

MAILPAC GROUP LIMITED

FINANCIAL STATEMENTS

THREE MONTH PERIOD ENDED DECEMBER 31, 2019

MAILPAC GROUP LIMITED
FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

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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, 2019, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the three month period 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, 2019, and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Jamaican Companies Act (the "Act").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements section of our report*. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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 Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

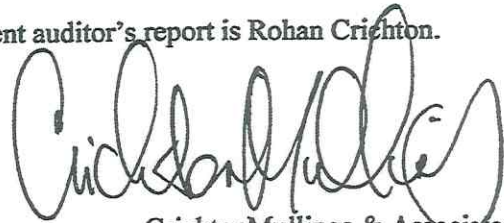
Independent Auditor's Report (cont'd)

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
April 09, 2020

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, 2019

	<u>Note</u>	2019 \$
ASSETS		
Non-current Assets		
Property, plant and equipment	5	32,647,727
Right-of-use assets	6	12,455,805
Intangible assets	7	244,119,131
Total non-current assets		<u>289,222,663</u>
Current Assets		
Due from related companies	8	13,130
Trade and other receivables	9	49,086,610
Cash and bank balances	10	106,521,716
Total current assets		<u>155,621,456</u>
TOTAL ASSETS		<u><u>444,844,119</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	11	267,356,112
Retained earnings		86,284,771
Total equity		<u>353,640,883</u>
Non-current Liabilities		
Lease liabilities	7	6,400,312
Deferred tax liability	12	530,254
Total non-current liabilities		<u>6,930,566</u>
Current Liabilities		
Lease liabilities	7	6,027,717
Trade and other payables	13	50,151,712
Loan payable	14	15,327,109
Due to director	15	1,419,195
Due to related companies	16	1,385,242
Taxation payable	17	9,961,695
Total current liabilities		<u>84,272,670</u>
TOTAL EQUITY AND LIABILITIES		<u><u>444,844,119</u></u>

The financial statements on pages 5 to 33 were approved for issue by the Board of Directors on April 09, 2020 and signed on its behalf by:


 Khary Robinson
 Chairman


 Garth Pearce
 Director

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
STATEMENT OF COMPREHENSIVE INCOME
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

	<u>Note</u>	2019 \$
Revenue	4	361,726,810
Cost of sales	18	<u>165,264,708</u>
Gross profit		196,462,102
Selling and distribution costs	19	<u>14,744,088</u>
Administrative and general expenses	20	<u>72,657,009</u>
		<u>87,401,097</u>
Operating profit	21	109,061,005
Other income	22	<u>777,176</u>
		109,838,181
Finance and policy costs	23	<u>13,061,461</u>
Profit before taxation		96,776,720
Taxation	24	<u>10,491,949</u>
Net profit, being total comprehensive income for the period		<u><u>86,284,771</u></u>
Earnings per share unit for profit attributable to the equity holders of the company during the period	25	<u><u>0.04</u></u>

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

	Share Capital \$	Retained Earnings \$	Total \$
Balance at October 1, 2019	27,395,000	-	27,395,000
Issue of shares, net of transaction cost	239,961,112	-	239,961,112
Net profit, being total comprehensive income for the period	<u>-</u>	<u>86,284,771</u>	<u>86,284,771</u>
Balance at December 31, 2019	<u><u>267,356,112</u></u>	<u><u>86,284,771</u></u>	<u><u>353,640,883</u></u>

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
STATEMENT OF CASH FLOWS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES:	
Profit for the period	86,284,771
Adjustments for items not affecting cash resources:	
Depreciation and amortization	2,293,773
Taxation expense	10,491,949
	99,070,493
Increase in operating assets:	
Due from related companies	(13,130)
Trade and other receivables	(49,086,610)
Increase in operating liabilities:	
Trade and other payables	50,151,713
	100,122,466
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of intangible assets	(244,579,000)
Acquisition of property, plant and equipment	(48,087,159)
	(292,666,159)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net proceeds from issue of shares	267,356,112
Proceeds from loan	280,476,920
Loan repayment	(265,149,811)
Loan from related companies	1,385,242
Loan from director	1,419,195
Lease liabilities payments	(1,427,249)
	284,060,409
NET INCREASE IN CASH AND BANK BALANCES	
	91,516,716
CASH AND BANK BALANCES - Beginning of the period	15,005,000
CASH AND BANK BALANCES - End of the period	106,521,716

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

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 three (3) month period ended December 31, 2019 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 period 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
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

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 period. 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 12 'Income Taxes - Amendment', issued in December 2017 and effective for annual periods beginning on or after 1 January 2019. The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. These amendments had no impact on the Company's financial statements.

