Annual REPORT 2020

MAILPAC GROUP

www.mailpacgroup.com

Our Vision MISSION & VALUES

MAILPAC **VISION**

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

MAILPAC **MISSION**

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

MAILPAC **VALUES**

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

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

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

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

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

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

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

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

Table of CONTENTS

A Defining YEAR

Operations & GOVERNANCE

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175%

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$225mil

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Executive CHAIRMAN'S STATEMENT

In 1998, the founders of Mailpac saw the future. They recognised that online shopping would become an instrumental element of retail – one that would bring a unique level of convenience, savings, and options to consumers. They also recognised that the Caribbean did not have the logistics ecosystem to provide seamless access to online shopping for consumers and saw an opportunity to bridge the gap. From this, Mailpac was born.

Twelve years later, in 2010, we made a promise to those same founders. We committed to working with the team at Mailpac to transform the business from a niche logistics provider in Jamaica to the leading provider of e-commerce solutions in the Caribbean. As I pen this, my first Chairman's Letter for the publicly listed Mailpac Group Limited, I am proud to say that we are well underway to achieving that goal.

→

Not only have we emerged as the leading e-commerce fulfilment provider in Jamaica, but we have also revolutionised the procurement of items online with state-of-the-art technology, unique logistics capabilities and market leading customer service practices. From our 55,000 square foot shared warehouse facility in Miami to our dynamic customer app, shopping online is now easier for Jamaicans and getting the items purchased that much more seamless. That said, this is only the beginning for us at Mailpac as we have a pipeline of innovative solutions and platforms that are poised to bring the world of online products and services even closer to the reach of the Caribbean consumer.

Our tenure as a publicly listed company has been a rewarding one thus far. **Our initial public offering in 2019 was the largest such listing in the history of the Jamaica Junior Stock Exchange. Over 5,000 individual investors committed just under $500 million in capital to support and join the Mailpac family.** This was not only a rewarding feat for the team at Mailpac, but it was also a validation of our thesis – that online shopping was poised for growth in the region, and Mailpac was best positioned to enable that growth.

A year since our IPO, our business has significantly surpassed expectations, and our stock has provided over 175% in capital appreciation for our shareholders as a result. The Company has also paid $225 million of dividends during the period. In short, it has been an amazing year of “Delivering Joy” to our stakeholders.

Mailpac deepened its mission of serving and supporting our customers and communities through the COVID-19 pandemic by “Delivering Joy” at a time when customers were most challenged. In addition to our numerous charitable activities, **Mailpac issued over $20 million in rewards and gifts to customers during its “Bring Back the Joy” campaign in 2020.** The campaign embodied Mailpac’s commitment to enrich the holiday season for its loyal customers during this uniquely difficult period.

More broadly, the year 2020 proved itself to be one for the record books. We endured a pandemic that rocked the globe in a way only seen a century before. People were afraid, businesses were closed, jobs were lost, and physical movement was limited. People desperately needed a way to get their goods delivered to them, and Mailpac answered the call.

In doing so, Mailpac made a meaningful difference in the lives of our customers and the broader consumer market whose travel and movement were curtailed by the pandemic. Consumers that had never experienced the value of online shopping had no choice but to leverage the utility of ordering items online and have them delivered safely, conveniently and cost-efficiently to their homes. They did so from international sites such as Amazon and eBay and from local retailers such as PriceSmart and Hi-Lo through our Mailpac Local platform.

In all cases, Mailpac was thrust to the forefront of providing the technology, delivery infrastructure, and customer service capabilities required to ensure these consumers got what they needed when they needed it.

We believe that customer exposure to online shopping in 2020 has redefined Mailpac forever. Firstly, the pandemic has created a fundamental shift in the way consumers will shop in the future and Mailpac is well positioned to continue growing by efficiently serving this evolving consumer market. More importantly, the Company has significantly increased its scale and capacity and is poised to efficiently expand in volume, scale, and geography. We are excited for the future.

As a result of the numerous strategic initiatives employed over the past few years, as well as the unique demand created from the pandemic, **Mailpac has seen the significant expansion of its business generating revenue of $1.7 billion during the year 2020.** While the Company does not have an annual comparative because it was formed in September 2019, revenues for Q4 2020 were $518.9 million, which was 43.2% higher than the $362.3 million achieved in the same quarter of the previous year.

