MAILPAC GROUP LIMITED

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

MAILPAC GROUP LIMITED
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

CONTENTS

CrichtonMullings
& ASSOCIATES

Rohan Crichton, CPA, CA, MAcc
senior partner
Leary C. Mullings, CPA, CA, MBA
senior partner

Chartered Accountants
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the members of
MAILPAC GROUP LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mailpac Group Limited (the "Company"), which is comprised of the statement of financial position as at December 31, 2020, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Jamaican Companies Act (the "Act").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements section of our report*. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

No key audit matters were identified that required disclosure during the process of the audit.

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To the members of
MAILPAC GROUP LIMITED

Other Information

Management is responsible for the other information. The other information comprises information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company, or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditor's report. This description, which is located at page 4, forms part of our auditor's report.

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To the members of
MAILPAC GROUP LIMITED

Report on additional matters as required by the Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Act, in the manner required.

The engagement partner on the audit resulting in this independent auditor's report is Rohan Crichton.

CrichtonMullings & Associates
Chartered Accountants

Kingston, Jamaica
March 29, 2021

Independent Auditor's Report (cont'd)

To the members of
MAILPAC GROUP LIMITED

Appendix to the Independent Auditor's Report

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

MAILPAC GROUP LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	Note	Year Ended December 31, 2020 $	Three Months Period Ended December 31, 2019 $
ASSETS			
Non-current Assets			
Property, plant and equipment	5	57,695,793	32,647,727
Right of use assets	6	13,527,213	12,455,805
Intangible assets	7	242,279,656	244,119,131
Total non-current assets		313,502,662	289,222,663
Current Assets			
Due from related companies	8	723,130	13,130
Trade and other receivables	9	56,043,025	49,094,610
Other asset		128,866	-
Cash and bank balances	10	283,988,978	106,521,716
Total current assets		340,883,999	155,629,456
TOTAL ASSETS		654,386,661	444,852,119
EQUITY AND LIABILITIES			
Equity			
Share capital	11	267,356,112	267,356,112
Retained earnings		304,362,121	86,284,771
Total equity		571,718,233	353,640,883
Non-current Liabilities			
Lease liabilities	6	7,937,630	6,400,312
Deferred tax liability	12	502,041	530,254
Total non-current liabilities		8,439,671	6,930,566
Current Liabilities			
Lease liabilities	6	6,009,495	6,027,717
Trade and other payables	13	60,567,270	50,159,712
Loan payable	14	-	15,327,109
Due to director	15	-	1,419,195
Due to related companies	16	7,651,992	1,385,242
Taxation payable	17	-	9,961,695
Total current liabilities		74,228,757	84,280,670
TOTAL EQUITY AND LIABILITIES		654,386,661	444,852,119

The financial statements on pages 5 to 35 were approved for issue by the Board of Directors on March 29, 2021 and signed on its behalf by:

Director

Director

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2020

	Note	Year ended December 31, 2020 $	Three Months Period ended December 31, 2019 $	
Revenues	4	1,726,239,428	362,267,318	*
Cost of sales	18	906,719,764	165,264,708	
Gross profit		819,519,664	197,002,610	
Selling and distribution costs	19	53,891,610	14,744,088	
Administrative and general expenses	20	286,219,745	72,657,009	
		340,111,355	87,401,097	
Operating profit	21	479,408,309	109,601,513	
Other income	22	7,367,603	3,710	*
		486,775,912	109,605,223	
Finance and policy costs	23	43,726,775	12,828,503	
Profit before taxation		443,049,137	96,776,720	
Taxation credit / (charge)	24	28,213	(10,491,949)	
Net profit, being total comprehensive income for the year / period		443,077,350	86,284,771	
Earnings per share unit for profit attributable to the equity holders of the company during the year / period	25	0.18	0.04	

-Restated to conform to current year presentation

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2020

	Share Capital $	Retained Earnings $	Total $
Balance at October 1, 2019	27,395,000	-	27,395,000
Issue of shares, net of transaction cost	239,961,112	-	239,961,112
Net profit, being total comprehensive income for the period	-	86,284,771	86,284,771
Balance at December 31, 2019	267,356,112	86,284,771	353,640,883
Transaction with owners:			
Dividends (see note 28)	-	(225,000,000)	(225,000,000)
Net profit, being total comprehensive income for the year	-	443,077,350	443,077,350
Balance at December 31, 2020	**267,356,112**	**304,362,121**	**571,718,233**