- IAS 23 'Borrowing Costs', issued in December 2017 and effective for annual periods beginning on or after 1 January 2019. The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. These amendments had no impact on the Company's financial statements.

- IFRS 9 Amendments 'Prepayment Features with Negative Compensation' issued in October 2017 and effective for annual periods beginning on or after 1 January 2019. Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments had no impact on the Company's financial statements.

- IFRS 16 'Leases', issued in January 2016 and effective for annual periods beginning on or after 1 January 2019. IFRS 16 specifies the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has a low value. Lessors accounting remains substantially unchanged from IAS 17. Lessors will continue to classify leases as operating or finance using similar principles based on IAS 17.

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

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

(b) Changes in accounting standards and interpretations (cont'd):

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial period. 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:

- IFRIC 23 'Uncertainty over Income Tax Treatments', issued in June 2017 and effective for annual periods beginning on or after 1 January 2019. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

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 'Presentation of Financial Statements - Amendment', issued October 2018
Effective for periods commencing on or after 1 January 2020
- IAS 8 'Changes in Accounting Estimates and Errors - Amendment', issued October 2018
Effective for periods commencing on or after 1 January 2020
- IFRS 9 'Financial Instruments - Amendment', issued September 2019
Effective for periods commencing on or after 1 January 2020
- Amendments to References to Conceptual Framework in IFRS Standards is effective retrospectively for annual reporting periods beginning on or after January 01, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

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

- New 'bundle of rights' approach to assets will mean that an entity may recognize a right to use an asset rather than the asset itself;
- A liability will be recognized if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
- A new control-based approach to de-recognition will allow an entity to de-recognize an asset when it loses control over all or part of it; as the focus will no longer be on the transfer of risks and rewards.

The 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
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

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 period then ended. Actual amounts may differ from these estimates.

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

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

- (i) Critical accounting judgements in applying the Company's accounting policies
For the purpose of these financial statements, prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the principles set out in IFRS.
- (a) Classification of financial assets:
The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.
- (b) Impairment of financial assets:
Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.
- (c) Depreciable assets
Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

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

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:

- 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 amortized cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

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)

(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
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

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

(d) Changes in accounting policies

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. The Company is not a lessor.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company has lease rental contracts for office and storage space.

The Company has adopted IFRS 16 (Leases) from October 1, 2019. IFRS 16 introduces a single lease accounting model for lessees. It requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The standard includes an optional exemption for certain short-term leases and leases of low-value assets. The company has classified the lease rental contracts that are on a month by month basis as short-term leases.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

As at October 01, 2019, the right-of-use assets and lease liabilities are as follows:

	\$
Right-of-use assets	<u>13,855,278</u>
Lease liabilities	<u>13,855,278</u>

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

All property, plant and equipment held for use in the supply of goods or services, or for administrative purposes, are recorded at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the Company and its cost can be reliably measured.

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

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

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

(b) Intangible assets

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

(c) Leases

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

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

The right-of-use asset is initially measured at cost, at the lease commencement date, i.e. the date at which the underlying asset is available for use by the Company. The right-of-use asset is depreciated on a straight-line basis over the remaining lease term.

Lease liability

The lease liability is initially measured at the present value of lease payments to be made over the lease term.

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

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

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 comprise 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.

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 period, using tax rates enacted at the reporting date, and any adjustments to income tax payable in respect of previous years.

(ii) Deferred income tax

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

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

(j) Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the Company operates (its functional currency).

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

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

(k) Revenue recognition

Revenue recognition is based on the nature and timing of satisfaction of performance obligations in contracts with customers, including significantly payment terms.

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment on non-financial assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset, or Company of operating assets, exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

(m) Financial instruments

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

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

In these financial statements, financial assets comprise cash and bank balances, trade and other receivables and related party receivables. Financial liabilities comprise trade and other receivables and related party balances.

Financial assets

Initial recognition and measurement

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

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

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

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

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial instruments (cont'd)

Financial assets (cont'd)

Subsequent measurement

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

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

Derecognition

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

Impairment

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

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

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

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

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

Financial liabilities

Initial recognition and measurement

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

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

(n) Employee benefits

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

Employee benefits that are earned as a result of past or current service are recognized in the following manner:

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

(o) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn and incur expenses whose operating results are regularly reviewed by the Company's Chief Operating Decision Maker ("CODM") who decides about the resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the operations of the Company are considered as one operating segment.

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

4. REVENUE

Revenue represents the value of services provided 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.

