

MAILPAC GROUP LIMITED
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

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YEAR ENDED DECEMBER 31, 2023

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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, 2023, 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, 2023, 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.

Independent Auditor's Report (cont'd)

**To the members of
 MAILPAC GROUP LIMITED**

Key Audit Matters (cont'd)

Key audit matter	How the matter was addressed in our audit
<p><u>Intangible assets impairment assessment</u></p> <p>The Company has intangible assets of \$236.76 million arising from the acquisition of the net assets of Mailpac Local Limited and Mailpac Services Limited, which represents 35% of the total assets as at the year end.</p> <p>The annual impairment assessment requires management's judgement and estimation in determining estimated future earnings from the operation, taking into consideration inflation rate, growth rate and other underlying assumptions.</p>	<p>Our audit procedures to address the key audit matter relating to the impairment of intangible assets assessment included the following:</p> <ul style="list-style-type: none"> • We have reviewed management's assertions, including the identification of the underlying cash generating assets. • We have assessed and reviewed the operation's historical performance and compared actual results to the approved budget. The analysis of the external and internal environments was taken into account in the assessment of the overall performance. <p>Based on the procedures performed, management's assessment of intangible assets impairment appears reasonable.</p>

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.

Independent Auditor's Report (cont'd)

To the members of MAILPAC GROUP LIMITED

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

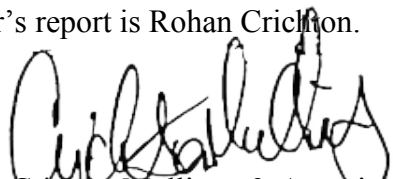
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

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

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.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

MAILPAC GROUP LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	<u>Note</u>	2023 \$	2022 \$
ASSETS			
Non-current Assets			
Property, plant and equipment	5	144,050,706	137,104,195
Right of use assets	6	41,507,368	43,188,802
Intangible assets	7	236,761,231	238,600,706
Total non-current assets		<u>422,319,305</u>	<u>418,893,703</u>
Current Assets			
Due from related companies	8	730,724	590,191
Trade and other receivables	9	53,036,725	58,749,849
Cash and cash equivalents	10	198,846,170	209,478,205
Total current assets		<u>252,613,619</u>	<u>268,818,245</u>
TOTAL ASSETS		<u><u>674,932,924</u></u>	<u><u>687,711,948</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	11	267,356,112	267,356,112
Retained earnings		295,372,336	310,233,088
Total equity		<u>562,728,448</u>	<u>577,589,200</u>
Non-current Liabilities			
Lease liabilities	6	24,108,815	28,854,094
Deferred tax liability	12	3,040,374	1,504,270
Total non-current liabilities		<u>27,149,189</u>	<u>30,358,364</u>
Current Liabilities			
Lease liabilities	6	21,425,561	17,893,605
Trade and other payables	13	58,382,791	58,874,150
Due to related companies	14	5,246,935	2,996,629
Total current liabilities		<u>85,055,287</u>	<u>79,764,384</u>
TOTAL EQUITY AND LIABILITIES		<u><u>674,932,924</u></u>	<u><u>687,711,948</u></u>

The financial statements on pages 5 to 34 were approved for issue by the Board of Directors March 28, 2024 and signed on its behalf by:


 Mr. Khary Robinson - Chairman


 Dr. Mark Gonzales - Director

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2023

	<u>Note</u>	2023 \$	2022 \$
Revenues	4	1,674,359,980	1,686,568,861
Cost of sales	15	<u>864,397,120</u>	<u>865,429,260</u>
Gross profit		<u>809,962,860</u>	<u>821,139,601</u>
Selling and distribution costs	16	66,412,790	66,770,036
Administrative and general expenses	17	<u>424,343,963</u>	<u>395,329,824</u>
		<u>490,756,753</u>	<u>462,099,860</u>
Operating profit	18	319,206,107	359,039,741
Other income	19	<u>3,968,438</u>	<u>11,619,259</u>
		323,174,545	370,659,000
Finance and policy costs	20	<u>61,499,193</u>	<u>62,422,451</u>
Profit before taxation		261,675,352	308,236,549
Taxation charge	21	<u>1,536,104</u>	<u>201,252</u>
Net profit, being total comprehensive income for the year		<u><u>260,139,248</u></u>	<u><u>308,035,297</u></u>
Earnings per share unit for profit attributable to the equity holders of the company during the year	22	<u><u>0.10</u></u>	<u><u>0.12</u></u>

