non-IFRS Performance Measures – Unaudited** **For the quarter ending September 30th, 2022**

(Expressed in United States dollars unless otherwise indicated)

Reconciliation of EBITDA (Unaudited) **For the Nine Months Ended September, 2020** **(figures in US dollars unless otherwise indicated)**

	Third Quarter		Year to date September	
	2022 USD'000	2021 USD'000	2022 USD'000	2021 USD'000
Operating profit	8,790	1,689	21,499	5,658
(+) Depreciation/amortization and gain/loss on disposition of property (included in Operating profit)				
Depreciation	1,834	3,061	6,425	9,178
Amortization	831	369	2,362	912
Depreciation included in COGS	1,423	-	4,246	-
EBITDA *	12,878	5,119	34,533	15,749
* EBITDA is being adjusted for depreciation included in COGS by the following amounts:	1,423	-	4,246	-

Productive Business Solutions Limited Consolidated Statement of Financial Position September 30th, 2022

(Expressed in United States dollars unless otherwise indicated)

	September 2022	September 2021	December 2021
	Unaudited	Unaudited	Audited
Non-Current Assets			
Property, plant and equipment	29,192	30,560	31,574
Intangible assets	102,452	105,314	104,813
Right of use	14,038	15,791	15,708
Lease receivables	6,888	1,957	1,804
Pension plan assets	119	85	114
Long term receivables	383	992	550
Deferred tax assets	3,673	2,840	3,765
Contract assets LT	6,516	5,962	6,390
	<u>163,260</u>	<u>163,501</u>	<u>164,718</u>
Current Assets			
Due from related parties	4,131	3,358	3,857
Inventories	53,750	31,142	39,681
Trade and other receivables	103,735	66,708	83,515
Current portion of lease	2,032	2,134	1,721
Taxation recoverable	14,383	11,945	11,492
Contract assets ST	8,127	11,417	8,645
Financial assets at amortized	1,596	1,592	1,592
Cash and cash equivalents	36,049	17,289	21,740
	<u>223,803</u>	<u>145,584</u>	<u>172,243</u>
Current Liabilities			
Trade and other payables	77,217	43,305	47,372
Due to related parties	1,610	8,181	13,009
Taxation payable	9,548	6,292	7,777
Lease payable ST	2,574	3,144	3,773
Short term loans	26,271	12,776	20,661
Current portion of LT loans	5,831	5,492	9,188
Contract liabilities	22,896	1,763	13,793
Bank overdraft	2,977	-	2,903
	<u>148,924</u>	<u>80,952</u>	<u>118,476</u>
Net Current Assets	<u>74,879</u>	<u>64,633</u>	<u>53,767</u>
	<u>238,139</u>	<u>228,134</u>	<u>218,485</u>

Productive Business Solutions Limited
Consolidated Statement of Financial Position (continued)
September 30th, 2022

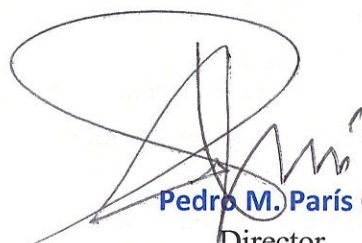
(Expressed in United States dollars unless otherwise indicated)

Equity			
Attributable to Shareholder of the			
Share capital	123,016	105,782	105,782
Other reserves	(19,787)	(19,474)	(19,870)
Accumulated deficit	1,689	(8,417)	(2,633)
	<u>104,918</u>	<u>77,891</u>	<u>83,279</u>
Non-controlling Interests	958	897	927
	<u>105,876</u>	<u>78,788</u>	<u>84,206</u>
Non-Current Liabilities			
Retirement benefit obligation	598	524	599
Contingent consideration	1,848	1,772	1,796
Deferred income tax liabilities	2,117	8,001	1,677
Lease payable LT	15,503	16,175	15,871
Finance lease LT	(0)	1,700	-
Borrowings	110,919	119,679	112,844
Other long term liabilities	1,279	1,494	1,492
	<u>132,263</u>	<u>149,346</u>	<u>134,279</u>
	<u>238,139</u>	<u>228,134</u>	<u>218,485</u>

Approved for issue by the Board of Directors on 10th of November 2022 and signed on its behalf by



Paul. B. Scott
Chairman of the
Board



Pedro M. París C.
Director
Group CEO

Productive Business Solutions Limited Consolidated Statement of Cash Flows September 30th, 2022

(Expressed in United States dollars unless otherwise indicated)