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

	Year ended December 31, 2020 $	Three Months Period ended December 31, 2019 $	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year / period	443,077,350	86,284,771	
Adjustments for items not affecting cash resources:			
Depreciation and amortization	4,227,531	894,301	*
Depreciation right of use assets	10,086,388	1,399,473	*
Interest expense on right of use assets	1,484,726	321,817	*
Unrealized foreign currency gain	(61,200)	-	
Realized foreign currency gain	(4,455,845)	-	
Taxation expense	-	9,961,695	
Deferred taxation	(28,213)	530,254	
	454,330,737	99,392,311	
(Increase) / decrease in operating assets:			
Due from related companies	(710,000)	(13,130)	
Other assets	(128,866)	-	
Trade and other receivables	(6,948,415)	(49,094,610)	
Increase in operating liabilities:			
Trade and other payables	14,731,546	50,159,712	
Cash flows provided by operating activities	461,275,002	100,444,283	
Taxation paid	(9,961,695)	-	
Net cash provided by operating activities	451,313,307	100,444,283	
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of intangible assets	-	(244,579,000)	
Cost of work-in-progress	(18,488,447)	-	
Acquisition of property, plant and equipment	(8,947,675)	(33,082,159)	*
Net cash used in investing activities	(27,436,122)	(277,661,159)	
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares	-	267,356,112	
Dividends paid	(224,868,143)	-	
Proceed from loan	-	280,476,920	
Loan repayment to related parties	(15,327,109)	(265,149,811)	
Loan from related parties	6,266,750	1,385,242	
Loan repaid to director	(1,419,195)	1,419,195	
Lease liabilities, net	(11,161,368)	(1,749,066)	*
Net cash (used in) / provided by financing activities	(246,509,065)	283,738,592	
NET INCREASE IN CASH AND BANK BALANCES	177,368,120	106,521,716	
CASH AND BANK BALANCES - Beginning of the year / period	106,521,716	-	
Effects of movements on foreign currency bank balances	99,142	-	
CASH AND BANK BALANCES - End of the year / period	283,988,978	106,521,716	

-Restated to conform to current year presentation

The accompanying notes form an integral part of the financial statements

1. IDENTIFICATION

Mailpac Group Limited (the "Company") is a limited liability company incorporated in Jamaica on September 19, 2019, under the Jamaican Companies Act (the "Act").

The Company is domiciled in Jamaica with its registered office at 109 Old Hope Road, Kingston 6.

The operations of Mailpac Group Limited were previously undertaken by two separate entities, Mailpac Services Limited and Mailpac Local Limited. On September 30, 2019, the net assets of these two entities were purchased by Mailpac Group Limited. In addition, Mailpac Group Limited acquired the long-term liabilities of Mailpac Services Limited.

Mailpac Group Limited became publicly listed on the Junior Market of the Jamaica Stock Exchange on December 4, 2019. Consequently, the Company is entitled to a 100% remission of income taxes for the first five (5) years and 50% remission for the next five (5) years thereafter, providing that the Company complies with the requirements of the Jamaica Stock Exchange Junior Market.

The principal activities of the Company are to provide international and domestic courier and mail order services, as well as online shopping of a variety of food, beverages and other household supplies.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of compliance:

The Company's financial statements for the year ended December 31, 2020 have been prepared in accordance and comply with International Financial Reporting Standards ("IFRS") and the relevant requirements of the Act.

The financial statements have been prepared under the historical cost convention and are expressed in Jamaican dollars, unless otherwise indicated.

The preparation of financial statements in conformity with IFRS and the Act requires management accounting estimates are recognized in the period in which the estimate is revised, if the revision date of the financial statements and the reported amounts of revenues and expenses for the year then ended. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods, if the revision affects both current and future periods.

There are no significant assumptions and judgements applied in these financial statements that carry a risk of material adjustment in the next financial year.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(b) Changes in accounting standards and interpretations:

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Company has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following interpretations and amendments are relevant to its operations:

- IAS 1 *'Presentation of Financial Statements - Amendment',* issued October 2018. Effective for periods commencing on or after 1 January 2020

- *IAS 8 'Changes in Accounting Estimates and Errors - Amendment', issued October 2018. Effective for periods commencing on or after 1 January 2020*

- IFRS 9 'Financial Instruments - Amendment', issued September 2019. Effective for periods commencing on or after 1 January 2020

- *IFRS 16 'Leases - Covid-19-Related Rent Concessions Amendment', issued May 2020*
  Effective for periods commencing on or after 1 June 2020

- Amendments to References to Conceptual Framework in IFRS Standards is effective retrospectively for annual reporting periods beginning on or after January 01, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

  The main change relates to how and when assets and liabilities are recognized and de-recognized in the financial statements:

  - New 'bundle of rights' approach to assets will mean that an entity may recognize a right to use an asset rather than the asset itself;

  - A liability will be recognized if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.