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2023

	Share Capital \$	Retained Earnings \$	Total \$
Balance at December 31, 2021	267,356,112	427,197,791	694,553,903
Transaction with owners:			
Dividends	-	(425,000,000)	(425,000,000)
Net profit, being total comprehensive income for the year	-	308,035,297	308,035,297
Balance at December 31, 2022	267,356,112	310,233,088	577,589,200
Transaction with owners:			
Dividends (see note 25)	-	(275,000,000)	(275,000,000)
Net profit, being total comprehensive income for the year	-	260,139,248	260,139,248
Balance at December 31, 2023	<u>267,356,112</u>	<u>295,372,336</u>	<u>562,728,448</u>

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	2023	2022
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	260,139,248	308,035,297
Adjustments for items not affecting cash resources:		
Depreciation and amortization	8,384,030	8,538,578
Depreciation right of use assets	20,959,029	17,118,949
Interest expense on right of use assets	3,566,875	3,740,144
Loss on disposal of property, plant and equipment	-	876,006
(Decrease) / increase in expected credit loss	(506,870)	1,462,225
Foreign currency loss	3,765,831	1,141,234
Reclassification of work-in progress to expenses	-	3,508,710
Deferred taxation	1,536,104	201,252
	<u>297,844,248</u>	<u>344,622,395</u>
(Increase) / decrease in operating assets:		
Due from related companies	(140,534)	7,432,206
Trade and other receivables	6,219,994	6,117,826
Decrease in operating liabilities:		
Trade and other payables	<u>(12,976,073)</u>	<u>(22,894,521)</u>
Net cash provided by operating activities	<u>290,947,635</u>	<u>335,277,906</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cost of work-in-progress	(1,571,552)	(41,055,302)
Proceed from sale of property, plant and equipment	-	163,179
Acquisition of property, plant and equipment	<u>(11,919,515)</u>	<u>(9,709,344)</u>
Net cash used in investing activities	<u>(13,491,067)</u>	<u>(50,601,467)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(266,599,486)	(419,732,285)
Loan repayment to related companies	2,250,307	2,446,916
Lease liabilities, net	<u>(23,486,200)</u>	<u>(20,545,526)</u>
Net cash used in financing activities	<u>(287,835,379)</u>	<u>(437,830,895)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,378,811)	(153,154,456)
CASH AND CASH EQUIVALENTS - Beginning of the year	209,478,205	363,813,562
Effects of movements on foreign currency bank balances	<u>(253,224)</u>	<u>(1,180,901)</u>
CASH AND CASH EQUIVALENTS - End of the year	<u>198,846,170</u>	<u>209,478,205</u>

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

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, 2023 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, 2023

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

(b) Changes in accounting standards and interpretations:

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

- IAS 8 'Definition of Accounting Estimates - Amendment', issued February 12, 2021. Effective for annual periods commencing on or after 1 January 2023. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). Effective for annual periods commencing on or after 1 January 2023. The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the International Accounting Standards Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.
- IAS 12 Amendment, 'Deferred tax related to Assets and Liabilities arising from a single transaction ', issued May 2021. Effective for periods commencing on or after 1 January 2023. These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary difference.

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

- IAS 1 'Classification of Liabilities as Current or Non-Current- Amendment', issued January 2020. Effective for annual periods commencing on or after 1 January 2024. These amendments clarify that liabilities are classified as either current or non-current based on a right to defer settlement having substance that exists at the end of the reporting period. Classification of a liability as non-current can be made if the Company has a right to defer settlement for at least twelve months after the reporting period. The adoption of these amendments is not expected to have a significant impact on the Company.
- IFRS S1 'General Requirements for Disclosure of Sustainability - related Financial Information', issued June 2023. Effective for periods commencing on or after 1 January 2024. The amendment requires a company to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the cash flows, its access to finance or cost of capital over the short, medium or long term.