Though it is difficult to differentiate the growth that came from the effect of the pandemic versus the organic growth we experienced, the team at Mailpac has worked feverishly to continue to differentiate ourselves in the ever growing, and highly competitive e-commerce market. In fact, in just the past 15 months, Mailpac has enacted several initiatives to enhance and enable growth, including:

- The expansion of our warehouse and processing facilities to increase throughput
- The enhancement of our processing technology to reduce the number of touchpoints
- The expansion of our customer service team and technology to increase responsiveness
- The expansion of pickup locations across the island to deepen market reach
- The introduction of online payments to make delivery faster and more seamless
- The introduction of pickup lockers to enable alternative, self-service collection
- The development of the Mailpac Mastercard to create access for the underbanked
- A unique ‘free-zone’ license in the US enabling tax-free shopping for our customers
- An upgrade to our customer app for better tracking, pre-alerting and interfacing
- An exclusive API integration with Amazon and eBay to enhance customer experience
- The creation of our exclusive ‘Free Returns’ solution
- Enhanced local delivery capabilities and reach
- Expansion of our Mailpac Local platform to island-wide fulfilment
- Same-day grocery delivery with Mailpac Local
- Online payments with Mailpac Local

With these initiatives and enhancements in tow, **Mailpac's gross profit for 2020 was $819.5 million, a strong 47% of revenue generated in that year.**

Conversely, 2020 was not without challenges and learnings. While we moved into the year prepared for volume growth and significantly enhanced our operating protocols, the unexpected spike in package volume from the impact of Covid adversely affected our gross margins. We incurred extraordinary spending on charter flights and other freight solutions to offset the shortage of air cargo capacity due to the pandemic. These challenges caused us to quickly and aggressively identify alternatives and long-term solutions to ensure that our airlift capacity and cost structure are flexible and scalable in the future.

In the end, Mailpac's net income for the year came in at a $443.1 million. This performance significantly speaks volumes to the scope and opportunity of our business.

As we look forward to another year of growth in 2021, we would like to take this opportunity to thank our customers for their continued patronage and our team for their continued effort and support. Our team, the majority of whom have been part of the Mailpac family for over a decade, have never experienced a more demanding year. They were asked to work harder, longer, and more efficiently than ever before. They were pushed to be innovative in solving the unique issues that presented themselves through this pandemic. With that, I can proudly say they met the challenge head-on with a superior commitment to our customers. These efforts have laid the groundwork for various opportunities Mailpac has today, and for that we are extremely grateful.

The opportunity ahead is vast, and the future is bright. I believe that, together, we will create something extremely special in this Region. Accordingly, I would like to specially thank our shareholders for their faith, support and trust in our stewardship of the Company and pray for continued health and prosperity as we play our part in "**Delivering Joy**".

Khary Robinson
Executive Chairman

The Company & ITS HISTORY

Mailpac Group Limited *("MGL", "Mailpac" or the "Company") was incorporated on September 19, 2019 to acquire the businesses of Mailpac Services Limited and Mailpac Local Limited, for the purpose of amalgamating both logistics platforms into one operating business. MGL acquired both businesses on September 30, 2019 as going concerns. The acquisition resulted in MGL acquiring all employee contracts processes, solutions, services, customers, vendors, partners, technologies and assets of Mailpac Services Limited and Mailpac Local Limited. Accordingly, MGL boasts over 25 years of combined industry-leading expertise and is operated by seasoned managers and staff that have led and will continue to lead the businesses into the future.*

MGL is one of the leading providers of logistics services in the Caribbean. The Company offers e-commerce fulfilment services from the United States to Jamaica (Mailpac Services), cross-border online shopping with local landed prices (Mailpac Marketplace), local online shopping and delivery from local retailers (Mailpac Local), online shopping financing (Mailpac Financial Services), a branded MasterCard for shopping online (The Mailpac Card), sea freight shipping (Mailpac Ocean Freight) and brokerage services.

In December 2019, MGL listed on the Junior Jamaica Stock Exchange. To date, it is the largest listing of its kind.

HISTORY

In 1998, Andrew and Coleen Philips started Mailpac Services Limited to solve the e-commerce fulfilment needs of online shoppers in Jamaica. In doing so, they partnered with the Miami-based company, Metropolitan International Services (Aeropost), that was providing similar services in Costa Rica. This became the genesis of the Aeropost Network. Over the next twelve years, the Aeropost Network (owned by Aeropost) enhanced its infrastructure and technology and significantly expanded its reach to

In 1998, Andrew and Coleen Philips started Mailpac Services Limited to solve the e-commerce fulfilment needs of online shoppers in Jamaica.