  - A new control-based approach to de-recognition will allow an entity to de-recognize an asset when it loses control over all or part of it; as the focus will no longer be on the transfer of risks and rewards.

The following new standards, amendments and interpretations, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Company's future financial statements:

- *IAS 1 Classification of Liabilities as Current or Non-Current - Amendment', issued January 2020*
  Effective for periods commencing on or after 1 January 2023

- *IAS 16 Property, Plant and Equipment - Proceeds before Intended Use - Amendment', issued May 2020*

  Effective for periods commencing on or after 1 January 2022

The Board of directors anticipate that the adoption of the standards, amendments and interpretations, which are relevant to the Company in future periods is unlikely to have any material impact on the financial statements.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(c) Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, as well as estimates, based on assumptions, that affect the application of accounting policies, and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts may differ from these estimates.

The estimates, and the assumptions underlying them, are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of International Financial Reporting Standards (IFRS) that have a significant effect on the financial statements and estimates with material uncertainty that have a significant effect on amounts in the financial statements or that have a significant risk of material adjustment in the next financial year are set out below:

(i) Critical accounting judgements in applying the Company’s accounting policies

For the purpose of these financial statements, prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the principles set out in IFRS.

(a) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

(b) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

(c) Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(c) Use of estimates and judgements (cont'd)

(i) Critical accounting judgements in applying the Company's accounting policies (Cont'd)

(d) Allowance for expected credit losses (ECL) on trade receivables

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also makes estimates of the likely estimated future cash flows of impaired receivables, as well as the timing of such cash flows recoverable on the financial assets in determining loss given default. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

(ii) Key assumptions and other sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

(a) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. The company's equities are the only financial instrument that is carried at fair value, also where fair value of financial instruments approximates carrying value, no fair value computation is done.

IFRS requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The classification of an item into the above level is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

The fair values of financial instruments that are not traded in an active market are deemed to be determined as follows:

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(c) Use of estimates and judgements (cont'd)

(ii) Key assumptions and other sources of estimation uncertainty (cont'd)

(a) Fair value estimation (Cont'd)

- The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances, loan, trade and other payables, due to director and related parties.
- The carrying values of long-term liabilities approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

(b) Allowance for expected credit losses

The Company establishes a provision matrix to calculate ECLs for trade receivables. The provision matrix is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The determination of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of the ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

(c) Estimating the incremental borrowing rate for leases

If the company cannot readily determine the interest rate implicit in the lease, an incremental borrowing rate is used to measure lease liabilities. The incremental borrowing rate is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate reflects what the company would have to pay, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Company estimates the incremental borrowing rate using available market interest rates.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

All property, plant and equipment held for use in the supply of goods or services, or for administrative purposes, are recorded at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the Company and its cost can be reliably measured.

The cost of day-to-day servicing of property, plant and equipment is recognized in the statement of comprehensive income as incurred.

With the exception of freehold land, on which no depreciation is provided, property, plant and equipment are depreciated on the reducing balance basis over the estimated useful lives of such assets. The rates of depreciation in use are:

Motor vehicles	20%
Computers	20%
Machinery and equipment	10%
Furniture and fixtures	10%
Leasehold improvements	2.5%

(b) Intangible assets

Intangible assets which represent goodwill, contracts rights with vendors, customers, tradenames, intellectual property rights, telephone numbers are deemed to have an infinite life. These assets are carried at fair value. The Company determines when intangible assets are impaired at least on an annual basis or when events or circumstances indicates that the carrying value may be impaired. Intangible assets, except for goodwill, are amortized over the estimated useful lives of the assets of forty (40) years.

(c) Leases

A contract is, or contains, a lease if it conveys the right of use/control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

Leases are recognized as assets and liabilities unless the lease term is 12 months or less or the underlying asset has a low value of less than US$5,000 or its Jamaica dollar equivalent. The Company applies the short-term lease recognition exemption to its short-term leases (that is, those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term. The right-of-use asset is initially measured at cost, at the lease commencement date, i.e., the date at which the underlying asset is available for use by the Company. The right-of-use asset is depreciated on a straight-line basis over the remaining lease term.

Lease liability

The lease liability is initially measured at the present value of lease payments to be made over the lease term. The present value of lease payments, uses an incremental borrowing rate at the commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate corresponds to the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment, with similar terms and conditions

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Trade and other receivables

Trade and other receivables are stated at amortized cost less any impairment losses, if any.

(e) Related party identification

A party is related to the Company if:

(i) directly or indirectly the party:

- controls, is controlled by, or is under common control with the Company;
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company.