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, 2023

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, 2023

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, 2023

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, 2023

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 recognise 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, 2023

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 cash equivalents

Cash and cash equivalents comprise cash in hand and with banks and term deposits.

(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

Taxation expense represents the total of current income tax 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, 2023

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, 2023

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 cash flows 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, 2023

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.

De-recognition

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, 2023

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.

(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, 2023

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

	<u>Leasehold Improvement</u>	<u>Furniture and Fixtures</u>	<u>Machinery and Equipment</u>	<u>Motor Vehicles</u>	<u>Work-in Progress</u>	<u>Total</u>
At Cost/Valuation:						
Balance as at December 31, 2021	65,114,395	8,571,816	18,279,183	5,617,737	6,883,732	104,466,863
Disposal	-	-	(1,489,351)	-	-	(1,489,351)
Transferred from work-in-progress	-	5,161,574	368,750	-	(5,530,324)	-
Reclassified to expenses	-	-	-	-	(3,508,710)	(3,508,710)
Additions	2,964,766	737,360	6,007,218	-	41,055,302	50,764,646
Balance as at December 31, 2022	68,079,161	14,470,750	23,165,800	5,617,737	38,900,000	150,233,448
Additions	2,824,853	476,325	8,618,337	-	1,571,552	13,491,067
Balance as at December 31, 2023	70,904,014	14,947,075	31,784,137	5,617,737	40,471,552	163,724,515
Accumulated						
Depreciation:						
Balance as at December 31, 2021	2,198,384	776,036	2,075,270	1,830,632	-	6,880,322
Disposal	-	-	(450,166)	-	-	(450,166)
Charge for the period	1,593,041	1,287,157	3,061,478	757,421	-	6,699,097
Balance as at December 31, 2022	3,791,425	2,063,193	4,686,582	2,588,053	-	13,129,253
Charge for the year	1,648,765	1,261,751	3,028,103	605,937	-	6,544,556
Balance as at December 31, 2023	5,440,190	3,324,944	7,714,685	3,193,990	-	19,673,809
Net book value:						
At December 31, 2023	65,463,824	11,622,131	24,069,452	2,423,747	40,471,552	144,050,706
At December 31, 2022	64,287,736	12,407,557	18,479,218	3,029,684	38,900,000	137,104,195

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

6. RIGHT OF USE ASSETS / LEASE LIABILITIES

	<u>Office Building</u>	
At Valuation	\$	
Balance at December 31, 2021	60,126,973	
Additions	11,497,439	
	<hr/>	
Balance at December 31, 2022	71,624,412	
Terminated right of use asset	(18,127,075)	
Additions	19,277,595	
	<hr/>	
Balance at December 31, 2023	72,774,932	
	<hr/>	
Depreciation charge of right of use asset		
Balance at December 31, 2021	12,470,397	
Charge for the year	15,965,213	
	<hr/>	
Balance at December 31, 2022	28,435,610	
Depreciation on terminated right of use asset	(18,127,075)	
Charge for the year	20,959,029	
	<hr/>	
Balance at December 31, 2023	31,267,564	
	<hr/>	
Net Book Value		
Balance at December 31, 2023	41,507,368	
	<hr/> <hr/>	
Balance at December 31, 2022	43,188,802	
	<hr/> <hr/>	
Lease Liability:		
	2023	2022
	\$	\$
Non-current lease liability	24,108,815	28,854,094
	<hr/>	<hr/>
Current lease liability	21,425,561	17,893,605
	<hr/>	<hr/>

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

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.