	Nine months ending	
	2022 Unaudited USD'000	2021 Audited USD'000
Net profit	4,322	(2,443)
Items not affecting cash:		
Depreciation	10,671	9,178
Amortization	2,362	912
Taxation expense	3,882	1,403
Foreign exchange loss	1,353	(520)
Interest expense	10,760	6,414
Deferred tax	280	(334)
	33,631	14,610
Changes in non-cash working capital balances:		
Inventories	(16,301)	4,712
Contract assets	(860)	440
Accounts receivable	(19,569)	3,587
Due from related parties	(0)	366
Long-term receivable	47	496
Lease receivables	(5,551)	(548)
Taxation recoverable	(1,063)	(314)
Accounts payable	23,789	(14,609)
Contract liabilities	4,105	(933)
Due to related parties	(6,501)	(1,944)
Cash provided by operations	12,026	5,863
Cash Flows from Financing Activities		
Interest paid bond holders	(2,281)	(2,556)
Interest paid on preference shares	(1,525)	(1,682)
Other interest paid	(6,549)	(3,455)
Issuance of shares	17,234	48,464
Proceeds from borrowing	41,130	16,348
Repayments of borrowings	(40,969)	(4,170)
Net cash provided by financing activities	6,940	52,949
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(4,694)	(7,215)
Acquisition of business - net of cash acquired	-	(40,538)
Net cash used in investing activities	(4,694)	(47,753)
Net Increase in Cash and Cash Equivalents	14,272	11,436
Cash and cash equivalents at beginning of the year	21,776	5,850
Exchange losses on cash and cash equivalents	1	3
Cash and Cash Equivalents at end of Period	36,049	17,289

Productive Business Solutions Limited **Consolidated Statement of Changes in Equity – Unaudited** **September 30th, 2022**

(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 2022	186,213	105,782	(19,870)	(2,633)	927	84,206
Currency translation differences	-	-	304	-	-	304
Preference shares issued	2,000	17,234	-	-	-	17,234
Net income	-	-	-	4,322	31	4,353
Total comprehensive income	2,000	17,234	304	4,322	31	21,891
Balance at 30 September 2022	188,213	123,016	(19,566)	1,689	958	106,097
	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 2021	123,272	57,317	(18,429)	(6,127)	851	33,612
Currency translation differences	-	-	(1,045)	-	-	(1,045)
Ordinary shares issued	62,941	48,465	-	-	-	48,465
Net income	-	-	-	(2,290)	47	(2,243)
Increase in share capital	-	-	-	-	-	-
Balance at 30 September 2021	186,213	105,782	(19,474)	(8,417)	898	78,789

Productive Business Solutions Limited

Notes to the Interim Financial Report

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, 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, automated teller machines, security checkpoints, system integration, cloud services, data analytics, communication solutions, e-transactions, development of software and other technology solutions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements, hereinafter 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 management’s best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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 effected 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 amortized 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 utilized 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,

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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.

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 recognized 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 recognized, 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 recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed. Management has utilized 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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 recognize 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.

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 confirms that when a financial liability measured

- at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized 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.

SUMMARY OF 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 recognizes 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 recognized directly in profit or loss, in the statement of comprehensive income.

Common Shareholders

Ten Largest Shareholders

Facey Group Limited	84,181,818
Musson (Jamaica) Limited	45,164,017
Portland Caribbean Fund II L.P.	35,216,820
Portland Caribbean Fund II Barbados L.P.	6,330,663
Pedro Paris Coronado	5,485,214
NCB Capital Markets (Cayman) Ltd	3,048,808
Jose Misrahi	1,087,308
Portland Fund II Co-invest Partnership	680,280
General Accident Insurance Co	612,721
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	-	129,958,556
Thomas Agnew	-	-
Douglas Hewson	-	42,227,763
Ricardo Hutchinson	-	42,227,763
Edward Ince	-	-
Jose Misrahi	1,087,308	-
Pedro Paris Coronado	5,485,214	-
Patrick A. W. Scott	-	45,164,017
Melanie M. Subratie	-	129,958,556
Blondell Walker	-	45,164,017
Brian Wynter	-	-

Shareholdings of Executives

Pedro Paris Coronado	5,485,214
Jose Guillermo Rodriguez Perdomo	363,600
Marco Antonio Almendarez Cisneros	363,600
Christian Asdrubal Sanchez Mena	254,500
Leonardo Jesus Velasquez Foucault	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