(ii) the party is an associate of the Company

(iii) the party is a joint venture in which the Company is a venturer;

(iv) the party is a member of the key management personnel of the Company

(v) the party is a close member of the family of an individual referred to in (i) or (iv) above

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant coting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v) above.

(vii) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any company that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(f) Cash and bank balances

Cash and bank comprises cash in hand and with banks.

(g) Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(h) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

(i) Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

(i) Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustments to income tax payable in respect of previous period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Taxation (cont'd)

(ii) Deferred income tax

Deferred income tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(j) Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the Company operates (its functional currency). In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are included in the statement of comprehensive income for the period.

(k) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is recognized when control of goods passes to the customer, as contractual performance obligations are fulfilled.

(l) Impairment

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (Cont'd)

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

(m) Financial instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets and liabilities are recognized on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss where such costs are recognized immediately in profit or loss), as appropriate, on initial recognition. In these financial statements, financial assets comprise cash and bank balances, trade and other receivables and related party receivables. Financial liabilities comprise trade and other receivables and related party balances.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cashflows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of other business model and measured at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial instruments (cont'd)

Financial assets (cont'd)

Subsequent measurement
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortised cost includes trade and other receivables, due from related parties and cash and bank balances.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

Impairment

The Company recognizes an allowance for expected credit losses (ECLs) on the financial instruments measured at amortized cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12- month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For financial assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial instruments (cont'd)

Financial assets (cont'd)

Impairment (cont'd)

The Company considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

The Company's financial liabilities, comprising loans and accounts payable, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

(n) Employee benefits

Employee benefits are all forms of consideration given by the Company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, statutory contributions, vacation leave, non-monetary benefits such as medical care; post-employment benefits such as pensions; and other long term employee benefits such as termination benefits. Employee benefits that are earned as a result of past or current service are recognized in the following manner:

- Short-term employee benefits are recognized as a liability, net of payments made, and charged to expense. The expected cost of vacation leave that accumulates is recognized when the employee becomes entitled to the leave.

(o) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets is substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Dividends

Dividends on ordinary shares are recognized in shareholders equity in the period in which they are approved by the Board of Directors.

(r) Comparative information

Where necessary, comparative figures have been reclassified and or restated to conform to changes in the current year.

4. REVENUES

Revenues represent the value of goods and services sold to third parties, excluding discounts, rebates and general consumption tax. Revenue is earned from the provision of local and international courier and mail order services as well as from the sale of food beverages and household supplies from its online platform.

5. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvement	Furniture and Fixtures	Machinery and Equipment	Motor Vehicles	Work-in Progress	Total
At Cost/Valuation:						
Balance as at October 1, 2019	24,485,752	1,324,500	2,092,898	2,120,144	-	30,023,294
Additions	2,949,936	108,929	-	-	-	3,058,865
Balance as at December 31, 2019	27,435,688	1,433,429	2,092,898	2,120,144	-	33,082,159
Additions	1,122,727	2,264,237	2,063,118	3,497,593	18,488,447	27,436,122
Balance as at December 31, 2020	28,558,415	3,697,666	4,156,016	5,617,737	18,488,447	60,518,281
Accumulated Depreciation:						
Balance as at October 1, 2019	-	-	-	-	-	-
Charge for the period	160,211	33,113	81,697	159,411	-	434,432
Balance as at December 31, 2019	160,211	33,113	81,697	159,411	-	434,432
Charge for the year	695,660	192,763	621,086	878,547	-	2,388,056
Balance as at December 31, 2020	855,871	225,876	702,783	1,037,958	-	2,822,488
Net book value:						
At December 31, 2020	27,702,544	3,471,790	3,453,233	4,579,779	18,488,447	57,695,793
At December 31, 2019	27,275,477	1,400,316	2,011,201	1,960,733	-	32,647,727

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

6. RIGHT OF USE ASSETS / LEASE LIABILITIES

	Total Office Building $
At Valuation	
Balance at October 1, 2019	-
Additions	13,855,278
Balance at December 31, 2019	13,855,278
Additions	11,157,796
Balance at December 31, 2020	25,013,074
Depreciation charge of right-of use asset	
Balance at October 1, 2019	-
Charge for the period	1,399,473
Balance at December 31, 2019	1,399,473
Charge for the year	10,086,388
Balance at December 31, 2020	11,485,861
Net Book Value	
Balance at December 31, 2020	13,527,213
Balance at December 31, 2019	12,455,805

6. RIGHT OF USE ASSETS / LEASE LIABILITIES (Cont'd)

Lease Liability:

	Year ended December 31, 2020	Three Months Period ended December 31, 2019
	$	$
Non-current lease liability	7,937,630	6,400,312
Current lease liability	6,009,495	6,027,717
	13,947,125	12,428,029

7. INTANGIBLE ASSETS

As at September 30, 2019, Mailpac Group Limited acquired the net assets of Mailpac Local Limited and Mailpac Services Limited. Mailpac Group Limited also acquired the long-term liabilities of Mailpac Services Limited. Goodwill acquired on this acquisition was approximately $171 million. Intangible assets are carried at amortized cost and depreciated over a 40-year useful life and consist of customer contracts, lists of existing customers and other intangibles.