	2023	2022
	\$	\$
Cost:		
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	5,978,294	4,138,819
Charge for the year	<u>1,839,475</u>	<u>1,839,475</u>
	<u>7,817,769</u>	<u>-</u>
	<u>7,817,769</u>	<u>5,978,294</u>
Balance at end of the year	<u><u>236,761,231</u></u>	<u><u>238,600,706</u></u>

8. DUE FROM RELATED COMPANIES

	2023	2022
	\$	\$
Norbrook Car Rentals Limited	134,799	51,153
Norbrook Home Delivery	-	8,992
Rodeon Limited	368,872	-
Norbrook Transaction Services Limited (Epay)	54,233	-
Norbrook Equity Partners Limited	57,508	38,042
Express Fitness Limited	115,312	398,293
SNB Creative Group Ltd	-	72,515
Pure National Limited	<u>-</u>	<u>21,196</u>
	<u><u>730,724</u></u>	<u><u>590,191</u></u>

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

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

9. TRADE AND OTHER RECEIVABLES

Trade receivables materially represent balance due on credit sales.

	2023	2022
	\$	\$
Trade receivables	53,037,958	53,819,786
<i>Less: expected credit loss provision</i>	<u>(6,016,823)</u>	<u>(6,523,693)</u>
Net trade receivables	47,021,135	47,296,093
Deposits	3,668,998	3,179,422
Prepayments	391,444	6,640,335
Other receivables	<u>1,955,148</u>	<u>1,633,999</u>
	<u><u>53,036,725</u></u>	<u><u>58,749,849</u></u>

10. CASH AND CASH EQUIVALENTS

	2023	2022
	\$	\$
Current accounts	198,600,932	106,513,168
Term deposit	-	102,711,098
Cash in hand	<u>245,238</u>	<u>253,939</u>
	<u><u>198,846,170</u></u>	<u><u>209,478,205</u></u>

11. SHARE CAPITAL

	2023	2022
	\$	\$
<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><u>267,356,112</u></u>	<u><u>267,356,112</u></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
YEAR ENDED DECEMBER 31, 2023

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.

	2023	2022
	\$	\$
Deferred tax liability	<u>3,040,374</u>	<u>1,504,270</u>

Deferred tax liability is attributable to the following:

	2023	2022
	\$	\$
Property, plant and equipment	3,079,685	1,789,578
Cash and cash equivalents	63,308	(295,225)
Trade payables	<u>(102,619)</u>	<u>9,917</u>
	<u>3,040,374</u>	<u>1,504,270</u>

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

	2023	2022
	\$	\$
Balance at the beginning of the year	1,504,271	1,303,018
Movement during the year	<u>1,536,103</u>	<u>201,252</u>
Balance at the end of the year	<u>3,040,374</u>	<u>1,504,271</u>

13. TRADE AND OTHER PAYABLES

	2023	2022
	\$	\$
Trade payables	32,306,052	38,480,598
Statutory liabilities	7,439,666	7,100,112
GCT payable	228,866	109,529
Accruals	4,977,766	3,800,000
Dividend payable	8,400,514	5,267,715
Other payables	<u>5,029,927</u>	<u>4,116,196</u>
	<u>58,382,791</u>	<u>58,874,150</u>

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

14. DUE TO RELATED COMPANIES

	2023	2022
	\$	\$
Pure National Limited	-	20,746
Norbrook Equity Partners	3,564,381	1,700,000
Norbrook Equity Partners Jamaica Limited	386,971	-
Norbrook Home Delivery	-	6,716
109 OHR Limited	1,295,583	1,269,167
	<u>5,246,935</u>	<u>2,996,629</u>

15. COST OF SALES

	2023	2022
	\$	\$
Freight and brokerage	763,143,079	693,811,990
Delivery	34,126,131	37,050,363
Packaging material	2,231,100	2,847,232
On-line orders	64,896,810	131,719,675
	<u>864,397,120</u>	<u>865,429,260</u>

16. SELLING AND DISTRIBUTION COSTS

	2023	2022
	\$	\$
Advertising	42,916,859	41,195,629
Customer welfare	538,439	149,578
Commission fees	4,253,230	3,935,252
Travel and entertainment	18,704,262	21,489,577
	<u>66,412,790</u>	<u>66,770,036</u>