5. PROPERTY, PLANT AND EQUIPMENT

	<u>Leasehold Improvement</u>	<u>Furniture and Fixtures</u>	<u>Machinery and Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
At Cost/Valuation:					
Balance as at October 1, 2019	24,485,752	1,324,500	2,092,898	2,120,144	30,023,294
Additions	<u>2,949,936</u>	<u>108,929</u>	<u>-</u>	<u>-</u>	<u>3,058,865</u>
Balance as at December 31, 2019	<u>27,435,688</u>	<u>1,433,429</u>	<u>2,092,898</u>	<u>2,120,144</u>	<u>33,082,159</u>
Accumulated Depreciation:					
Balance as at October 1, 2019	-	-	-	-	-
Charge for the period	<u>160,211</u>	<u>33,113</u>	<u>81,697</u>	<u>159,411</u>	<u>434,432</u>
Balance as at December 31, 2019	<u>160,211</u>	<u>33,113</u>	<u>81,697</u>	<u>159,411</u>	<u>434,432</u>
Net book value At December 31, 2019	<u>27,275,477</u>	<u>1,400,316</u>	<u>2,011,201</u>	<u>1,960,733</u>	<u>32,647,727</u>

6. RIGHT-OF-USE ASSETS

At Valuation	<u>Office Building</u>
Balance at October 1, 2019	\$ -
Additions	<u>13,855,278</u>
Balance at December 31, 2019	<u>13,855,278</u>
Depreciation charge of right-of use asset	
Charge for period	<u>1,399,473</u>
Balance at December 31, 2019	<u>1,399,473</u>
Net Book Value	
Balance at December 31, 2019	<u>12,455,805</u>
Lease Liability:	2019
	\$
Non-current lease liability	6,400,312
Current lease liability	<u>6,027,717</u>
Balance at December 31, 2019	<u>12,428,029</u>

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

7. INTANGIBLE ASSETS

As at September 30, 2019, Mailpac Group Limited acquired the net assets of Mailpac Local Limited and Mailpac Services Limited. The Company 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.

	2019
Cost:	\$
Purchase goodwill	171,000,000
Customer contracts, lists of existing customers and other intangibles	<u>73,579,000</u>
	<u>244,579,000</u>
 Amortization:	
Balance at October 1, 2019	-
Charge for the period	<u>459,869</u>
	<u>459,869</u>
 Balance at period end	 <u><u>244,119,131</u></u>

8. DUE FROM RELATED COMPANIES

	2019
	\$
Norbrook Water Company	<u>13,130</u>

These represent advances made by the Company to related companies. These amounts are unsecured, have no interest rate and fixed repayment date.

9. TRADE AND OTHER RECEIVABLES

Trade receivable materially represents balance due on credit sales.

	2019
	\$
Trade receivables	48,743,827
<i>Less: expected credit loss provision</i>	<u>(4,148,958)</u>
Net trade receivables	44,594,869
Deposits	1,635,075
Prepayments	2,495,256
Other receivables	<u>361,410</u>
	<u><u>49,086,610</u></u>

10. CASH AND BANK BALANCES

	2019
	\$
Current accounts	<u>106,380,659</u>
Cash in Hand	<u>141,057</u>
	<u><u>106,521,716</u></u>

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

14. LOAN PAYABLE

	2019 \$
Loan at the beginning of the period (i)	262,698,000
Loan during the period (ii)	<u>17,778,920</u>
	280,476,920
Loan repayment	<u>(265,149,811)</u>
Loan balance	<u><u>15,327,109</u></u>
(i) On September 30, 2019, the Company secured loan of \$262m payable to Norbook Equity Partners, which represents Mailpac Services Ltd long-term liability at acquisition. This loan is interest free and matures on March 31, 2020.	
(ii) This represents payments made on the Company's behalf to finance the Initial Public Offering expenses and advances received during the period. This amount is unsecured, interest free and have no fixed repayment terms.	

15. DUE TO DIRECTOR

	2019 \$
Due to director	<u>1,419,195</u>

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

16. DUE TO RELATED COMPANIES

	2019 \$
Norbrook Ice and Beverage	91,250
Mailpac Local Ltd	608,964
Mailpac Services Ltd	<u>685,028</u>
	<u><u>1,385,242</u></u>

17. TAXATION PAYABLE

Taxation payable is based on the Company's net profit between October 1, 2019 and December 3, 2019 prior to the Company being listed on the Junior Market of the Jamaica Stock Exchange and is subject to agreement of the Taxpayer Audit and Assessment Department, and is calculated at 25%.