	Goodwill	**Intangible Assets**	**Total**
Cost:	**$**	**$**	**$**
Balance as at October 1, 2019	171,000,000	73,579,000	244,579,000
Additions	-	-	-
Balance as at December 31, 2019	171,000,000	73,579,000	244,579,000
Additions	-	-	-
Balance as at December 31, 2020	171,000,000	73,579,000	244,579,000
Amortization charge of intangible asset			
Balance at October 1, 2019	-	-	-
Charge for the period	-	459,869	459,869
Balance at December 31, 2019	-	459,869	459,869
Charge for the year	-	1,839,475	1,839,475
Balance at December 31, 2020	-	2,299,344	2,299,344
At December 31, 2020	171,000,000	71,279,656	242,279,656
At December 31, 2019	171,000,000	73,119,131	244,119,131

8. DUE FROM RELATED COMPANIES

	Year ended December 31, 2020	Three Months Period ended December 31, 2019
	$	$
Express Fitness	710,000	-
Norbrook Water Company	13,130	13,130
	723,130	13,130

These represent advances to related companies, which are unsecured, interest free and have no fixed repayment date.

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

9. TRADE AND OTHER RECEIVABLES

Trade receivable materially represents balance due on credit sales.

	Year ended December 31, 2020	Three Months Period ended December 31, 2019
	$	$
Trade receivables	43,914,766	48,743,827
Less: expected credit loss provision	(5,077,603)	(4,148,958)
Net trade receivables	38,837,163	44,594,869
Deposits	1,751,475	1,635,075
Prepayments	7,069,856	2,495,256
Other receivables	8,384,531	369,410
	56,043,025	49,094,610

10. CASH AND BANK BALANCES

	Year ended December 31, 2020	Three Months Period ended December 31, 2019
	$	$
Current accounts	283,192,913	106,380,659
Cash in hand	796,065	141,057
	283,988,978	106,521,716

11. SHARE CAPITAL

	Year ended December 31, 2020	Three Months Period ended December 31, 2019
	$	$
Authorized share capital:		
No maximum share capital		
Issued and fully paid:		
2,250,000,000 ordinary shares of no par value	27,395,000	27,395,000
250,000,000 ordinary shares of no par value	250,000,000	250,000,000
Less: transaction costs of share issue	(10,038,888)	(10,038,888)
	267,356,112	267,356,112

(a) The issued share capital of the Company was increased to 2,250,000,000 shares prior to the initial public offering ("IPO"). An additional 250,000,000 new shares were offered to the general public in the IPO on December 4, 2019.

(b) The proceeds of the sale of the 250,000,0000 shares issued to the general public in December 2019 amounted to $250,000,000 less transaction cost of $10,038,888.

12. DEFERRED TAX LIABILITY

Certain deferred tax assets and liabilities have been offset in accordance with International Accounting Standard ("IAS") 12. IAS 12 permits the offsetting of deferred tax assets and liabilities if the entity has a legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same tax authority on the same entity.

	Year ended December 31, 2020	Three Months Period ended December 31, 2019
	$	$
Deferred tax liability	502,041	530,254

Deferred tax liability is attributable to the following:

	Year ended December 31, 2020	Three Months Period ended December 31, 2019
	$	$
Property, plant and equipment	477,255	371,895
Cash and bank balances	24,786	158,359
	502,041	530,254

The movement during the year / period in the Company's deferred tax position was as follows:

	Year ended December 31, 2020	Three Months Period ended December 31, 2019
	$	$
Balance at the beginning of the year / period	530,254	-
Movement during the year / period	(28,213)	530,254
Balance at the end of the year / period	502,041	530,254

13. TRADE AND OTHER PAYABLES

	Year ended December 31, 2020	Three Months Period ended December 31, 2019
	$	$
Trade payables	50,115,463	35,812,374
Statutory liabilities	4,505,311	4,234,276
GCT payable	536,830	151,384
Accruals	3,380,168	6,317,734
Dividend payable	131,857	-
Other payables	1,897,641	3,643,944
	60,567,270	50,159,712

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

14. LOAN PAYABLE

	Year ended December 31, 2020	Three Months Period ended December 31, 2019
	$	$
Loan at the beginning of the year / period (i)	15,327,109	262,698,000
Loan during the year / period (ii)	-	17,778,920
	15,327,109	280,476,920
Loan repayment	(15,327,109)	(265,149,811)
Loan balance	-	15,327,109

(i) On September 30, 2019, the Company secured loan of $262m payable to Norbrook Equity Partners, which represents Mailpac Services Ltd long-term liability at acquisition. This loan is interest free and matures on March 31, 2020.