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

17. ADMINISTRATIVE AND GENERAL EXPENSES

	2023	2022
	\$	\$
Audit fees	3,045,000	2,730,000
Directors' emoluments	720,000	720,000
Utilities	14,880,032	17,793,334
Insurance	6,164,510	6,181,002
Irrecoverable GCT	19,244,128	16,585,048
Legal and professional fees	16,100,282	12,985,995
General office expenses	9,111,753	6,397,170
Meal and entertainment	1,542,816	377,243
Accommodation	301,694	28,831
Management fee	24,386,971	27,331,614
Repairs and maintenance	21,012,348	17,475,532
Staff welfare	20,833,424	15,964,542
Casual labour	17,626,007	15,582,107
Salaries wages and related costs	212,664,850	211,080,431
Security	22,545,353	14,869,354
Subscriptions, sponsorship and donations	5,147,775	3,112,494
Short term leases	23,049,887	16,896,257
Cleaning and sanitation	5,967,133	9,218,870
	<u>424,343,963</u>	<u>395,329,824</u>

18. OPERATING PROFIT

	2023	2022
	\$	\$
	<u>319,206,107</u>	<u>359,039,741</u>

Stated after charging the following:

Directors' remuneration	720,000	720,000
Auditor's remuneration	<u>3,045,000</u>	<u>2,730,000</u>

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

19. OTHER INCOME

	2023	2022
	\$	\$
Interest income	1,412,070	3,404,231
Other income	2,556,368	8,215,028
	<u>3,968,438</u>	<u>11,619,259</u>

20. FINANCE AND POLICY COSTS

	2023	2022
	\$	\$
Bank charges	25,118,217	25,853,508
Expected credit loss provision	(506,870)	1,462,225
Interest expense on right-of-use assets	3,566,875	3,740,144
Interest expense	212,079	2,680,629
Depreciation	6,544,556	6,699,103
Depreciation-right-of-use assets	20,959,029	17,118,949
Amortization	1,839,475	1,839,475
Penalties	-	90,387
Loss on disposal of property, plant and equipment	-	876,006
Unrealized gain on foreign exchange	(1,092,120)	(1,974,201)
Realized gain on foreign exchange	(1,950,597)	(2,898,812)
Unrealized loss on foreign exchange	1,782,961	3,115,435
Realized loss on foreign exchange	5,025,588	3,819,603
	<u>61,499,193</u>	<u>62,422,451</u>

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

21. TAXATION CHARGE

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 is made up as follows:

	2023 \$	2022 \$
Deferred:		
Origination and reversal of temporary differences	<u>1,536,104</u>	<u>201,252</u>
Reconciliation of effective tax rate and charge:		
	2023 \$	2022 \$
Profit before taxation	<u>261,675,352</u>	<u>308,236,549</u>
Computed tax charge	65,418,838	77,059,137
Taxation differences between profit for financial statements and tax reporting purposes on:		
Depreciation and capital allowances	458,336	240,868
Unrealized foreign exchange gain	245,933	(694,985)
Other adjustments	(4,613,138)	(3,140,326)
Remission of income taxes	<u>(59,973,865)</u>	<u>(73,263,442)</u>
Actual tax rate and charge	<u>1,536,104</u>	<u>201,252</u>

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.

	2023 \$	2022 \$
Net profit attributable to shareholders	<u>260,139,248</u>	<u>308,035,297</u>
Weighted average number of shares in issue	<u>2,500,000,000</u>	<u>2,500,000,000</u>
	<u>\$ 0.10</u>	<u>\$ 0.12</u>

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

23. RELATED PARTIES

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

	2023	2022
	\$	\$
Amounts due from related parties	<u>730,724</u>	<u>590,191</u>
Amounts due to related parties	<u>5,246,935</u>	<u>2,996,629</u>

