

**MAILPAC**  
GROUP

**ANNUAL REPORT 2021**

**BUILDING**

FOR THE

**FUTURE**

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## MAILPAC VALUES

**CUSTOMER CENTRICITY** – Customers must always be our priority. Focusing on customers and their interests will ensure success for all other stakeholders.

**INNOVATION** – Creativity and change are essential to growth, and we must always be willing to challenge the status quo to make our customers' lives better and simplified.

**INTEGRITY** – Being honest and fair in all our interactions must be the core of who we are and all we do.

**TEAMWORK** – We are only as strong as our individual parts, and we believe that determined people working together can accomplish anything. We are all responsible for the Company's success.

**SERVICE** – We must be extreme in our commitment to service, as serving the needs of our customers and communities is central to our success.

**RESPECT** – Treating others respectfully and remaining true to our mission helps grow trust. Ultimately, trust keeps customers, employees and stakeholders.

**QUALITY AND EFFICIENCY** – We must remain constructively dissatisfied in our pursuit of excellence and ensure the highest level of quality with the greatest efficiency.

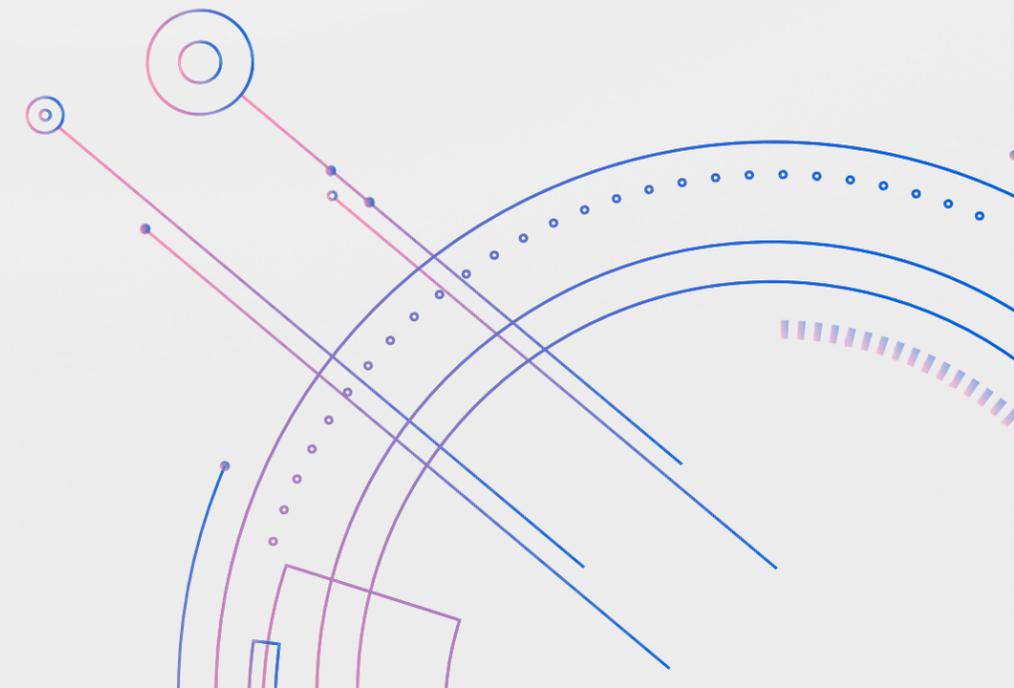
**SUSTAINABILITY** – Long-term prosperity requires our continued commitment to environmental stewardship and social responsibility.

## MAILPAC VISION

To be the Caribbean's most customer-centric company, connecting consumers to a global array of goods and services in the most efficient manner possible.

## MAILPAC MISSION

We strive to better the communities we serve by enabling seamless access to goods, services and opportunities that enhance the lives of our shareholders, customers and employees.





## EXECUTIVE CHAIRMAN'S STATEMENT

### BUILDING FOR THE FUTURE

Coming out of 2020, where we saw significant growth in our business from the impact of the COVID-19 pandemic, Mailpac Group Limited (Mailpac) faced a dichotomy of factors in 2021. While we experienced new growth in our business from consumers who enjoyed the benefits of shopping online for the first time in 2020, we saw a decrease in the utilisation of online shopping as the reopening of international travel and the removal of local movement restrictions caused some consumers to return to their traditional shopping habits.

These short-term fluctuations in the market further solidified our commitment to taking a long-term approach to our business. We believe that online shopping will continue to grow as a meaningful purchasing channel for Caribbean consumers, and we remain focused on positioning Mailpac as the leading provider of technology and logistics required to make online shopping seamless for consumers. In 2021, we invested significantly in broadening our infrastructure and capacity to mitigate future operational and service constraints. The result of this endeavour generated mixed results in the short-term but will lead to long-term value maximisation.

Mailpac realised revenue growth of 5.4% in 2021 ending the year at a record \$1.8 billion in sales. This was mainly driven by the expansion of our store network from 11 to 14 stores, an improvement in our package processing and delivery infrastructure as well as continued momentum from 2020. Gross profit for the year also benefitted from increased volumes and cost rationalisation, coming in at \$891.2 million, which was up 8.7% relative to the previous year.

The expansion of our store network, processing facility and delivery infrastructure increased our operating expenses for the year to \$442.2 million, which was 30% higher than the \$340.1 million incurred in the prior year.

Higher revenue and gross profit were offset by increased operating costs, which resulted in a meaningful profit of \$397.8 million for 2021, though lower than the \$443.1 million generated in 2020. This profitability also drove value to the underlying business as total assets for 2021 ended at \$823.8 million, with \$363.8 million of cash on hand. Shareholders' equity grew to \$694.6 million at the end of the year, inclusive of \$275.0 million in dividends being paid in the year.

We continue to be pleased with the performance of Mailpac as the Company delivered stellar financial returns for shareholders despite meaningful investment in the Company's capabilities and its ability to effectively serve its customers in the future. While Mailpac is now better positioned for long-term growth and sustainability, we do anticipate a slowing of online shopping in the short term as consumers rebound from the pandemic lockdowns with higher-than-normal international travel and in-store shopping experiences. We expect package volumes to settle above pre-pandemic levels in the back half of 2022, which is when Mailpac will fully leverage its new growth infrastructure into a future of online shopping growth and expansion.

We look forward to 2022 and want to thank our dedicated team, our service providers and our customers for their continued support and for a continued future of 'Happy Shopping'.



**Khary Robinson**  
Executive Chairman

## THE COMPANY & SERVICES

Mailpac Group Limited ("MGL", "Mailpac" or the "Company") is one of the leading providers of logistics services in the Caribbean. The Company currently offers e-commerce fulfilment services from the United States to Jamaica (Mailpac Services), cross-border online shopping with local landed prices (Mailpac Marketplace), local online shopping and delivery from local retailers (Mailpac Local), online shopping financing (Mailpac Financial Services), a branded MasterCard for shopping online (The Mailpac Card), sea freight shipping (Mailpac Ocean Freight) and brokerage services. MGL boasts over two decades of combined industry-leading expertise and is operated by seasoned managers and staff that have led and will continue to lead the businesses into the future.

MGL was incorporated on September 19, 2019 to acquire the businesses of Mailpac Services Limited and Mailpac Local Limited, for the purpose of amalgamating both logistics platforms into one operating business. MGL acquired both businesses on September 30, 2019 as going concerns. The acquisition resulted in MGL acquiring all employee contracts, processes, solutions, services, customers, vendors, partners, technologies and assets of Mailpac Services Limited and Mailpac Local Limited.

Shortly thereafter, in December 2019, MGL listed on the Junior Jamaica Stock Exchange. To date, it is the largest listing of its kind, with 5,000 individual investors committing just under \$500 million in capital.

Following its IPO, the Company entered 2020 eager to begin a profitable year and deliver value to its customers and stakeholders. Very quickly, however, the COVID-19 pandemic began to destabilise the world and made its way to Jamaica. Government policies were enacted that restricted mobility, and a general sense of uncertainty and fear swept the public psyche. With the borders shut down and island-wide curfews enforced, Jamaican consumers were now unable to source goods they may have otherwise got from trips abroad or trips to their own grocery store just down the street.

Almost immediately, the demand for online shopping skyrocketed, and Mailpac was there to supply. The customer bases for both Mailpac Services and Mailpac Local swiftly multiplied and order volumes reached record highs. With significant growth in 2020, the Company had to substantially increase its scope and capacity in order to efficiently expand in volume, operating capacity and geography.

With continued momentum in 2021, the Company continued these growth investments to remove any bottlenecks for operational efficiency and long-term sustainability. In addition to the expansion of processing facilities, processing teams, vehicles and drivers, Mailpac also added four new locations. The Company proudly serves customer across these fourteen stores:

<p><b>Headquarters</b> 109 Old Hope Road Kingston 6</p>	<p><b>Manor Park</b> Shop #9 Lower Manor Park Plaza</p>
<p><b>Downtown Kingston</b> 72 Harbour Street Kingston</p>	<p><b>New Kingston</b> 12 Altamont Terrace Kingston 5</p>
<p><b>Harbour View</b> Harbour View Shopping Centre , Shop #42 Harbour View Kingston 17</p>	<p><b>Spanish Town</b> c/o La Vega Pharmacy Shop #9, St. Jago Plaza Spanish Town Saint Catherine</p>
<p><b>Portmore</b> Portmore Mall Shop 3B, Portmore Saint Catherine</p>	<p><b>May Pen</b> Glenmuir Business Centre Shop #23 55 Manchester Avenue May Pen, Clarendon</p>
<p><b>May Pen</b> B&amp;J Mall 44 Main Street May Pen Clarendon</p>	<p><b>Montego Bay</b> Fairview Shopping Centre Shop #11 Montego Bay Saint James</p>
<p><b>Whitter Village</b> Shop CU6 (Space C21) 1091 Morgan Road Montego Bay Saint James</p>	<p><b>Ocho Rios</b> Shop #12 Eight Rivers Town Centre, Bypass Road Ocho Rios, Saint Ann</p>
<p><b>Mandeville</b> Shop #7 Superior Plaxa 11 Caledonia Road Mandeville, Manchester</p>	<p><b>Savanna La Mar</b> Wes J's Uptown Mall #2 Shop 11 10 Barracks Road Savanna La Mar Westmoreland</p>



Mailpac held its first Annual General Meeting on August 25, 2021 in a fully virtual format during the height of COVID-19 lockdowns.

**E-COMMERCE FULFILMENT**

**MAILPAC.COM**

Mailpac Group Limited offers expertise in e-commerce fulfilment in Jamaica through its technologically advanced fulfilment platforms for anyone seeking to enjoy the options, convenience and savings of shopping online.

Mailpac's core offering provides clients with a physical address in Miami, Florida where they can receive all goods purchased from international providers (typically online stores such as Amazon and eBay). These goods are received by Mailpac at a 55,000 square foot, state-of-the-art warehouse facility in Miami operated by Aeropost on behalf of all partners in the Aeropost Network. The goods received are then processed, TSA-inspected, consolidated and flown to Jamaica with third-party cargo airlines. Once the goods arrive in Jamaica, Mailpac then clears all goods through customs, processes the packages and delivers them to the customers at their homes or businesses or, alternatively, customers may collect packages at any of the Company's fourteen stores island wide. This entire process utilises a significant technology and infrastructure, creating a time and cost-efficient solution for customers.