(ii) This represents payments made on the Company's behalf to finance the Initial Public Offering expenses and advances received during the period. These represent advances from related companies, which are unsecured, interest free and have no fixed date of repayment.

15. DUE TO DIRECTOR

	Year ended December 31, 2020	Three Months Period ended December 31, 2019
	$	$
	-	1,419,195

These amounts are unsecured, interest free and have no fixed repayment date.

16. DUE TO RELATED COMPANIES

	Year ended December 31, 2020	Three Months Period ended December 31, 2019
	$	$
Norbrook Home Delivery	66,026	-
Norbrook Trucking Solution Limited	5,450,571	-
Norbrook Equity Partners	2,135,395	-
Norbrook Ice & Beverage	-	91,250
Mailpac Local Ltd	-	608,964
Mailpac Services Ltd	-	685,028
	7,651,992	1,385,242

These amounts are unsecured, interest free and have no fixed repayment date.

17. TAXATION PAYABLE

Taxation payable is based on profits for the year / period, adjusted for taxation purposes, subject to the agreement of the Taxpayer Audit and Assessment Department, and is calculated at 25%.

	Year ended December 31, 2020 $	Three Months Period ended December 31, 2019 $
Taxation payable:		
Income tax payable at beginning of year / period	9,961,695	-
Tax liability for the current year / period	-	9,961,695
Balance at end of the year / period	9,961,695	9,961,695
Less: payments made during the year / period	(9,961,695)	-
Taxation payable at the end of the year / period	-	9,961,695

18. COST OF SALES

	Year ended December 31, 2020 $	Three Months Period ended December 31, 2019 $
Freight and brokerage	582,718,913	112,189,146
Delivery	25,755,823	6,066,332
Damaged claims	3,052,430	435,785
Packaging material	3,623,375	509,605
On-line orders	291,569,223	46,063,840
	906,719,764	165,264,708

19. SELLING AND DISTRIBUTION COSTS

	Year ended December 31, 2020 $	Three Months Period ended December 31, 2019 $
Advertising	33,056,046	10,808,678
Customer welfare	1,873,492	-
Delivery	1,200,159	95,700
Commission fees	4,188,388	749,263
Travel and entertainment	13,573,525	3,090,447
	53,891,610	14,744,088

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

20. ADMINISTRATIVE AND GENERAL EXPENSES

	Year ended December 31, 2020 $	Three Months Period ended December 31, 2019 $
Audit fees	2,500,000	2,500,000
Directors' emoluments	900,000	9,894,743
Utilities	12,593,973	2,882,726
Insurance	5,718,099	1,368,012
Irrecoverable gct	11,473,024	3,290,859
Legal and professional fees	6,835,179	7,318,370
General office expenses	4,641,608	474,949
Meal and entertainment	561,802	108,086
Accommodation	75,924	-
Management fee	25,000,000	-
Motor vehicle expense	432,965	-
Bad debt	142,240	-
Repairs and maintenance	5,896,296	1,654,912
Staff welfare	11,378,907	4,459,206
Casual labour	15,043,808	4,176,641
Salaries wages and related costs	166,468,393	30,430,449
Security	6,800,832	1,313,766
Subscriptions, sponsorship and donations	1,018,493	966,506
Short term leases	3,358,586	1,022,456
Cleaning and sanitation	5,379,616	795,327
	286,219,745	72,657,009

21. OPERATING PROFIT

	Year ended December 31, 2020 $	Three Months Period ended December 31, 2019 $
	479,408,309	109,601,513
Stated after charging the following:		
Director's remuneration	900,000	9,894,743
Auditor's remuneration	2,500,000	2,500,000

22. OTHER INCOME

	Year ended December 31, 2020 $	Three Months Period ended December 31, 2019 $
Interest income	1,073,697	3,710
Other income	6,293,906	-
	7,367,603	3,710