Mailpac Services Limited grew from serving approximately 5,000 customers in 2010 to over 50,000 today.

Mailpac Group Ltd. **ANNUAL REPORT** 15

over thirty countries in the Caribbean and Latin America.

In 2010, Norbrook Equity Partners Limited acquired Mailpac Services Limited with the goal of expanding its platform to serve a broader segment of the Jamaican consumer market. Through several strategic initiatives, including new locations, better technology, competitive pricing and unique partnerships, Mailpac Services Limited grew from serving approximately 5,000 customers in 2010 to over 50,000 today.

In addition to organic growth, Mailpac Services Limited expanded its customer base through acquisitions, including the acquisition of its closest competitor in 2011 (Global Couriers) and the Jamaica-based e-commerce fulfilment operations of Deutsche Post AG (DHL) in 2012. These acquisitions expanded the client base of Mailpac Services Limited and enabled it to procure a broader segment of the online shopping market.

In 2013, Mailpac Services Limited launched Mailpac Ocean Freight to serve the needs of Jamaican consumers and corporations that wanted to import items too large to be efficiently air freighted. This platform further enabled Mailpac Services Limited to broaden its captive audience, enlisting a base of commercial clients who wished their ocean freight shipments to benefit from the same level of service and technology they garnered through Mailpac Services. In the same year, Mailpac launched its brokerage services, working with a select group of brokers across the country to enhance the clearance process for all customers with brokerage needs – commercial and individual.

In 2016, Norbrook Equity Partners launched Caddiz, an e-commerce platform that allowed local companies to sell their items online. Caddiz provided the technology and the

In 2018, Norbrook's local e-commerce platform "Caddiz" was rebranded and established as a stand-alone company, called Mailpac Local Limited.

In December 2019, MGL listed on the Junior Jamaica Stock Exchange. To date, it is the largest listing of its kind.

logistics to enable these companies, such as PriceSmart and Hi-Lo, to reach a new audience of customers that wanted the convenience and efficiency of shopping online.

In 2018, Caddiz was rebranded and established as a stand-alone company, called Mailpac Local Limited, to benefit from the brand recognition and trust of Mailpac Services Limited.

In 2017, Norbrook started to invest significantly in the differentiation of its e-commerce subsidiaries. Together with Aeropost,

Mailpac Services Limited developed the technology and infrastructure for the Mailpac Marketplace, a landed price, cross-border e-commerce platform accessible in Jamaica. More specifically, the platform allowed Jamaican consumers to shop online on key international sites, such as Amazon, and see all items listed with a landed price (in Jamaican dollars and inclusive of shipping and duty cost). This was a massive evolution in the Mailpac Services Limited offering as customers could now eliminate the uncertainty around the final price of an item bought online, as duty and shipping were typically calculated after the customer purchased the item online. It also allowed the customers to pay for items online without having an international credit card.

To accompany the Mailpac Marketplace and to further increase its market reach, Mailpac Services Limited also invested in an instant approval financing platform. The platform allows consumers to finance their online purchases at the point of purchase. This allowed Mailpac Services Limited the ability to reach an untapped market of consumers who were cost and budget conscious and required financing support to acquire international products.

Additional investments were made in securing a tax-free address with the Florida Revenue Department, in the island-wide distribution network of both companies, in the development of a Mailpac Mastercard, and in several marketing, service, technology and infrastructure projects that allowed the company to relaunch its platform under the coined term, "The New Mailpac". The investments were very well placed, as the business experienced record growth thereafter.

In December 2019, the Company listed on the Jamaica Junior Stock Exchange. It was the largest such listing in the history of the Jamaica Junior Stock Exchange with 5,000 individual investors committing just under $500 million in capital.

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

Almost immediately, the demand for online shopping skyrocketed, and Mailpac was there to supply. The customer bases for both Mailpac Services and Mailpac Local swiftly multiplied, and order volumes reached record highs. The Company had to significantly increase its scope and capacity in order to efficiently expand in volume, operating capacity, and geography. This spike in package volume prompted Mailpac to identify alternatives and long-term solutions for airlift capacity to offset any lack of capacity at traditional airlift providers. This also resulted in identifying airlift solutions with a cost structure that is more flexible and scalable in the future.

The Company ended its year with its “Bring Back the Joy” campaign. To share joy around the holidays in the midst of this pandemic, Mailpac issued over $20 million in rewards and gifts to its loyal customers.