Mailpac is the exclusive agent of Aeropost in Jamaica. Aeropost provides Mailpac with the technology and infrastructure to support all its parcel processing in Miami. Aeropost's infrastructure provides similar support services for thirty-nine (39) country agents, many of which are owned and operated in part or in whole by Aeropost. This 'co-op model' has allowed Aeropost and its partners to benefit from the scale, buying power and negotiating leverage that comes with being one of the largest e-commerce fulfilment providers in the region with over 1,000,000 customers in the Caribbean and Latin America.

Aeropost leverages these economies of scale and its access to significant resources to develop market leading technology and logistics solutions that allow all agents in the network to provide superior solutions for their clients. Consequently, Mailpac boasts unique e-commerce fulfilment capabilities in Jamaica by offering an amalgamation of services and solutions, including:



-  **Fourteen island-wide locations and home delivery.**
-  **A tax-free address for all purchases, saving clients 7% on all purchases.**
-  **Free returns on all purchases shipped through Mailpac.**
-  **Instant and guaranteed landed prices (including duty) through a patented pricing tool.**
-  **Full integration with all leading couriers for immediate package recognition and tracking.**
-  **API data integration with the largest e-commerce providers, including Amazon and eBay.**
-  **One-click pre-alerting of packages (sending invoice to customs) on all major shopping sites.**
-  **Instant approval financing on all purchases for qualified clients.**
-  **An instant approval prepaid MasterCard for shopping online.**
-  **Online payment so customers can use their credit cards online to pay for packages ahead of delivery or collection in designated lines.**
-  **Mailpac Lockers which expedite package pick-up at high trafficked locations.**

## ONLINE SHOPPING - MAILPAC MARKETPLACE



While Mailpac's core business is to provide logistics services to online shoppers, the Company also allows the consumer market to take advantage of the benefits of shopping online even if they (i) they do not know if shopping online is within their budget given that the duty and shipping costs are provided after they have committed to buying an item, and (ii) they do not have an international credit card to pay for the item. More specifically, the members of the Aeropost Network worked together to develop an exclusive landed price tool to resolve those two specific issues that hinder broader acceptance of online shopping in the region.

**The application (called "Mailpac Marketplace") provides Mailpac customers with several ways to shop online including:**

- 1** An app for smart devices that allows the consumer to shop on various leading international online stores with local landed prices. (i.e. the prices seen include shipping and duty denominated in Jamaican dollars so that the consumer knows exactly what it will cost to receive the item in Jamaica).
- 2** A web browser plugin which allows the consumer to shop on various US websites and see local landed prices as set out above.
- 3** An app that allows customers to pre-alert (the process of electronically sending invoices to customs for clearance purposes) and track items automatically from websites such as Amazon and eBay.
- 4** Direct purchase of items on Aeropost's own e-store.

The Mailpac Marketplace has been the fastest growing segment of the Mailpac Services business line (up over 60% year-over-year) and has been an ideal tool for acquiring new customers, allowing them to gain comfort with the idea of shopping online before they start to do it themselves.

## LOCAL ONLINE SHOPPING AND E-COMMERCE FULFILMENT



Launched in 2016 and rebranded in 2018, Mailpac Local is an online shopping platform that uniquely connects local suppliers to consumers. The platform allows Jamaican consumers to receive same day and next day delivery of all goods sold at local retailers such as PriceSmart, Hi-Lo Food Stores and The Stationery Centre.

Modelled from online grocery companies such as Amazon Fresh and Instacart, Mailpac Local uses the latest in 'aisle shopping technology' to make it quick and easy for shoppers to virtually browse the aisles of a store, fill a shopping cart with goods, and have them delivered to their doorsteps shortly thereafter. The platform also allows users to "save" their most recent shopping cart so that re-ordering is easier. In addition, every online shopper is paired with a personal in-store concierge who will call the client to clarify their order or make changes where required. The service also includes island-wide delivery and online payment.

On top of the platform's convenience and ease of use, Mailpac Local guarantees the lowest prices in the market through its price-matching policy. If customers find products cheaper with any other vendor, Mailpac Local will match or beat the comparative price.

In 2021, Mailpac Local started several initiatives to further efforts of increasing efficiency and enhancing the customer experience. The platform partnered with a new, local distributor, allowing the Company to source products at wholesale prices, keep pricing competitive, and increase its margins. Beyond sourcing, the Company also began developing its own software to create the most integrated and seamless platform for its customers.



## Khary Robinson - Executive Chairman

Khary Robinson is the Executive Chairman of Norbrook Equity Partners ("NEP"), a holding company that acquires and operates privately owned businesses in emerging and niche markets.

Today, NEP owns and operates twenty companies in the Caribbean. These businesses are very diversified in terms of industry and scope and include the local leader in e-commerce fulfilment (Mailpac), the largest private transaction processing company in Jamaica (ePay), the island's largest health and wellness platform (Express Fitness), Jamaica's leading player in ice manufacturing and distribution (Pure National Limited), the leader in ice manufacturing and distribution and the second largest water provider in the Dominican Republic (Grupo Alaska), the Jamaican arm of the world's largest car rental company (Hertz), a leading multi-service creative hub that offers event production, entertainment, graphic design, communication and digital solutions (SNB Creative Group), Jamaica's fastest growing water provider (JamAgua) and several other industry leading platforms in Jamaica.

On founding NEP in 2008, Mr. Robinson was responsible for transaction execution, business development, strategy, finance and operations across the group. In 2016, he moved into his current role of Executive Chairman, where he spends the majority of his time developing and executing group initiatives, either through the identification and execution of new acquisitions, or developing and strategizing growth strategies for the existing portfolio.

Today, Mr. Robinson works closely with the NEP's Group CEO as well as the business managers of each business line to ensure the effective execution of the stated strategy for each company and the group as a whole.

**B O A R D O F  
D I R E C T O R S**

Prior to establishing NEP, Mr. Robinson worked as an investment banker for Goldman Sachs, Citigroup and Bank of America Securities. During his tenure, he analysed various financial markets, companies and acquisition candidates for corporate clients undertaking financing and M&A transactions.

Mr. Robinson studied economics at Georgetown University and graduated with honours, attaining a Bachelor of Science in Finance and Management. There he was awarded with the prestigious Arthur Ashe Student-Athlete award. He received his MBA from the Wharton School in May 2007, with a major in Finance and Entrepreneurial Management. He has also been recognised for his achievements and was awarded the Goldman Sachs Fellowship, the Joseph P. Wharton Fellowship, the Executive Leadership Council Award as well as the Shils-Zeidman Entrepreneurial Fellowship at Wharton. Mr. Robinson is also a member of the Young Presidents Organization (YPO), NextGen network of executives and the Council of Urban Professionals (CUPA).

## Mark Jose Gonzales- Director and Chief Executive Officer

Dr. Mark Gonzales, Chief Executive Officer of Mailpac Group, has led the Company as General Manager and CEO for over 18 years and has over 25 years of impeccable professional experience in e-commerce, international trade, business management, supply chain management, logistics and customs administration.

The origin for his role in the e-commerce and courier industry started with his career at the Jamaica Customs Department. During his tenure there, Dr. Gonzales gained tremendous experience in almost all aspects of customs processes and procedures, equipping him with the knowledge to provide expert advice on customs and trade operations as he moved to Mailpac. His participation in industry training programmes and seminars, both locally and internationally, further honed his expertise in international trade and business administration.

Beyond Dr. Gonzales' role in managing one of the largest international courier services in the region, he also serves on various company boards. Dr. Gonzales is currently the President and Founding Member of the E-Commerce Couriers' Association of Jamaica, a Director on the Board of Directors of GSB Cooperative Credit Union (which later became First Heritage Cooperative Credit Union - FHCCU), a Director on the



Board of Directors of Creative Production and Training Centre Ltd (CPTC) and Governor on the Board of Governors of Media Technology Institute (MTI).

Dr. Gonzales earned his PhD in Business Administration from the Atlantic International University, received his MBA in Business Administration from The University of New Orleans and holds both a BSc and an Associate Degrees in Business Administration. An academic at heart, he is currently pursuing a Law Degree at the University of the West Indies (Mona).

In addition to his passion for the growth and development of the e-commerce industry, Dr. Gonzales' sense of philanthropy, service and volunteerism are expressions of his human spirit. He is a Justice of the Peace, and he has served in various executive capacities, including that of President of the (former) Lay Magistrates' Association of Jamaica, Kingston Chapter. He now serves as Chairman on the Interim Board of the recently established (2021) Justices of the Peace Jamaica (JPJ), Kingston Association. With a curious mind and the zeal for life-long learning, he continues to contribute to the education sector by serving as a Director on the Board of Governors of the Liguanea Preparatory School.

## Garth Pearce – Director

Mr. Pearce currently serves as Chief Executive Officer of Norbrook Equity Partners. In his current role, he is responsible for all areas of the Group and its portfolio companies. This includes all the central support services that Norbrook provides to each of its portfolio companies - Finance, Accounting, Human Resources, Logistics and Administration.

Previously, Mr. Pearce was Manager of Investment Banking for NCB Capital Markets Limited, the investment banking arm of the NCB Group, where he was responsible for deal origination and structuring with a focus on private equity and real estate transactions. He joined NCB Capital Markets in 2013 to lead the firm's regional private equity investment initiative.

Prior to joining NCB, Mr. Pearce was Senior Investment Manager for the Caribbean Investment Fund, L.P., the first pan-Caribbean private equity fund dedicated exclusively to making investments in the CARICOM Region. He also worked with Jamaica Producers Group, where he managed finance and logistics for the Caribbean snack food business.





### **William Craig - Independent, Non- Executive Director**

Mr. William Craig is the Executive Chairman of BCMG Insurance Brokers. He is responsible for providing strategic direction in setting and implementing the company's mandate and strategy. Formerly the CEO of Billy Craig Insurance Brokers, Mr. Craig has worked in the insurance industry for over 25 years after an extensive career in the local banking industry. Under his stewardship as CEO, the revenue of Billy Craig grew by over 300% and stamped his legacy in the journals of the insurance industry.

Mr. Craig brings a wealth of experience to his current roles having held key management positions in Insurance and Banking. He holds a Bachelor of Economics from Clemson University. His vision is to create the kind of insurance broker that is first of its kind in the Caribbean with a forward-thinking team that values excellence in execution and building and maintaining relationships.

Mr. Craig is passionate about transforming people's lives. He has served as Past President of the Jamaica Insurance Brokers Association (JIBA), Director of the Montego Bay Chamber of Commerce (MBCC) and Past Director of the Cornwall Regional Hospital. He currently serves on the Boards of Mailpac Group, Social Core Group and Cargo Handlers Limited and is an active member of the Young Presidents Organization. His passion for education and social causes fuels his dream to ensure that BCMG Insurance Brokers is an organisation that is the #1 insurance broker to work for and serve Jamaica.