23. FINANCE AND POLICY COSTS

	Year ended December 31, 2020 $	Three Months Period ended December 31, 2019 $
Bank charges	25,458,674	5,663,481
Expected credit loss provision	6,847,559	4,148,958
Interest expense on right of use assets	1,484,726	321,817
Interest expense	38,055	-
Depreciation	2,388,056	434,432
Depreciation right of use assets	10,086,388	1,399,473
Amortization	1,839,475	459,869
Penalties	100,887	-
Unrealized gain on foreign exchange	(4,329,751)	-
Realized gain on foreign exchange	(5,368,727)	(232,959)
Unrealized loss on foreign exchange	4,268,551	633,432
Realized loss on foreign exchange	912,882	-
	43,726,775	12,828,503

24. TAXATION CREDIT / (CHARGE)

Income tax charge is computed based on the profit for the year / period, however, as a result of the Company's enlistment on the Jamaica Stock Exchange Junior Market effective December 4th, 2019, the Company is entitled to a 100% remission of income tax for the first 5 years and 50% remission for the following 5 years, providing that it adheres to the rules and regulations of the Jamaica Stock Exchange Junior Market. Income tax is computed at 25% of the pre-tax profit for year / period, as adjusted for taxation purposes. Deferred taxation is computed at 25% for the financial year / period based on the applicable income tax rate for unregulated companies with effective date from January 1, 2013. The taxation charge is made up as follows:

	Year ended December 31, 2020 $	Three Months Period ended December 31, 2019 $
Current:		
Provision for charge on profit	-	(9,961,695)
	-	(9,961,695)
Deferred:		
Origination and reversal of temporary differences	28,213	(530,254)
	28,213	(10,491,949)

Reconciliation of effective tax rate and charge:

	Year ended December 31, 2020 $	%	Three Months Period ended December 31, 2019 $	%
Profit before taxation	443,049,137		96,776,720	
Computed tax charge	(110,762,284)	-25%	(24,194,180)	-25%
Employment tax credit	15,998,898	4%	6,315,423	7%
Taxation differences between profit for financial statements and tax reporting purposes on:				
Depreciation and capital allowances	(459,869)	0%	(464,835)	0%
Unrealized foreign exchange gain	148,872	0%	(75,239)	0%
Other Adjustments	(2,571,270)	-1%	(448,564)	0%
Remission of income taxes	97,673,865	22%	8,375,446	9%
Actual tax rate and credit / (charge)	28,213	0%	(10,491,949)	-11%

25. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit after taxation and the weighted average number of shares in issue during the year.

	Year ended December 31, 2020 $	Three Months Period ended December 31, 2019 $
Net profit attributable to shareholders	443,077,350	86,284,771
Weighted average number of shares in issue	2,500,000,000	2,331,521,739
	$ 0.18	$ 0.04

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

26. RELATED PARTIES

(a) The following related party balances are shown separately in the Company's statement of financial position:

	Year ended December 31, 2020	Three Months Period ended December 31, 2019
	$	$
Amounts due from related parties	723,130	13,130
Amounts due to related parties	7,651,992	1,385,242
Loan payable	-	15,327,109

The Company's statement of comprehensive income includes the following transactions, undertaken with related parties in the ordinary course of business:

	Year ended December 31, 2020	Three Months Period ended December 31, 2019
	$	$
(a) Corporate services-Norbrook Equity Partners	24,000,000	6,000,000
(b) Water supply-Norbrook Water Company	1,551,115	-
(c) Package transportation-Norbrook Trucking Solution Limited	110,837,324	-
(d) Office Rental-Norbrook Home Delivery	900,000	-
Transactions with key management personnel:		
Key management compensation	23,083,397	9,956,548

27. STAFF COSTS

The number of employees at the end of the year was as follows:

	Year ended December 31, 2020	Three Months Period ended December 31, 2019
	$	$
Temporary	58	23
Permanent	89	72
	147	95

The aggregate payroll costs for these persons were as follows:

	Year ended December 31, 2020	Three Months Period ended December 31, 2019
	$	$
Salaries and profit related pay	150,498,854	26,111,388
Statutory contributions	15,969,539	4,319,061
	166,468,393	30,430,449

28. DIVIDENDS

The Company declared an interim dividend of 4 cents ($0.04) per share which was paid on July 30, 2020 to shareholders on record at the close of business on July 16, 2020. An additional dividend of 5 cents ($0.05) per share was declared on September 18, 2020 and paid on October 16, 2020 to shareholders on record at the close of business on October 2, 2020.

29. FINANCIAL INSTRUMENTS

Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Cash flow risk

The Board of Directors, together with senior management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company in order to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's principal financial assets are cash and bank deposits, accounts receivable and long-term receivables.

Cash and bank balances

The credit risk on cash and bank deposits is limited as they are held with financial institutions with high credit rating.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer. Management has a credit policy in place to minimize exposure to credit risk. Credit evaluations are performed on all customers requiring credit. Management's policy is to provide for balances based on past default experience, current economic conditions and expected recovery.