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

	2023	2022
	\$	\$
(a) Corporate services - Norbrook Equity Partners	<u>24,000,000</u>	<u>24,000,000</u>
(b) Rent expense - Norbrook Equity Partners	<u>5,279,381</u>	<u>3,950,000</u>
(c) Water supply - Norbrook Water Company	<u>128,822</u>	<u>348,735</u>
(d) Meals & entertainment - Norbrook Equity Partners	<u>1,253,963</u>	<u>-</u>
(e) Water purchase - Pure National Limited	<u>233,744</u>	<u>-</u>
(f) Gym membership fees - Express Fitness Limited	<u>771,000</u>	<u>991,000</u>
(g) Rent expense - Express Fitness Limited	<u>-</u>	<u>1,421,904</u>
(h) Fuel purchase - Pure National Limited	<u>-</u>	<u>279,759</u>
(i) Rent expense-109 OHR Limited	<u>15,500,621</u>	<u>8,926,496</u>
(j) Professional fees- Norbrook Equity Partners Jamaica Limited	<u>1,065,555</u>	<u>-</u>
(k) Professional fees- SNB Creative Group	<u>263,350</u>	<u>-</u>
Transactions with key management personnel:		
Key management compensation	<u>53,180,842</u>	<u>45,141,272</u>

24. STAFF COSTS

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

	2023	2022
Temporary	27	19
Permanent	<u>96</u>	<u>94</u>
	<u>123</u>	<u>113</u>

The aggregate payroll costs for these persons were as follows:

	2023	2022
	\$	\$
Salaries and profit related pay	190,948,088	189,842,021
Statutory contributions	<u>21,716,762</u>	<u>21,238,410</u>
	<u>212,664,850</u>	<u>211,080,431</u>

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25. DIVIDENDS

The Company at its Board of Directors' meeting on May 10, 2023 declared an interim dividend of 7 cents (\$0.07) per share which was paid on June 7, 2023 to shareholders on record at the close of business on May 24, 2023.

An additional dividend of 4 cents (\$0.04) per share was declared at its Board of Directors' meeting on August 25, 2023 and paid on September 12, 2023 to shareholders on record at the close of business on September 08, 2023.

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 analyze the risks faced by the Company in order to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(i) Credit risk

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

Cash and bank balances

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

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer. Management has a credit policy in place to 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.

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26. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management

(i) Credit risk (cont'd)

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 2023.

	2023		
Aging	Gross Carrying Amount	Weighted Average Loss Rate	Lifetime ECL Allowance
Current	34,090,010	1%	351,155
31-60 days	8,795,890	1%	86,172
61-90 days	3,693,289	19%	715,643
91 days and over	6,458,769	75%	4,863,853
Total	<u>53,037,958</u>		<u>6,016,823</u>

	2022		
Aging	Gross Carrying Amount	Weighted Average Loss Rate	Lifetime ECL Allowance
Current	31,100,545	1%	351,155
31-60 days	8,445,804	1%	86,172
61-90 days	4,335,206	17%	715,643
91 days and over	9,938,231	54%	5,370,723
Total	<u>53,819,786</u>		<u>6,523,693</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.

	Carrying amount	Contractual cash flow	Less than 1 year	More than 1 year
2023:				
Lease liabilities	45,534,376	45,534,376	21,425,561	24,108,815
Trade and other payables	58,382,791	58,382,791	58,382,791	-
	<u>103,917,167</u>	<u>103,917,167</u>	<u>79,808,352</u>	<u>24,108,815</u>

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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
2022:				
Lease liabilities	46,747,699	46,747,699	17,893,605	28,854,094
Trade and other payables	58,874,150	58,874,150	58,874,150	-
	<u>105,621,849</u>	<u>105,621,849</u>	<u>76,767,755</u>	<u>28,854,094</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.

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, 2023 and 2022, 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.

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26. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd):

(iii) Market risk (cont'd):

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.

	2023 <u>US\$</u>	2022 <u>US\$</u>
Cash and cash equivalents		
Trade payables	140,915	144,752
Lease liabilities	(150,511)	(145,010)
	<u>(383,179)</u>	<u>(214,814)</u>
Net exposure	<u>(392,775)</u>	<u>(215,072)</u>
Sensitivity analysis:		

A 1% (2022:1%) strengthening of the United States dollar against the Jamaican dollar at December 31, 2023 would have decreased the surplus for the year by \$605,927 (2022: \$324,776). The analysis assumes that all other variables, in particular interest rates, remain constant.

A 4% (2022: 4%) weakening of the United States dollar against the Jamaican dollar at December 31, 2023 would have increased the surplus for the year by \$2,423,708 (2022: \$1,299,105).

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.

**MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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26. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd):

(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.