### **Tracy-Ann Spence - Independent, Non- Executive Director**

Tracy-Ann Spence is the Chief Operating Officer at NCB Capital Markets Limited, which is the Wealth Management, Asset Management and Investment Banking arm of the NCB Financial Group, Jamaica's largest and most profitable financial institution.



As the Chief Operating Officer at NCB Capital Markets, she has responsibility for the Jamaican operations and has strategic oversight of the Wealth Management, Asset Management and Investment Banking functions.

Ms. Spence has been employed to the NCB Financial Group for over eighteen (18) years and counts a BSc in Applied Mathematics from York University in Toronto, an MBA in Banking and Finance (with distinction) from the University of the West Indies and Project Management Professional (PMP®) Certification from the Project Management Institute among her educational achievements. She is currently pursuing her Doctorate in Business Administration from the Mona School of Business and Management.

She is an avid supporter of life-enhancing opportunities for young people and values her role as a mentor to young adults. She has been a mentor in the Youth Upliftment Through Employment programme and has taught adult literacy with the Adult Learning Centre and Jamaica Foundation for Lifelong Learning.

She enjoys imparting her knowledge and has been able to do this through her position as an adjunct lecturer at the Mona School of Business, University of the West Indies, where she has lectured in Financial Management in the MBA and EMBA programmes. She has also taught at NCB's Corporate Learning Campus in areas such as Portfolio and Investment Management.

Ms. Spence currently sits on the boards of the Jamaica Association for the Deaf, tTech Limited, Mailpac Group Limited and SiFi Studios Limited.



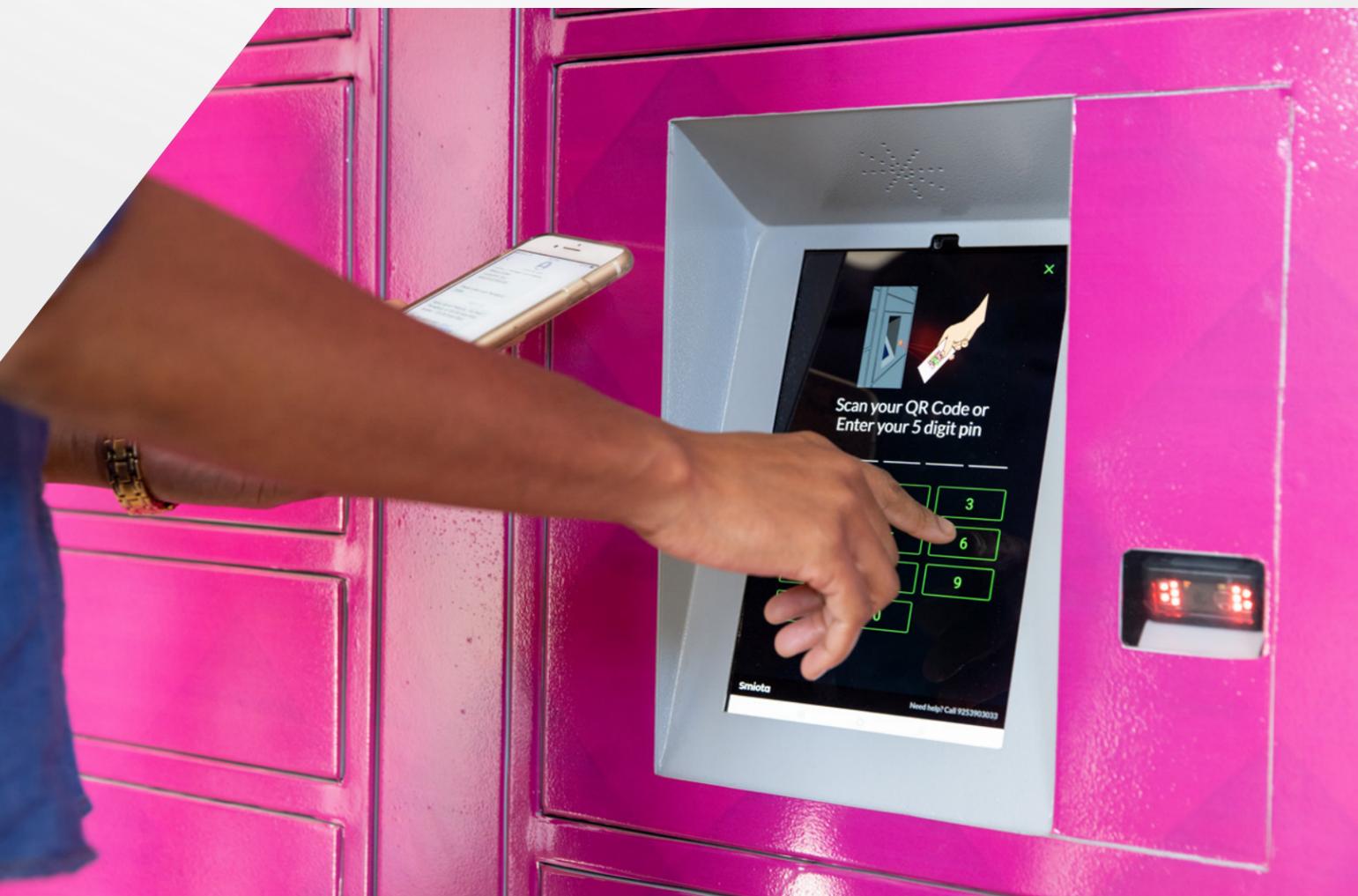
### **Stephen Greig - Company Secretary**

Stephen Greig is the Managing Partner of Mills Bellamy Greig and holds an LL.B degree from the University of the West Indies and a Legal Education Certificate from the Norman Manley Law School.

Mr. Greig's legal practice includes Media, Entertainment, Intellectual Property, Conveyancing, Corporate and Commercial Law, Copyright, Patents and Trademarks. His experience includes that of over nineteen (19) years as in-house Attorney-at-Law and Company Secretary for the RJR Communications Group which involved representation of complex legal issues, company secretarial regulatory duties with the Jamaica Stock Exchange and managing the intellectual property portfolio for the largest media company in the English-speaking Caribbean. His corporate secretarial experience includes Company Secretary for and overseeing all

company secretarial and legal duties for the RJR Communications Group that included: Radio Jamaica Limited, Television Jamaica Limited, Reggae Entertainment Television Limited, Jamaica News Network Limited and Multi-Media Jamaica Limited. He also acted as Company Secretary for the Staff Pension Fund, the Finance Committee and the Audit Committee of Radio Jamaica Limited and Director for Multi-Media Jamaica Limited. He currently sits as Company Secretary for the Mailpac Group, 138 Student Living Ltd, KLE Group and Everything Fresh (listed companies on the Jamaica Stock Exchange), DRT Communications, SiFi Studios (Keez), Coldbush Organics (Mt Pleasant Chocolatiers), Powell Interactive (Quickplate) and the Kiwanis Club of Kingston Police Trust.

Among other associations, Mr. Greig is a member of the Council of the PSOJ, the PSOJ Corporate Governance Committee, the Board of Trustees of the PSOJ Pension Scheme, the Jamaica Bar Association, the Jamaica Bar Association Intellectual Property Committee, the Jamaica Bar Association Telecommunication, Broadcasting & Technology Committee and the Jamaica Film and Television Association (JAFTA). Mr. Greig is a graduate of the Jamaica Stock Exchange/ PSOJ professional development programme, A Director's Guide to Corporate Governance and Leadership.



# DIRECTORS' REPORT

The Directors of Mailpac Group Limited are pleased to present their Report together with the Audited Financial Statements of the Company for the year ended December 31, 2021.

## FINANCIAL HIGHLIGHTS:

	Year Ended (December 2021) \$	Year Ended (December 2020) \$
REVENUES	1,819,782,353	1,726,239,428
GROSS PROFIT	891,199,690	819,519,664
OPERATING EXPENSES	442,241,417	340,111,355
NET INCOME	397,835,670	443,077,350
EARNINGS PER SHARE	0.16	0.18

For the year, the Company recorded total revenue of \$1.8 billion with gross profit of \$891.2 million. Total operating expenses were \$442.2 million, and this includes the costs of our enhanced processing capacity, improved customer service capacity, additional delivery store locations and amplified brand marketing. Net income for the year stood at \$397.8 million.

Total assets at the end of the year were at \$823.8 million, with \$363.8 million of cash on the balance sheet. Shareholder's equity stood at \$694.6 million, this figure being impacted by the \$275.0 million in dividends paid out by the Company in 2021.

## DIRECTORS

The Directors of the Company as at December 31, 2021 are:

**Khary Robinson** – Executive Chairman

**Mark Gonzales** – Executive Director & CEO

**Garth Pearce** - Director

**Tracy-Ann Spence** - Independent, Non-Executive Director

**William Craig** - Independent, Non-Executive Director

## AUDITORS

Crichton Mullings & Associates of 80 Lady Musgrave Road, Kingston 6, St. Andrew, the retiring Auditors, signified their willingness to continue in office and their re-appointment will be proposed at the forthcoming Annual General Meeting.

## DIVIDENDS

Two dividends were paid to Company shareholders of \$0.06 cents per share paid on March 15, 2021 and of \$0.05 cents per share paid on June 15, 2021.



**Khary Robinson**

Executive Chairman, Mailpac Group Limited



**Mark Gonzales -  
Chief Executive Officer (CEO)**

See profile on page 16.

**SENIOR  
MANAGEMENT  
TEAM**



### **Christeen Allen - Chief Financial Officer (CFO)**

Ms. Allen has over 20 years' experience in accounting and is currently responsible for the financial reporting and accounting controls for MGL. Prior to joining Mailpac, she honed her accounting skills at GC & Associates Limited. Ms. Allen is a Certified Accounting Technician (CAT) designated by the Association of Chartered Certified Accountants (ACCA).



### **Samantha Ray - Chief Operations Officer (COO)**

Ms. Ray has been employed to the Norbrook Group since 2011, where her main focus has been on overseeing the day-to-day operations of Mailpac, which include operations and marketing. Before assuming her role as COO, she was the Executive VP for Marketing for Norbrook, where her role involved the development and execution of marketing initiatives across the Group. Ms. Ray graduated with a B.Sc. in Psychology from the University of the West Indies.



### **Darlene Johnson - Customer Service Manager**

Mrs. Johnson is the Customer Service Manager of MGL and served in the same capacity for over 17 years with Mailpac Services. She is a certified customer service professional with more than 34 years of experience at both the administrative and managerial levels that have spanned the fields of accounts, operations and customer service. Her experience was gained through working in several fields, including the automotive, regulatory and service industries. She holds a diploma in Financial Management & Accounting from the University College of the Caribbean.