	2019 \$
Balance at beginning of the period	-
Charge for the period	<u>9,961,695</u>
Balance at end of the period	<u><u>9,961,695</u></u>

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

18. COST OF SALES

	2019
	\$
Freight and brokerage	112,189,146
Delivery	6,066,332
Damaged claims	435,785
Packaging material	509,605
On-line orders	46,063,840
	165,264,708

19. SELLING AND DISTRIBUTION COSTS

	2019
	\$
Advertising	10,808,678
Delivery	95,700
Commission	749,263
Travel and entertainment	3,090,447
	14,744,088

20. ADMINISTRATIVE AND GENERAL EXPENSES

	2019
	\$
Audit fees	2,500,000
Directors' emoluments	9,894,743
Utilities	2,882,726
Insurance	1,368,012
Irrecoverable GCT	3,290,859
Legal and professional fees	7,318,370
General office expenses	474,949
Meal and entertainment	108,087
Repairs and maintenance	1,654,912
Staff welfare	4,459,206
Casual labour	4,176,641
Salaries wages and related costs	30,430,449
Security	1,313,766
Subscriptions, sponsorship and donations	966,506
Short term leases [see note 2(d)]	1,022,456
Cleaning and sanitation	795,327
	72,657,009

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

21. OPERATING PROFIT

Stated after charging the following:	2019
	\$
	<u>109,061,005</u>
Director's remuneration	9,894,743
Auditor's remuneration	<u>2,500,000</u>

22. OTHER INCOME

	2019
	\$
Interest income	3,709
Handling charges	540,508
Foreign exchange gain	232,959
	<u>777,176</u>

23. FINANCE AND POLICY COSTS

	2019
	\$
Bank charges	5,663,480
Expected credit loss provision	4,148,958
Interest expense on right-of-use assets	321,817
Depreciation	434,432
Amortization	459,869
Depreciation-right-of-use asset	1,399,473
Foreign exchange loss	633,432
	<u>13,061,461</u>

24. TAXATION

Income tax is computed at 25% of the Company's net profit between October 1, 2019 and December 3, 2019, as adjusted for taxation purposes.

The taxation charge is made up as follows:

	2019
	\$
Current:	
Provision for charge on current profit	<u>9,961,695</u>
	9,961,695
Deferred:	
Origination and reversal of temporary differences	<u>530,254</u>
	<u>10,491,949</u>

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

29. FINANCIAL INSTRUMENTS

Financial risk management

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

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

The Board of Directors, together with senior management has overall responsibility for the establishment and oversight of the Company's risk management framework.

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

(i) Credit risk

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

Cash and bank balances

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

Trade receivables

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

The impairment requirements of IFRS 9 are based on an expected credit losses (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 period 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 2019.

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

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd):

(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.

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
December 31, 2019:				
Lease liabilities	12,428,029	12,428,029	6,400,312	6,027,717
Loan payable	15,327,109	15,327,109	15,327,109	-
Trade and other payables	50,151,712	50,151,712	50,151,712	-
	<u>77,906,850</u>	<u>77,906,850</u>	<u>71,879,133</u>	<u>6,027,717</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 optimizing 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 utilized, bank overdrafts are subject to fixed interest rates which may be varied by appropriate notice by the lender. At December 31, 2019, there were no financial liabilities subject to variable interest rate risk.

Interest-bearing financial assets comprises of bank deposits, which have been contracted at fixed interest rates for the duration of their terms.

Fair value sensitivity analysis for fixed rate instruments

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

Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED DECEMBER 31, 2019

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd):

(iii) Market risk (cont'd):

The Company is exposed to significant foreign currency risk, primarily on purchases that are denominated 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.

	2019 <u>US\$</u>
Bank balances	<u>209,534</u>

Sensitivity analysis:

A strengthening of 400 basis points of the Jamaica dollar against the currencies indicated above at December 31, 2019 would have decreased the Company's profit or loss by \$1,099,442.

A weakening of 600 basis points of the Jamaica dollar against the currencies indicated above at December 31, 2019 would have increased the Company's profit or loss by \$1,649,162.

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.

(c) 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.

30. SUBSEQUENT EVENT

Subsequent to the reporting date, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic due to its rapid spread across the globe. Jamaica has been affected by the outbreak, which resulted in the Government of Jamaica undertaking a variety of measures to reduce the spread of the virus amongst the population. These measures have been disruptive to various businesses and have resulted in increased economic uncertainty. As a result, the Company's business activities and financial performance may be impacted by supply chain disruption, declines in revenue, operating cash flows and the collection of outstanding receivables; however, an overall estimate of the financial impact cannot be made at this time.