SERVICES

E-COMMERCE FULFILMENT

MAILPAC.COM

Mailpac Group Limited, through its acquisition of Mailpac Services, offers over 22 years of expertise in e-commerce fulfilment. With a rapidly growing client base of over 50,000 consumers and companies in Jamaica, Mailpac is a technologically advanced fulfilment platform for anyone seeking to enjoy the options, convenience and savings of shopping online.

Mailpac’s core offering provides clients with physical addresses in Miami, Florida where they can receive all goods purchased from international providers (typically online stores such as Amazon and eBay). These goods are received by MGL at a 55,000 square foot, state-of-the-art warehouse facility in Miami operated by Aeropost on behalf of all partners in the Aeropost Network. The goods received are then processed, TSA-inspected, consolidated and flown to Jamaica with third-party cargo airlines. Once the goods arrive in Jamaica, MGL then clears all goods through customs, processes the packages, and delivers them to the customers at their homes or businesses or, alternatively, customers may collect packages at any of the Company’s eleven stores island-wide. This entire process utilises a significant base of technology and infrastructure, creating a time and cost-efficient solution for customers. Most packages that are received at MGL’s warehouse in Miami are delivered to customers in less than four (4) days and for a fraction of what it would cost the customer if the goods were shipped directly to Jamaica using traditional express international couriers.

Mailpac is the exclusive agent of Aeropost in Jamaica. Aeropost provides MGL with the technology and infrastructure to support all its processes on the Miami side of the operation.
Aeropost’s infrastructure provides similar support services for thirty-nine (39) country agents, many of whom are owned and operated in part or in whole by Aeropost. This ‘co-op model’ has allowed Aeropost and its partners to benefit from the scale, buying power and negotiating leverage that comes with being one of the largest e-commerce fulfilment providers in the region with over 1,000,000 customers in the Caribbean and Latin America. In 2017, Aeropost was acquired by PriceSmart International, a NYSE-listed company with over US$1B in revenue and significant capital to further enhance and refine the Aeropost platform for the benefit of all agents.

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

(see next page)

Eleven island-wide locations and home delivery.

A tax-free address for all purchases, saving clients 7% on all purchases.

Free returns on all purchases shipped through Mailpac.

Instant and guaranteed landed prices (including duty) through a patented pricing tool.

Full integration with all leading couriers for immediate package recognition and tracking.

API data integration with the largest e-commerce providers, including Amazon and eBay.

One-click pre-alerting of packages (sending invoice to customs) on all major shopping sites.

Instant approval financing on all purchases for qualified clients.

An instant approval prepaid MasterCard for shopping online.

ONLINE SHOPPING – MAILPAC MARKETPLACE

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

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

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

1. An app for smart devices that allows the consumer to shop on various leading international online stores with local landed prices. In other words, the prices seen include shipping and duty and exchanges the currency to Jamaican dollars so that the consumer knows exactly what it will cost to receive the item in Jamaica.

2. A plugin for multiple web browsers which allows the consumer to shop on various US websites and see local landed prices as set out above.

3. An app that allows customers to pre-alert (the process of electronically sending invoices to customs for clearance purposes) and track items automatically from websites such as Amazon and eBay.

4. Direct purchase of items on Aeropost's own e-store which includes several highly discounted items negotiated by PriceSmart on behalf of Aeropost. No other e-commerce provider in the region, in negotiating with suppliers, has the ability to leverage over US$4B in purchasing power accumulated through its retail and e-commerce business.

5. An instant approval financing platform that allows consumers to see the landed price and do a quick online application to gain financing support for the purchase of their items, with payment terms of up to six months.

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

LOCAL ONLINE SHOPPING & E-COMMERCE FULFILMENT

MAILPAC LOCAL

Launched in 2016 and rebranded in 2018, Mailpac Local is an online shopping platform that uniquely connects local suppliers to local consumers. The business provides a complementary platform for customers of Mailpac Services that want the convenience of shopping online for goods sold locally. More specifically, the platform allows Jamaican consumers to receive same day and next day delivery of all goods sold at local retailers such as PriceSmart, Hi-Lo Food Stores and The Stationery Centre.

Modelled from online grocery companies such as Amazon Fresh and Instacart, Mailpac Local uses the latest in 'aisle shopping technology' to make it quick and easy for shoppers to virtually browse the aisles of a store, seamlessly fill a shopping cart with goods, and have them delivered to their doorsteps shortly thereafter.