### **Tommy Walters - Importation Manager**

Mr. Walters is responsible for supervising the importation process of the shipments received from Miami. This includes ensuring that the proper procedures and protocols relating to customs are observed and overseeing the sorting and distribution to the various locations. He is also tasked with resolving issues related to package delivery errors. Mr. Walters has been performing in this capacity for 21 years throughout the various acquisitions that led to the formation of MGL. He spent his early years working as a customs broker clerk with Jamaica Air Express.

# MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (“MD&A”) is provided as a supplement to and should be read in conjunction with the Mailpac Group Limited 2021 audit, the historical financials and the accompanying notes starting on page 44. Amounts and percentages may not total due to rounding.

## OVERVIEW

While an anomaly in online shopping during 2020 (due to government mandated limitations on physical movement) drove high order volumes and new customers for Mailpac, the work the Company did in 2021 reinforced its position as the leading provider for e-commerce and courier solutions in Jamaica. Mailpac continued to produce strong revenues and profits in 2021.

The Company invested heavily in expansion initiatives to enhance processing capacity, customer experience, technology and internal efficiencies. Mailpac is now better poised than ever before to serve the ever-growing demand for e-commerce solutions with an operational foundation and infrastructure that will support future volumes and remove any hindrances to meet the demand of our customers.

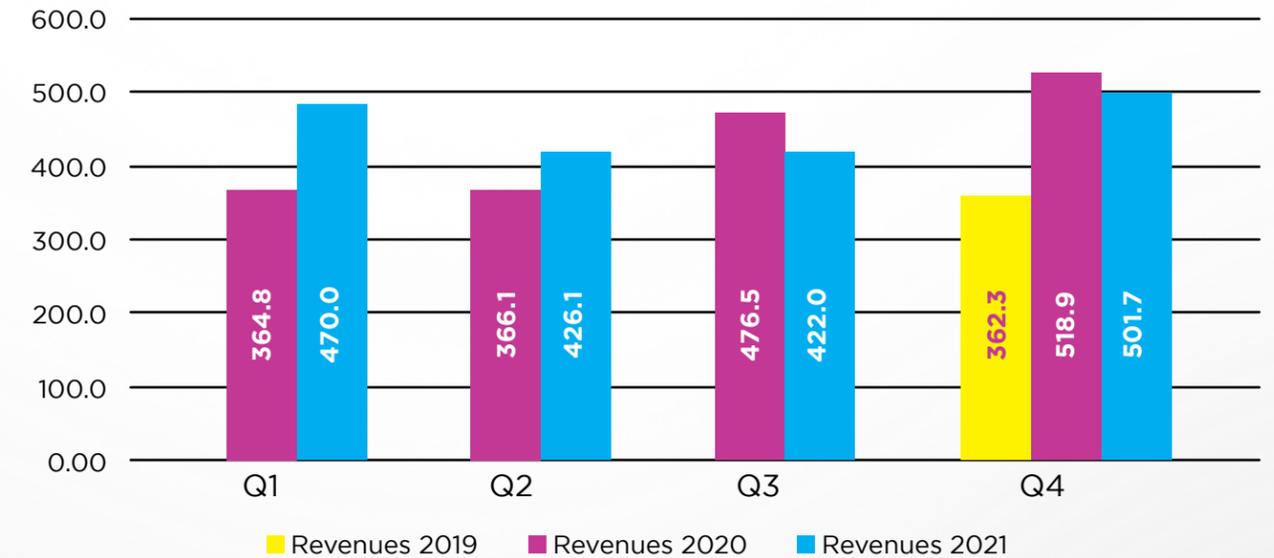
In reviewing the 2021 full year performance, all comparative analyses are associated with 2020, as Mailpac Group Limited was incorporated on September 19, 2019 and does not have a full comparative year of performance for 2019. All fourth quarter comparatives are associated with 2019, as this period was not impacted by an anomaly in consumer shopping due to the Covid-19 pandemic (as was the case in 2020).

## FINANCIAL PERFORMANCE

### Revenues

Total revenues for the 2021 financial year were \$1.8 billion, which is 5.4% higher than the previous year. This was driven mainly by order volume and a commitment to strong customer service. Both Mailpac Services (international parcel delivery) and Mailpac Local (local grocery delivery) saw increases in orders over the previous year. Among its initiatives, Mailpac Services opened new and convenient pickup locations, incentivised new and returning customers with targeted campaigns and implemented online payment to facilitate ease of payments and enhance customer experience. Mailpac Local launched its price-matching programme to guarantee the lowest possible prices for customers. For the fourth quarter, revenues increased 38.5% compared to 2019.

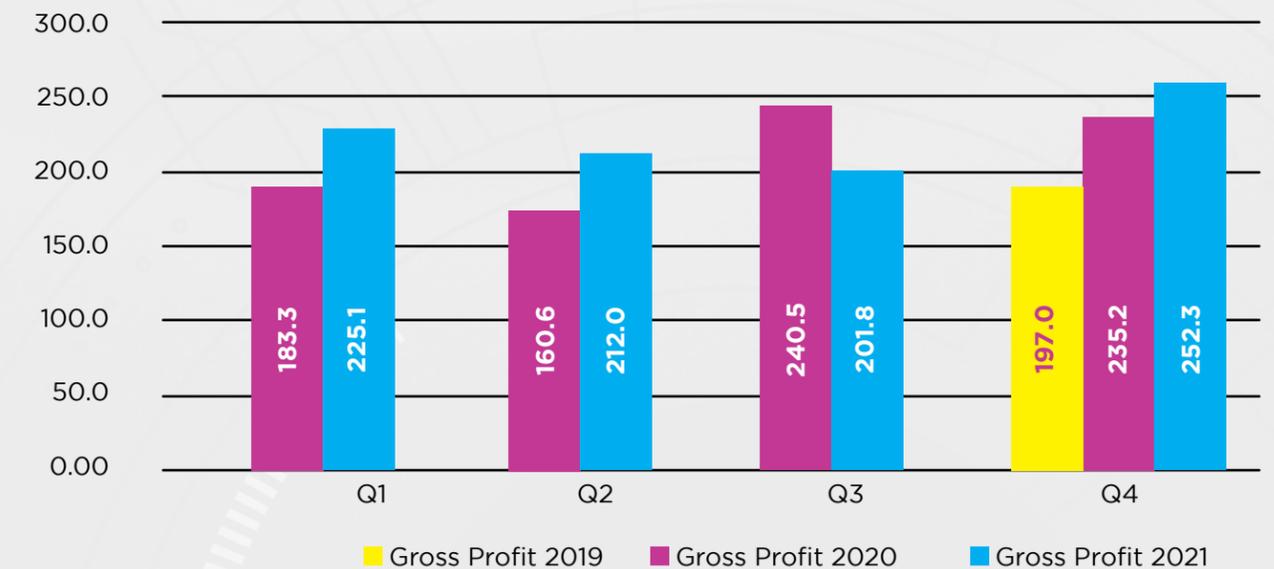
### MAILPAC GROUP REVENUES BY QUARTER



### Gross Profit

Gross profit was \$891.2 million for the year, which represents an 8.7% increase over the previous year. This was due to a cost rationalisation strategy implemented in the first half of 2021. For Q4 2021, gross profit was \$252.3 million, which represents a 28.1% increase compared to 2019.

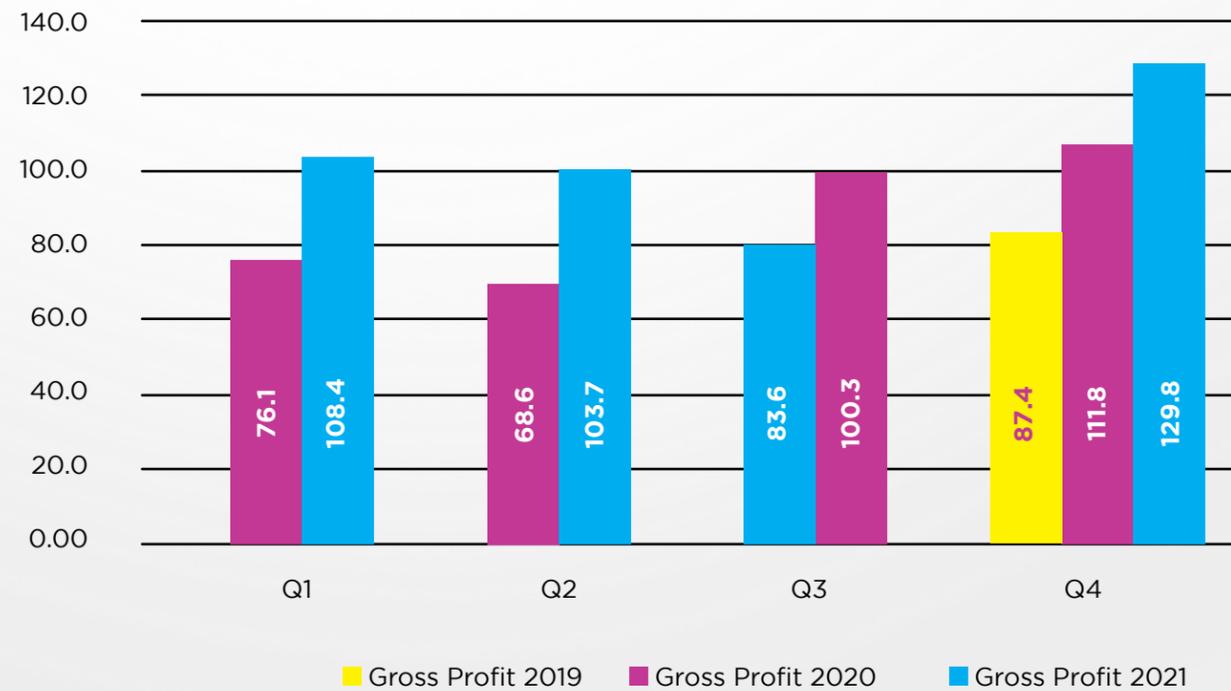
### MAILPAC GROUP GROSS PROFIT BY QUARTER



## Operating Expenses

Operating expenses for the 2021 year were \$442.2 million, representing a 30.0% increase compared to the previous year. This increase was due to costs associated with the enhancement of Mailpac’s processing capacity, improvements for customer service capacity, additional delivery store locations and amplified brand marketing. These initiatives aligned with Mailpac’s commitment to invest in expanding its footprint as the e-commerce logistics provider of choice for Jamaican consumers.