The impairment requirements of IFRS 9 are based on an expected credit loss (ECL) model. The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. For trade receivables and contract assets that do not have a financing component, it is a requirement of IFRS 9 to recognize a lifetime expected credit loss. This was achieved in the current year by the development and application of historical data relating to trade receivables and write-offs, as well as forecasting payment probabilities.

The company estimates expected credit losses on trade receivables and receivables from related entities using a provision matrix based on historical credit loss experience as well as the credit risk and expected developments for each group of customers. The following table provides information about the ECL's for trade receivables and receivables from related entities as at 31 December 2020.

	2020		
Aging	Gross Carrying Amount	Weighted Average Loss Rate	Lifetime ECL Allowance
Current	27,080,073	2%	449,983
31-60 days	7,120,782	6%	429,420
61-90 days	3,380,681	13%	453,437
91 days and over	6,333,230	59%	3,744,763
Total	43,914,766		5,077,603

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd):

Trade receivables (cont'd)

Aging	2019 Gross Carrying Amount	Weighted Average Loss Rate	Lifetime ECL Allowance
Current	40,598,660	1%	512,356
31-60 days	3,448,617	16%	555,361
61-90 days	4,644,331	65%	3,029,022
91 days and over	52,219	100%	52,219
Total	48,743,827		4,148,958

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liability when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company. Management aims at maintaining sufficient cash and the availability of funding through an amount of committed facilities. The management maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

The following are the contractual maturities of the non-derivative financial liabilities, including interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flow	Less than 1 year	More than 1 year
Year ended December 31, 2020				
Lease liabilities	13,947,125	13,947,125	6,009,495	7,937,630
Trade and other payables	60,567,270	60,567,270	60,567,270	-
	74,514,395	74,514,395	66,576,765	7,937,630
Three Months Period ended December 31, 2019				
Lease liabilities	12,428,029	12,428,029	6,400,312	6,027,717
Loan payable	15,327,109	15,327,109	15,327,109	-
Trade and other payables	50,151,712	50,151,712	50,151,712	-
	77,906,850	77,906,850	71,879,133	6,027,717

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holding of financial instruments. The objective of market is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd):

(iii) Market risk (cont'd):

Interest rate risk:
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company materially contracts financial liabilities at fixed interest rates for the duration of the term. When utilized, bank overdrafts are subject to fixed interest rates which may be varied by appropriate notice by the lender. At December 31, 2020 and 2019, there were no financial liabilities subject to variable interest rate risk. Interest-bearing financial assets comprises of bank deposits, which have been contracted at fixed interest rates for the duration of their terms.

Fair value sensitivity analysis for fixed rate instruments
The Company does not hold any fixed rate financial assets that are subject to material changes in fair value through profit or loss. Therefore, a change in interest rates at the reporting dates would not affect profit or equity.

Foreign currency risk:
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to significant foreign currency risk, primarily on purchases that are denominated in a currency other than the Jamaican dollar. Such exposures comprise the monetary assets and liabilities of the Company that are not denominated in that currency. The main foreign currency risks of the Company are denominated in United States dollars (US$), which is the principal intervening currency for the Company.

The Company jointly manages foreign exchange exposure by maintaining adequate liquid resources in appropriate currencies and by managing the timing of payments on foreign currency liabilities.

The table below shows the Company's main foreign currency exposure at reporting date.

	Year ended December 31, 2020 US$	Three Months Period ended December 31, 2019 US$	
Cash and bank balances	**228,813**	209,534	
Lease Liabilities	**(94,239)**	(64,064)	*
Net exposure	**134,574**	145,470	

Sensitivity analysis:

A 2% (2019 4%) strengthening of the United States dollar against the Jamaican dollar at December 31, 2020 would have decreased the surplus for the year by $381,037 (2019: $763,293).

-Restated to conform to current year presentation

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd):

(iii) Market risk (cont'd):

Sensitivity analysis (cont'd):

A 6% (2019: 6%) weakening of the United States dollar against the Jamaican dollar at December 31, 2020 would have increase the surplus for the year by $1,143,110 (2019: $1,144,939).

This analysis assumes that all other variables, in particular interest rates, remain constant.

(iv) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate because of changes in market interest rates. The Company manages this risk through budgetary measures, ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

(v) Capital management

The Company's objectives when managing capital are to comply with capital requirements, safeguard the Company's ability to continue as a going concern and to maintain strong capital base to support the development of its business. The Company achieves this by retaining earnings from past profits and by managing the returns on borrowed funds to protect against losses on its core business.