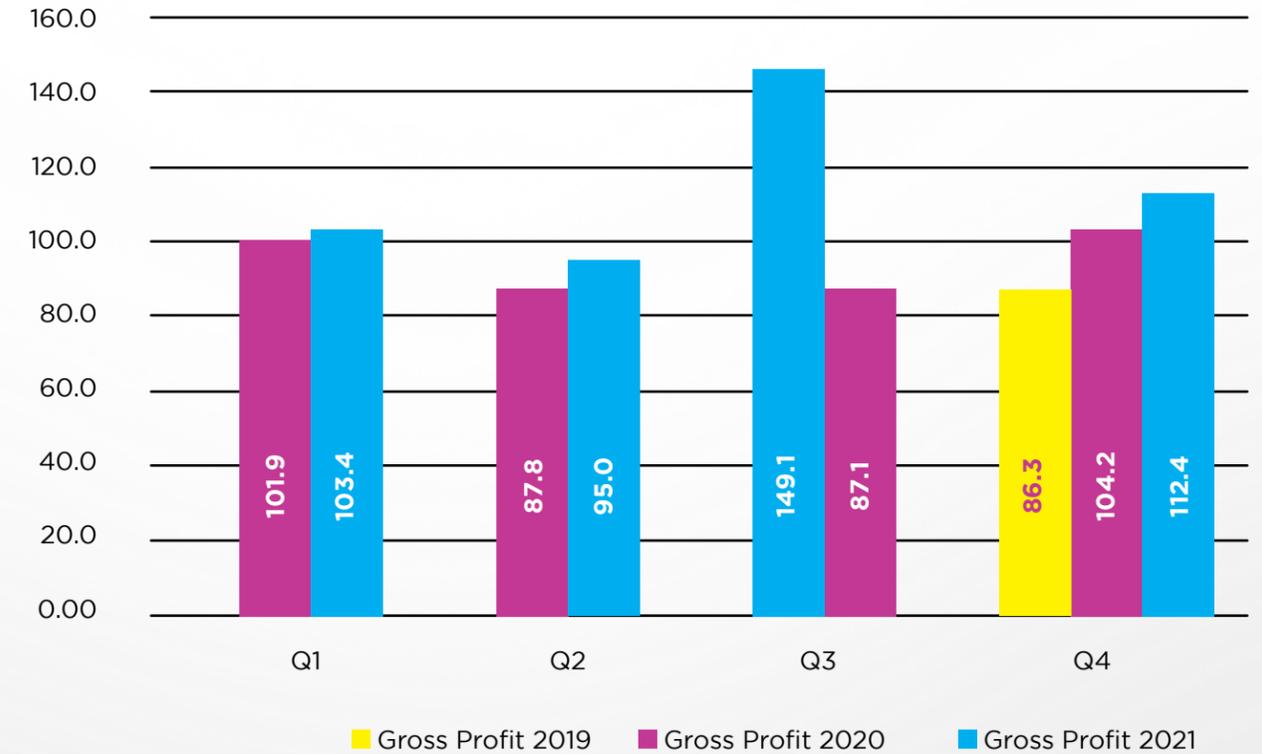
**OPERATING EXPENSES BY QUARTERS**



## Net Income

Net income for the year stood at \$397.8 million, trailing 2020’s performance by 10.2%. This was due to the previously mentioned investments Mailpac made for long term sustainability and growth. Net income for Q4 2021 came in at \$112.4 million, which is 30.3% higher than the \$86.3 million achieved in the same quarter of 2019.

**NET INCOME BY QUARTER**



## Financial Position

Total assets at the end of the year stood at \$823.8 million, with \$363.8 million of cash on the balance sheet at the end of the period. Shareholders’ equity stood at \$694.6 million. It should be noted that shareholders’ equity has been impacted by the \$275.0 million in dividends paid out by the Company in 2021.

## Outlook

We are pleased with the performance of Mailpac Group Limited in 2021 as the Company continued to lead the ever-growing e-commerce and logistics market in innovation and service, resulting in a stellar financial performance and returns for shareholders. However, as the economic environment rebounds from the pandemic, Mailpac is now repositioning itself. More specifically, the company will move on from its investments in infrastructure that was required to meet the spike in the demand from the pandemic and focus squarely on the long-term steady growth expected from participating as the leader in the Caribbean’s e-commerce industry.

Both Mailpac Services and Mailpac Local have continually sought to differentiate themselves from the competitive market. Among the strategic projects the Group looks forward to in 2022 are:

- **The introduction of new brands to cater to a wider target audience in need of e-commerce and courier solutions**
- **New technologies to improve customer experience and increase operational efficiencies for the Mailpac team**
- **The opening of new locations for Mailpac Services to serve our increased customer base**
- **The expansion of the local delivery capabilities and reach of Mailpac Local**

We are excited about the prospects of Mailpac as the demand for online shopping and the awareness around our platform continues to grow. Mailpac remains focused on delivering the highest level of e-commerce solutions and service in the industry, and we actively work to continue effective management of all elements of our business to best serve our customers.



## C O R P O R A T E G O V E R N A N C E

Mailpac Group Limited is committed to high standards of governance. The Company's board of directors implements the corporate strategy and manages the Company to the benefit of all stakeholders.

## Board of Directors' Composition

The Board is comprised of five members who are qualified, objective, committed and possess diverse skill sets to effectively discharge their duties. The Board officials met seven times for the year with three ad hoc procedures (Round Robin Resolutions) adopted for urgent matters.

DIRECTORS	BOARD MEETINGS	12-FEB-2021	10-MAR-2021	26-MAR-2021	7-APR-2021	10-MAY-2021	17-MAY-2021	10-AUG-2021	11-NOV-2021	12-NOV-2021	17-DEC-2021	12-FEB-2021
Khary Robinson <i>(Executive Chairman)</i>	10	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mark Gonzales	10	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Garth Pearce	10	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tracy-Ann Spence	10	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
William Craig	9	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓

The Board has constituted two committees:

## Audit and Compliance Committee

An Audit Committee charged with assisting the board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, risk management, the internal and external audit processes and the Company's compliance with legal, financial regulatory and statutory reporting requirements.

MEMBERS	AUDIT MEETINGS	12-FEB-2021	26-MAR-2021	10-MAY-2021	10-AUG-2021	11-NOV-2021
Tracy-Ann Spence <i>(Chairperson)</i>	5	✓	✓	✓	✓	✓
Garth Pearce	5	✓	✓	✓	✓	✓
William Craig	4	✓	✓		✓	✓

## Corporate Governance and Remuneration Committee

The Corporate Governance and Remuneration Committee has the responsibility of overseeing all governance requirements for the Company and determining the remuneration framework of each member of the Executive Management Team, including bonus entitlements where applicable. The Committee will also review fees payable to non-executive Directors and make the necessary recommendation to the Board as required.

The Committee acts to ensure that the Company adheres to its Corporate Governance (CG) framework as outlined in its Board Charter, the Companies Act (2004) and other applicable laws, regulations and the Jamaica Stock Exchange (JSE) Rules. The Committee is committed to maintaining the highest level of transparency, accountability and integrity in all its operations and will monitor the maintenance of high ethical standards of all employees and directors.

MEMBERS	CORP GOV & REMUNERATION MEETINGS	15 NOVEMBER 2021
William Craig <i>(Chairperson)</i>	1	✓
Tracy-Ann Spence	1	✓
Khary Robinson	1	✓

The Company's Corporate Governance Guidelines policy was approved by the Board on March 11, 2021 and is available on the Company's website: [www.mailpacgroup.com](http://www.mailpacgroup.com).

Shareholders who have queries can direct them to the Investor Relations Officer c/o 109 Old Hope Road, Kingston 6 or email [info@mailpac.com](mailto:info@mailpac.com).



# RISK MANAGEMENT

Operating Mailpac Services and Mailpac Local requires a certain degree of measured risk to generate value for shareholders.

E-commerce is one of the fastest growing industries in our local and global economy, introducing myriad opportunities as well as exposure. Therefore, our team continually monitors existing risks in our industry and evaluates potential ones in order to mitigate liability.

## Operational Risk Management

Operational risk is the risk of the Company experiencing loss due to inadequate internal processes, people, systems or external events. MGL's continual review of processes to identify vulnerabilities and introduce solutions controls this potential exposure. This is further broken down in the risks below.

## Key Partner

The Company's operations as it relates to across borders e-commerce fulfilment services are dependent on the Aeropost Agreement. Any changes or disruptions to this agreement could materially impact the Company's operations. As such, this agreement has been negotiated for a long term, with options for automatic renewal. Additionally, the terms of the agreement are strictly adhered to, to ensure there are no breaches or misunderstandings between the two parties.

## Logistics Risks

The Company relies on third party freight services providers to transport packages from Miami. Any disruptions to their services might impact MGL's service to customers, thereby negatively impacting both the operations and reputation of MGL. The Company mitigates against this by utilizing multiple airlines for transporting freight.

## Safety and Security Regulations

The Company operates in both the United States and Jamaica and, hence, any security or safety measures put in place at the points of entry and exit into either or both countries can affect the operations of the Company. MGL's management continuously monitors any changes in these regulations to make certain that operational changes are made to ensure compliance without affecting the functioning of the business.

## Import Legislation

The Company imports items on behalf of customers, and the cost to the customer is dependent on changes to the prevailing tariff regime from time to time. Any increase in import duties would have an adverse impact on the volume of items being purchased by customers online.

## Information Technology Risks

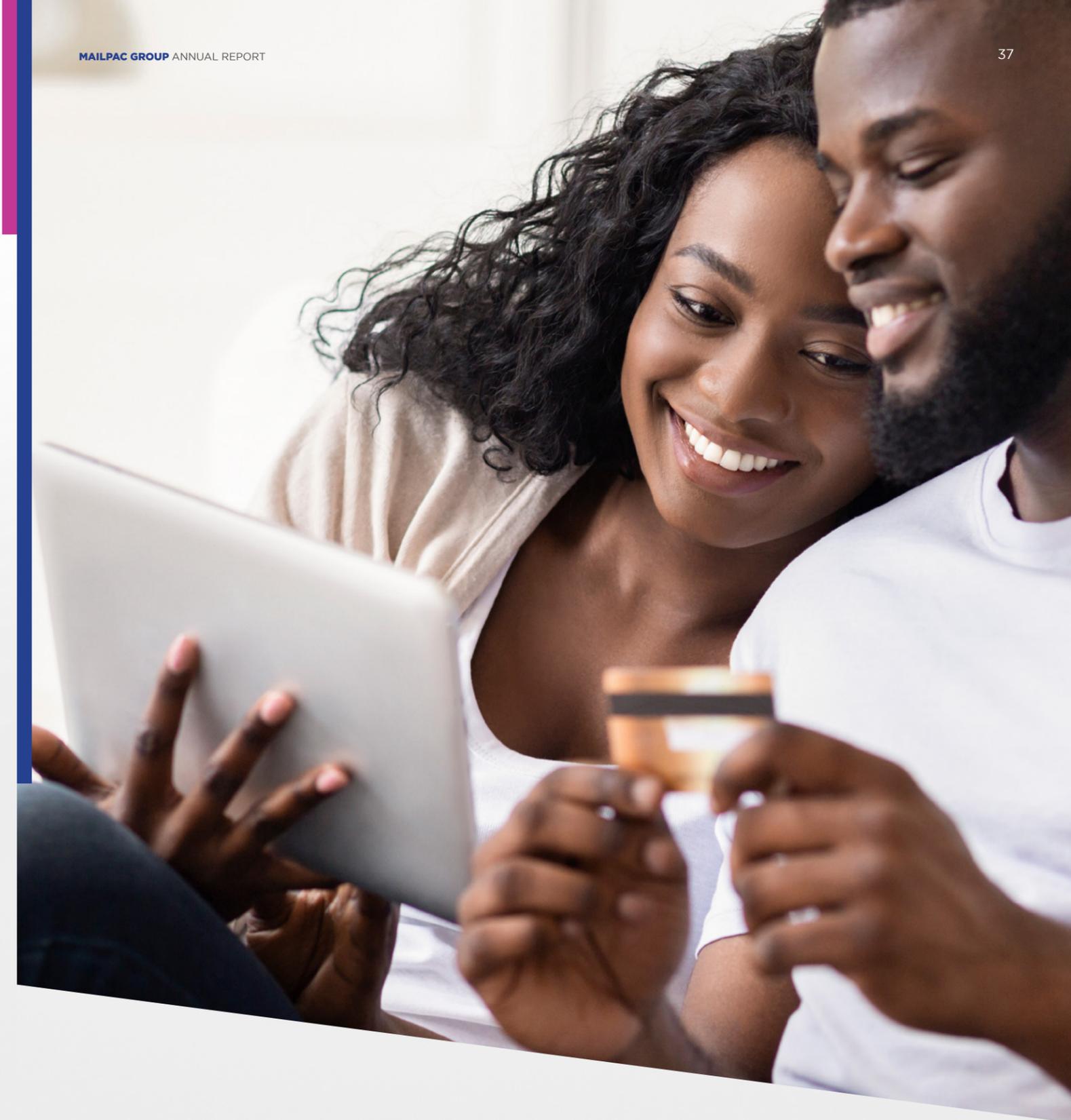
The continuous and efficient operations of the Company are highly dependent on software, and any disruptions to these systems or any security breach could adversely impact the Company's ability to provide uninterrupted or delayed service to customers. The systems operated by both Aeropost and MGL are secured by reputable companies both locally and internationally, and this has ensured that the appropriate security measures are in place to mitigate against such actions.

## Risk of Growth in Competition

There is a low barrier to entry in the market for local e-commerce providers as well as direct to consumer options from major e-commerce providers. Mailpac's commitment to innovation, strong customer service and competitive pricing continues to reinforce its positioning as the leading provider in the Jamaican market.

## Financial Risks

The evaluation and explanation of how the Company mitigates against financial risks, including credit risk, liquidity risk, market risk and cash flow risk, can be found in the Audited Financial Statements starting on page 44.



**D I S C L O S U R E   O F**  
**S H A R E H O L D I N G S**

## TOP 10 SHAREHOLDERS

Shareholdings of Top 10 Shareholders as at December 31, 2021.

	PRIMARY ACCOUNT HOLDER	JOINT HOLDER	DIRECT HOLDINGS	VOLUME	% OF ISSUED SHARES
1	NORBROOK EQUITY PARTNERS LTD	-	1,815,000,000	1,815,000,000	72.6000%
2	JCSD TRUSTEE SERVICES LIMITED A/C BARITA UNIT TRUST CAPITAL GROWTH FUND	-	94,591,194	94,591,194	3.7836%
3	MF&G ASSET MANAGEMENT LTD. - JAMAICA INVESTMENTS FUND	-	62,052,750	62,052,750	2.4821%
4	JCSD TRUSTEE SERVICES LTD - SIGMA GLOBAL VENTURE	-	45,583,878	45,583,878	1.8234%
5	JMMB FUND MANAGERS LTD.T1 - EQUITIES FUND	-	25,000,000	25,000,000	1.0000%
6	BARITA FINANCE LIMITED	-	20,296,526	20,296,526	0.8119%
7	SJIML A/C 3119	-	13,252,000	13,252,000	0.5301%
8	BALJIT DEOL	-	12,686,500	12,686,500	0.5075%
9	MF&G ASSET MANAGEMENT LTD. - NCB CM UNIT TRUST SCHEME (JMD CARIBBEAN EQUITY PORTFOLIO)	-	11,269,540	11,269,540	0.4508%
10	NCB CAPITAL MARKETS LTD. A/C 2231	-	10,610,617	10,610,617	0.4244%

**Total Issued Capital :** 2,500,000,000

**Total Units Owned by Top Ten Shareholders :** 2,110,343,005

**Percentage Owned by Top Ten Shareholders :** 84.4137%

## DIRECTORS

Shareholdings of Directors as at December 31, 2021.

PRIMARY ACCOUNT HOLDER	CONNECTED PARTIES	DIRECT HOLDINGS	VOLUME	% OF ISSUED SHARES
KHARY ROBINSON NORBROOK EQUITY PARTNERS LTD LENNOX ROBINSON MARCIA ROBINSON	1,815,000,000 3,069,611 2,855,600	-	1,820,925,211	72.8370%
GARTH PEARCE NORBROOK EQUITY PARTNERS LTD	1,815,000,000	-	1,815,000,000	72.6000%
MARK GONZALES	-	7,082,235	7,082,235	0.2833%
TRACY-ANN SPENCE SEAN SPENCE EMILE G. SPENCE CARSON NICHOLAS	-	4,128,207	4,128,207	0.1651%
WILLIAM CRAIG CANDIS CRAIG BILLY CRAIG INSURANCE BROKERS LTD	-	4,000,000	4,000,000	0.1600%
STEPHEN GREIG	-	126,000	126,000	0.0050%

## SENIOR OFFICERS

Shareholdings of Senior Management as at December 31, 2021.

PRIMARY ACCOUNT HOLDER	CONNECTED PARTIES	DIRECT HOLDINGS	VOLUME	% OF ISSUED SHARES
MARK GONZALES	-	7,082,235	7,082,235	0.2833%
SAMANTHA RAY	-	4,650,000	4,650,000	0.1860%
CHRISTEEN ALLEN	-	277,500	277,500	0.0111%
TOMMY WALTERS	-	167,900	167,900	0.0067%



# COMPANY ACTIVITY

# CORPORATE DATA



<b>Board of Directors</b>	<b>Khary Robinson (Executive Chairman)</b> <b>Garth Pearce (Director)</b> <b>Mark Gonzales (Director &amp; CEO)</b> <b>Tracy-Ann Spence (Independent, Non-Executive Director)</b> <b>William Craig (Independent, Non-Executive Director)</b>
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<b>Registered Address</b>	<b>109 Old Hope Road, Kingston 6</b> <b>(876) 927-7225</b>
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<b>Primary Bank</b>	<b>National Commercial Bank</b> 124 Constant Spring Road Kingston
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<b>Secondary Bank</b>	<b>Scotiabank</b> 2 Knutsford Boulevard Kingston
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<b>Company's Auditors</b>	<b>Crichton Mullings &amp; Associates</b> 80 Lady Musgrave Road Kingston 6
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<b>Company's Lawyers</b>	<b>Hart Muirhead Fatta, 2nd Floor</b> Victoria Mutual Building 53 Knutsford Boulevard Kingston 5
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## C O R P O R A T E   S O C I A L R E S P O N S I B I L I T Y

As the world entered its second year of a global pandemic, it became obvious that we rely on the support of one another in order to thrive. This is especially true in Jamaica, a country that continued to be battered by COVID-19 and the lockdowns, economic squeeze and social limitations that ensued. Over the past year, Mailpac has donated to several organisations in an effort to combat this and contribute to the welfare of our communities.

### Governor General's Programme for Excellence - Summer of Service Scholarship

The Governor's General's Programme for Excellence, under their service-oriented "I Believe Initiative", offers a Summer of Service Scholarship to promote volunteerism among youth. Every summer, participants in the programme spend their time volunteering for local causes and submit impact reports at the end of summer.

For giving back to the communities, these students receive scholarships to further their academic pursuits. Mailpac supports this scholarship initiative, and it sponsors the magazine that highlights and advocates for the success of the programme.

### Standpipe Sports Complex

The Standpipe community in Riverton was the beneficiary of a renovated community sports complex. The renovated facility, which sits on the property of the Church of St. Margaret, received upgrades to and new additions of netball and basketball courts, changings rooms, bathrooms, bleachers, a viewing gallery and a refreshment stand. Mailpac was pleased to contribute funding to an initiative that promotes engagement and sport to a local community.

### Christmas in Riverton

Every year our team supports Christmas in Riverton, an annual event that brings holiday joy to young people in Riverton and its surrounding communities. The toy drive provides gifts for approximately five hundred (500) children in the area. This past year, Mailpac made a monetary donation to this annual cause.



### Matilda's Corner Police Station

Mailpac donated to Matilda's Corner Police Station, situated just a few doors down from Mailpac's headquarters, in 2021. The Company was proud to support its neighbour and the officers that safeguard the community.

MAILPAC GROUP LIMITED  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

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Statement of Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9-35

**AUDITED FINANCIAL STATEMENTS**

## **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, 2021, 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, 2021, 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' International 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.

Cont. /2

## **Independent Auditor's Report (cont'd)**

### **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 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.

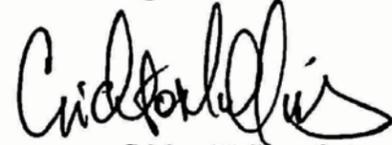
A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditor's report. This description, which is located at page 4, forms part of our auditor's report.

Cont. /3

**Independent Auditor's Report (cont'd)****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, 2022

**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, 2021**

	Note	2021 \$	2020 \$
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	5	97,586,541	57,695,793
Right of use assets	6	47,656,576	13,527,213
Intangible assets	7	240,440,181	242,279,656
<b>Total non-current assets</b>		<u>385,683,298</u>	<u>313,502,662</u>
<b>Current Assets</b>			
Due from related companies	8	8,022,396	723,130
Trade and other receivables	9	66,329,900	56,043,025
Other asset		-	128,866
Cash and bank balances	10	363,813,562	283,988,978
<b>Total current assets</b>		<u>438,165,858</u>	<u>340,883,999</u>
<b>TOTAL ASSETS</b>		<u><u>823,849,156</u></u>	<u><u>654,386,661</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	267,356,112	267,356,112
Retained earnings		427,197,791	304,362,121
<b>Total equity</b>		<u>694,553,903</u>	<u>571,718,233</u>
<b>Non-current Liabilities</b>			
Lease liabilities	6	31,411,854	7,937,630
Deferred tax liability	12	1,303,018	502,041
<b>Total non-current liabilities</b>		<u>32,714,872</u>	<u>8,439,671</u>
<b>Current Liabilities</b>			
Lease liabilities	6	19,490,052	6,009,495
Trade and other payables	13	76,540,616	60,567,270
Due to related companies	14	549,713	7,651,992
<b>Total current liabilities</b>		<u>96,580,381</u>	<u>74,228,757</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>823,849,156</u></u>	<u><u>654,386,661</u></u>

The financial statements on pages 5 to 35 were approved for issue by the Board of Directors on March 29, 2022 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, 2021**

	Note	2021 \$	2020 \$
<b>Revenues</b>	4	1,819,782,353	1,726,239,428
<b>Cost of sales</b>	15	<u>928,582,663</u>	<u>906,719,764</u>
<b>Gross profit</b>		891,199,690	819,519,664
Selling and distribution costs	16	68,902,027	53,891,610
Administrative and general expenses	17	373,339,390	286,219,745
		<u>442,241,417</u>	<u>340,111,355</u>
<b>Operating profit</b>	18	448,958,273	479,408,309
Other income	19	7,049,478	7,367,603
		456,007,751	486,775,912
Finance and policy costs	20	57,371,104	43,726,775
<b>Profit before taxation</b>		398,636,647	443,049,137
<b>Taxation (charge) / credit</b>	21	<u>(800,977)</u>	<u>28,213</u>
<b>Net profit, being total comprehensive income for the year</b>		<u><u>397,835,670</u></u>	<u><u>443,077,350</u></u>
<b>Earnings per share unit for profit attributable to the equity holders of the company during the year</b>	22	<u>0.16</u>	<u>0.18</u>

The accompanying notes form an integral part of the financial statements

**MAILPAC GROUP LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED DECEMBER 31, 2021**

	Share Capital \$	Retained Earnings \$	Total \$
<b>Balance at December 31, 2019</b>	267,356,112	86,284,771	353,640,883
<b>Transaction with owners:</b>			
Dividends (see note 25)	-	(225,000,000)	(225,000,000)
Net profit, being total comprehensive income for the year	-	443,077,350	443,077,350
<b>Balance at December 31, 2020</b>	<u>267,356,112</u>	<u>304,362,121</u>	<u>571,718,233</u>
<b>Transaction with owners:</b>			
Dividends (see note 25)	-	(275,000,000)	(275,000,000)
Net profit, being total comprehensive income for the year	-	397,835,670	397,835,670
<b>Balance at December 31, 2021</b>	<u><b>267,356,112</b></u>	<u><b>427,197,791</b></u>	<u><b>694,553,903</b></u>

The accompanying notes form an integral part of the financial statements

**MAILPAC GROUP LIMITED**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2021**

	2021 \$	2020 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Profit for the year</b>	397,835,670	443,077,350
<b>Adjustments for items not affecting cash resources:</b>		
Depreciation and amortization	5,897,309	4,227,531
Depreciation right of use assets	13,374,408	10,086,388
Interest expense on right of use assets	2,793,733	1,484,726
Expected credit loss provision	(16,134)	6,847,559 *
Unrealized foreign currency loss / (gain)	2,356,456	(61,200)
Realized foreign currency loss / (gain)	2,005,413	(4,455,845)
Deferred taxation	800,977	(28,213)
	<u>425,047,832</u>	<u>461,178,296</u>
(Increase) / decrease in operating assets:		
Due from related companies	(7,299,266)	(710,000)
Other assets	128,866	(128,866)
Trade and other receivables	(10,270,741)	(13,795,974) *
Increase in operating liabilities:		
Trade and other payables	<u>11,528,368</u>	<u>14,731,546</u>
Cash flows provided by operating activities	419,135,058	461,275,002
Taxation paid	-	(9,961,695)
Net cash provided by operating activities	<u>419,135,058</u>	<u>451,313,307</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cost of work-in-progress	(6,170,682)	(18,488,447)
Acquisition of property, plant and equipment	<u>(37,777,899)</u>	<u>(8,947,675)</u>
Net cash used in investing activities	<u>(43,948,581)</u>	<u>(27,436,122)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(270,555,022)	(224,868,143)
Loan repayment to related parties	(7,102,280)	(15,327,109)
Loan from related parties	-	6,266,750
Loan repaid to director	-	(1,419,195)
Lease liabilities, net	<u>(13,342,723)</u>	<u>(11,161,368)</u>
Net cash used in financing activities	<u>(291,000,025)</u>	<u>(246,509,065)</u>
<b>NET INCREASE IN CASH AND BANK BALANCES</b>	84,186,453	177,368,120
<b>CASH AND BANK BALANCES - Beginning of the year</b>	283,988,978	106,521,716
<b>Effects of movements on foreign currency bank balances</b>	<u>(4,361,869)</u>	<u>99,142</u>
<b>CASH AND BANK BALANCES - End of the year</b>	<u><b>363,813,562</b></u>	<u><b>283,988,978</b></u>

\*-Restated to conform with current year presentation

The accompanying notes form an integral part of the financial statements

**MAILPAC GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**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, 2021 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.

**MAILPAC GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**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:

- *IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest Rate Benchmark Reform - Amendment'*, issued August 2020. Effective for periods commencing on or after 1 January 2021
- *IFRS 16 'Covid-19 Related Rent Concessions- Amendment'*, issued May 2017. Effective for periods commencing on or after 1 June 2020.
- *IFRS 16 'Leases - Covid-19-Related Rent Concessions Amendment'*, issued May 2020  
Effective for periods commencing on or after 1 June 2020

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:

- *IFRS 9 'Financial Instruments - Amendment'*, issued May 2020  
Effective for periods commencing on or after 1 January 2022
- *IFRS 16 'Covid-19 Related Rent Concessions - Amendment'*, issued March 2021  
Effective for periods commencing on or after 1 April 2021
- *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 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction- Amendment'*, issued May 2021  
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 2023
- *IAS 37 'Onerous Contracts - Cost of Fulfilling a Contract - Amendments'*, issued May 2020  
Effective for periods commencing on or after 1 January 2022
- *Annual Improvements to IFRS Standards - IFRS 1, IFRS 9 and IFRS 16, issued May 14, 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.

**MAILPAC GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**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 recognised 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.

**MAILPAC GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**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:

**MAILPAC GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**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.

**MAILPAC GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**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 represent goodwill, contracts rights with vendors, customers, tradenames, intellectual property rights and telephone numbers. 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 recognised 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 recognised 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.

**MAILPAC GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**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 voting 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.

**MAILPAC GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**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 recognised for all taxable temporary differences and deferred tax assets are recognised 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.

**MAILPAC GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**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 recognised 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 recognised 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 amortised 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 amortised 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.

**MAILPAC GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**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 recognised in profit or loss when the asset is derecognised, 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 derecognised (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 amortised 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 recognises 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.

**MAILPAC GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**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 amortised cost using the effective interest method.

Gains and losses are recognized in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised 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 amortisation 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 are 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.

**MAILPAC GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**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.

MAILPAC GROUP LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

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## 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
<b>At Cost/Valuation:</b>						
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
Transferred from work-in-progress	17,775,397	-	-	-	(17,775,397)	-
Additions	18,780,583	4,874,150	14,123,167	-	6,170,682	43,948,582
<b>Balance as at December 31, 2021</b>	<b>65,114,395</b>	<b>8,571,816</b>	<b>18,279,183</b>	<b>5,617,737</b>	<b>6,883,732</b>	<b>104,466,863</b>
<b>Accumulated Depreciation:</b>						
Balance as at December 31, 2019	160,211	33,113	81,697	159,411	-	434,432
Charge for the period	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
Charge for the year	1,342,513	550,160	1,372,487	792,674	-	4,057,834
<b>Balance as at December 31, 2021</b>	<b>2,198,384</b>	<b>776,036</b>	<b>2,075,270</b>	<b>1,830,632</b>	<b>-</b>	<b>6,880,322</b>
<b>Net book value:</b>						
<b>At December 31, 2021</b>	<b>62,916,011</b>	<b>7,795,780</b>	<b>16,203,913</b>	<b>3,787,105</b>	<b>6,883,732</b>	<b>97,586,541</b>
At December 31, 2020	27,702,544	3,471,790	3,453,233	4,579,779	18,488,447	57,695,793

MAILPAC GROUP LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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## 6. RIGHT OF USE ASSETS / LEASE LIABILITIES

<b>At Valuation</b>	Office Building \$
Balance at December 31, 2019	13,855,278
Additions	11,157,796
Balance at December 31, 2020	25,013,074
Terminated right of use asset	(12,389,872)
Additions	47,503,771
<b>Balance at December 31, 2021</b>	<b>60,126,973</b>
<b>Depreciation charge of right of use asset</b>	
Balance at December 31, 2019	1,399,473
Charge for the period	10,086,388
Balance at December 31, 2020	11,485,861
Depreciation on terminated right of use asset	(12,389,872)
Charge for the year	13,374,408
<b>Balance at December 31, 2021</b>	<b>12,470,397</b>
<b>Net Book Value</b>	
Balance at December 31, 2021	47,656,576
Balance at December 31, 2020	13,527,213

**MAILPAC GROUP LIMITED**  
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**6. RIGHT OF USE ASSETS / LEASE LIABILITIES (cont'd)****Lease Liability:**

	2021	2020
	\$	\$
Non-current lease liability	<u>31,411,854</u>	<u>7,937,630</u>
Current lease liability	<u>19,490,052</u>	<u>6,009,495</u>
	<u>50,901,906</u>	<u>13,947,125</u>

**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.

	2021	2020
	\$	\$
<b>Cost:</b>		
Purchase goodwill	171,000,000	171,000,000
Customer contracts, lists of existing customers and other intangibles	<u>73,579,000</u>	<u>73,579,000</u>
	<u>244,579,000</u>	<u>244,579,000</u>
Amortization:		
Balance at beginning of the year	2,299,344	459,869
Charge for the year	<u>1,839,475</u>	<u>1,839,475</u>
	<u>4,138,819</u>	<u>2,299,344</u>
<b>Balance at end of the year</b>	<u>240,440,181</u>	<u>242,279,656</u>

**8. DUE FROM RELATED COMPANIES**

	2021	2020
	\$	\$
Norbrook Car Rentals Limited	39,440	-
Norbrook Home Delivery	42,956	-
Norbrook Trucking Solution Limited	7,940,000	-
Express Fitness Limited	-	710,000
Norbrook Water Company	<u>-</u>	<u>13,130</u>
	<u>8,022,396</u>	<u>723,130</u>

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

**MAILPAC GROUP LIMITED**  
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**YEAR ENDED DECEMBER 31, 2021**

**9. TRADE AND OTHER RECEIVABLES**

Trade receivables materially represent balance due on credit sales.

	2021	2020
	\$	\$
Trade receivables	59,915,139	43,914,766
Less: expected credit loss provision	<u>(5,061,469)</u>	<u>(5,077,603)</u>
Net trade receivables	54,853,670	38,837,163
Deposits	2,407,147	1,751,475
Prepayments	8,521,734	7,069,856
Other receivables	<u>547,349</u>	<u>8,384,531</u>
	<u>66,329,900</u>	<u>56,043,025</u>

**10. CASH AND BANK BALANCES**

	2021	2020
	\$	\$
Current accounts	363,230,936	283,192,913
Cash in hand	<u>582,626</u>	<u>796,065</u>
	<u>363,813,562</u>	<u>283,988,978</u>

**11. SHARE CAPITAL**

	2021	2020
	\$	\$
<u>Authorized share capital:</u>		
No maximum share capital		
<u>Issued and fully paid:</u>		
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	<u>(10,038,888)</u>	<u>(10,038,888)</u>
	<u>267,356,112</u>	<u>267,356,112</u>

(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 250,000,000 shares issued to the general public in December 2019 amounted to \$250,000,000 less transaction cost of \$10,038,888.

**MAILPAC GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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.

	2021	2020
	<u>\$</u>	<u>\$</u>
Deferred tax liability	<u>1,303,018</u>	<u>502,041</u>

Deferred tax liability are attributable to the following:

	2021	2020
	<u>\$</u>	<u>\$</u>
Property, plant and equipment	1,216,202	477,255
Cash and bank balances	95,955	24,786
Trade payables	<u>(9,139)</u>	<u>-</u>
	<u>1,303,018</u>	<u>502,041</u>

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

	2021	2020
	<u>\$</u>	<u>\$</u>
Balance at the beginning of the year	502,041	530,254
Movement during the year	<u>800,977</u>	<u>(28,213)</u>
Balance at the end of the year	<u>1,303,018</u>	<u>502,041</u>

**13. TRADE AND OTHER PAYABLES**

	2021	2020
	<u>\$</u>	<u>\$</u>
Trade payables	58,752,453	50,115,463
Statutory liabilities	6,732,386	4,505,311
GCT payable	283,880	536,830
Accruals	4,031,619	3,380,168
Dividend payable	4,444,978	131,857
Other payables	<u>2,295,300</u>	<u>1,897,641</u>
	<u>76,540,616</u>	<u>60,567,270</u>

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**14. DUE TO RELATED COMPANIES**

	2021	2020
	<u>\$</u>	<u>\$</u>
Pure National Limited	76,044	-
Norbrook Equity Partners	289,195	2,135,395
Express Fitness Limited	184,474	-
Norbrook Home Delivery	-	66,026
Norbrook Trucking Solution Limited	<u>-</u>	<u>5,450,571</u>
	<u>549,713</u>	<u>7,651,992</u>

**15. COST OF SALES**

	2021	2020
	<u>\$</u>	<u>\$</u>
Freight and brokerage	668,652,690	582,718,913
Delivery	35,625,855	25,755,823
Damaged claims	349,088	3,052,430
Packaging material	3,376,373	3,623,375
On-line orders	<u>220,578,657</u>	<u>291,569,223</u>
	<u>928,582,663</u>	<u>906,719,764</u>

**16. SELLING AND DISTRIBUTION COSTS**

	2021	2020
	<u>\$</u>	<u>\$</u>
Advertising	46,345,521	33,056,046
Customer welfare	306,895	1,873,492
Delivery	-	1,200,159
Commission fees	4,344,759	4,188,388
Travel and entertainment	<u>17,904,852</u>	<u>13,573,525</u>
	<u>68,902,027</u>	<u>53,891,610</u>

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**17. ADMINISTRATIVE AND GENERAL EXPENSES**

	2021	2020
	\$	\$
Audit fees	2,625,000	2,500,000
Directors' emoluments	720,000	900,000
Utilities	14,823,694	12,593,973
Insurance	5,650,829	5,718,099
Irrecoverable GCT	15,895,937	11,473,024
Legal and professional fees	11,130,949	6,835,179
General office expenses	9,227,879	4,641,608
Meal and entertainment	328,865	561,802
Accommodation	21,807	75,924
Management fee	25,800,000	25,000,000
Motor vehicle expense	125,623	432,965
Bad debt	-	142,240
Repairs and maintenance	13,407,487	5,896,296
Staff welfare	16,046,992	11,378,907
Casual labour	22,037,593	15,043,808
Salaries wages and related costs	201,441,255	166,468,393
Security	15,356,706	6,800,832
Subscriptions, sponsorship and donations	3,369,952	1,018,493
Short term leases	7,685,895	3,358,586
Cleaning and sanitation	7,642,928	5,379,616
	<u>373,339,390</u>	<u>286,219,745</u>

**18. OPERATING PROFIT**

	2021	2020
	\$	\$
	<u>448,958,273</u>	<u>479,408,309</u>

Stated after charging the following:

Directors' remuneration	720,000	900,000
Auditor's remuneration	<u>2,625,000</u>	<u>2,500,000</u>

**MAILPAC GROUP LIMITED**  
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**19. OTHER INCOME**

	2021	2020
	\$	\$
Interest income	1,997,824	1,073,697
Other income	5,051,654	6,293,906
	<u>7,049,478</u>	<u>7,367,603</u>

**20. FINANCE AND POLICY COSTS**

	2021	2020
	\$	\$
Bank charges	29,570,377	25,458,674
Expected credit loss provision	(16,134)	6,847,559
Interest expense on right-of-use assets	2,793,733	1,484,726
Interest expense	1,389,542	38,055
Depreciation	4,057,834	2,388,056
Depreciation-right-of-use assets	13,374,408	10,086,388
Amortization	1,839,475	1,839,475
Penalties	-	100,887
Unrealized gain on foreign exchange	(5,667,587)	(4,329,751)
Realized gain on foreign exchange	(48,056)	(5,368,727)
Unrealized loss on foreign exchange	8,024,043	4,268,551
Realized loss on foreign exchange	2,053,469	912,882
	<u>57,371,104</u>	<u>43,726,775</u>

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**21. TAXATION (CHARGE) / CREDIT**

Income tax charge is computed based on the profit for the year, 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, as adjusted for taxation purposes. Deferred taxation is computed at 25% for the financial year based on the applicable income tax rate for unregulated companies with effective date from January 1, 2013.

The taxation (charge) / credit is made up as follows:

	2021		2020	
	\$		\$	
Current:				
Provision for charge on profit	-		-	
Deferred:				
Origination and reversal of temporary differences	(800,977)		28,213	
	<u>(800,977)</u>		<u>28,213</u>	
Reconciliation of effective tax rate and charge:				
	2021		2020	
	\$	%	\$	%
Profit before taxation	<u>398,636,647</u>		<u>443,049,137</u>	
Computed tax charge	(99,659,162)	-25%	(110,762,284)	-25%
Taxation differences between profit for financial statements and tax reporting purposes on:				
Depreciation and capital allowances	(459,869)	0%	(459,869)	0%
Unrealized foreign exchange gain	(675,583)	0%	148,872	0%
Other adjustments	1,252,513	0%	(2,571,270)	-1%
Remission of income taxes	98,741,124	25%	113,672,763	26%
Actual tax rate and (charge) / credit	<u>(800,977)</u>	0%	<u>28,213</u>	0%

**22. 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.

	2021	2020
	\$	\$
Net profit attributable to shareholders	<u>397,835,670</u>	<u>443,077,350</u>
Weighted average number of shares in issue	<u>2,500,000,000</u>	<u>2,500,000,000</u>
	<u>\$ 0.16</u>	<u>\$ 0.18</u>

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**23. RELATED PARTIES**

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

	2021	2020
	\$	\$
Amounts due from related parties	<u>8,022,396</u>	<u>723,130</u>
Amounts due to related parties	<u>549,713</u>	<u>7,651,992</u>

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

	2021	2020
	\$	\$
(a) Corporate services-Norbrook Equity Partners	<u>24,000,000</u>	<u>24,000,000</u>
(b) Rent expense-Norbrook Equity Partners	<u>2,445,000</u>	<u>-</u>
(c) Water supply-Norbrook Water Company	<u>473,695</u>	<u>651,115</u>
(d) Package transportation-Norbrook Trucking Solution Limited	<u>161,945,990</u>	<u>110,837,324</u>
(e) Office rental-Norbrook Home Delivery	<u>750,000</u>	<u>900,000</u>
(f) Gym membership Fees - Express Fitness Limited	<u>652,000</u>	<u>442,250</u>
(g) Fuel purchase - Pure National Limited	<u>1,179,825</u>	<u>321,209</u>

Transactions with key management personnel:

Key management compensation	<u>43,898,109</u>	<u>40,298,892</u>
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**24. STAFF COSTS**

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

	2021	2020
Temporary	32	58
Permanent	<u>115</u>	<u>89</u>
	<u>147</u>	<u>147</u>

The aggregate payroll costs for these persons were as follows:

	2021	2020
	\$	\$
Salaries and profit related pay	181,468,223	150,498,854
Statutory contributions	<u>19,973,032</u>	<u>15,969,539</u>
	<u>201,441,255</u>	<u>166,468,393</u>

**25. DIVIDENDS**

The Company at its Board of Directors' meeting on February 11, 2021 declared an interim dividend of 6 cents (\$0.06) per share which was paid on March 15, 2021 to shareholders on record at the close of business on March 1, 2021.

An additional dividend of 5 cents (\$0.05) per share was declared at its Board of Directors' meeting on May 17, 2021 and paid on June 15, 2021 to shareholders on record at the close of business on June 1, 2021.

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**26. 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 analyse 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 minimise 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 2021.

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**26. FINANCIAL INSTRUMENTS (CONT'D)****Financial risk management (cont'd):***Trade receivables(cont'd)*

Aging	2021		
	Gross Carrying Amount	Weighted Average Loss Rate	Lifetime ECL Allowance
Current	41,739,349	1%	389,263
31-60 days	8,432,189	1%	81,656
61-90 days	3,556,716	16%	569,075
91 days and over	6,186,885	65%	4,021,475
Total	<u>59,915,139</u>		<u>5,061,469</u>
Aging	2020		
	Gross Carrying Amount	Weighted Average Loss Rate	Lifetime ECL Allowance
Current	27,080,072	2%	449,983
31-60 days	7,120,782	6%	429,420
61-90 days	3,380,682	13%	453,437
91 days and over	6,333,230	59%	3,744,763
Total	<u>43,914,766</u>		<u>5,077,603</u>

**(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.

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**26. FINANCIAL INSTRUMENTS (CONT'D)****Financial risk management (cont'd):****(ii) Liquidity risk (cont'd)**

	Carrying amount	Contractual cash flow	Less than 1 year	More than 1 year
2021:				
Lease liabilities	50,901,906	50,901,906	19,490,052	31,411,854
Trade and other payables	76,540,616	76,540,616	76,540,616	-
	<u>127,442,522</u>	<u>127,442,522</u>	<u>96,030,668</u>	<u>31,411,854</u>
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	-
	<u>74,514,395</u>	<u>74,514,395</u>	<u>66,576,765</u>	<u>7,937,630</u>

**(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 optimising the return.

**MAILPAC GROUP LIMITED**  
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**26. 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 utilised, bank overdrafts are subject to fixed interest rates which may be varied by appropriate notice by the lender. At December 31, 2021 and 2020, 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.

	2021 US\$	2020 US\$
Cash and bank balances	319,141	228,813
Lease liabilities	<u>(204,895)</u>	<u>(94,239)</u>
Net exposure	<u>114,246</u>	<u>134,574</u>

## Sensitivity analysis:

A 2% (2020: 2%) strengthening of the United States dollar against the Jamaican dollar at December 31, 2021 would have decreased the surplus for the year by \$351,694 (2020: \$381,037). The analysis assumes that all other variables, in particular interest rates, remain constant.

MAILPAC GROUP LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

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26. FINANCIAL INSTRUMENTS (CONT'D)

**Financial risk management (cont'd):**

**(iii) Market risk (cont'd):**

A 8% (2020: 6%) weakening of the United States dollar against the Jamaican dollar at December 31, 2021 would have increased the surplus for the year by \$1,406,776 (2020: \$1,143,110).

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.