The platform also allows users to “save” their most recent shopping cart so that re-ordering is easier. In addition, every online shopper is paired with a personal in-store concierge who will call the client to clarify their order or make changes where required. The service also includes island-wide delivery.

In 2020, Mailpac Local introduced online payments to create a more seamless customer experience. Looking forward, Mailpac Local plans to expand its base of partner stores to allow consumers to acquire a wider array of items from a vast base of local stores – all from the convenience of their phones, tablets or laptops.

MAILPAC OCEAN FREIGHT & BROKERAGE

In addition to air freight, MGL offers ocean freight and brokerage services through its business line – Mailpac Ocean Freight. Mailpac Ocean Freight allows customers to ship commercial quantities of items or large items such as furniture, but with the service quality and technological support of air freight.

Board of DIRECTORS

Khary Robinson
Executive Chairman

Khary Robinson is the Executive Chairman of Norbrook Equity Partners (“NEP”), a holding company that acquires and operates privately owned businesses in emerging and niche markets. Today, NEP owns and operates twenty companies in the Caribbean. These businesses are very diversified in terms of industry and scope and include the local leader in e-commerce fulfilment (Mailpac), the largest private transaction processing company in Jamaica (ePay), the island’s largest health and wellness platform (Express Fitness), Jamaica’s leading player in ice manufacturing and distribution (Pure National Limited), the Jamaican arm of the world’s largest car rental company (Hertz), a leading multi-service creative hub that offers event production, entertainment, graphic design, communication and digital solutions (SNB Creative Group), Jamaica’s fastest growing water provider (JamAgua) and several other industry leading platforms in Jamaica.

On founding NEP in 2008, Mr. Robinson was responsible for transaction execution, business development, strategy, finance and operations across the group. In 2016, he moved into his current role of Executive Chairman, where he spends the majority of his time developing and executing group initiatives, either through the identification and execution of new acquisitions, or developing and strategizing growth strategies for the existing portfolio. Today, Mr.Robinson works closely with the NEP’s Group CEO as well as the business managers of each business line to ensure the effective execution of the stated strategy for each company and the group as a whole.

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

Mr. Robinson studied economics at Georgetown University and graduated with honours, attaining a Bachelor of Science in Finance and Management. There he was awarded with the prestigious Arthur Ashe Student-Athlete award. He received his MBA from the Wharton School in May 2007, with a major in Finance and Entrepreneurial management. He has also

been recognised for his achievements and was awarded the Goldman Sachs Fellowship, the Joseph P. Wharton Fellowship, the Executive Leadership Council Award as well as the Shils-Zeidman Entrepreneurial Fellowship at Wharton. Mr. Robinson is also a member of the Young Presidents Organization (YPO), NextGen network of executives and the Council of Urban Professionals (CUPA).

Mark Gonzales
Director & CEO

Dr. Mark Gonzales has over 25 years' experience as an esteemed professional with wide experience in e-commerce, international trade, business management, supply chain management, logistics and customs administration. He is the Mailpac Group Limited (MGL) CEO and previously led Mailpac Services Limited as General Manager and CEO for 17 years. A business strategist and high performing executive with outstanding leadership attributes, Dr. Gonzales is dedicated to philanthropy, outreach and advancing corporate social responsibility. He has managed and directed the most prominent international courier services in Jamaica and served on various boards within the private and public sectors.

Mark's career started at Jamaica Customs, where he was employed for 7½ years. He then moved on to Mailpac Services Limited where his knowledge and work experience in almost all aspects of the customs processes and procedures equipped him to better provide expert advice on customs and trade operations. His participation in numerous training programmes and seminars, both locally and internationally, further honed his expertise in international trade and business administration.

Dr. Gonzales gained his doctoral degree in business administration at the Atlantic International University. He received his MBA from The University of New Orleans and holds both the BSc. and Asc. degrees in business administration from the Northern Caribbean University.

Dr. Gonzales is passionate about the growth and development of the e-commerce industry and is President and a founding member of the E-commerce Couriers Association of Jamaica. He is a Justice of the Peace and has served in various executive capacities, including that of President of the Lay Magistrates' Association of Jamaica, Kingston Chapter. He continues to contribute to the education sector by serving as a director on the board of governors of Liguanea Preparatory School.

Garth Pearce
Director

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

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

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

William Craig
Independent, Non-Executive Director

With over 25 years' experience in the insurance industry, Mr. Craig has been the CEO of Billy Craig Insurance Brokers since 2001. In his capacity as CEO, he is the company's strategic lead, and ensures that his team consistently provides excellent service and achieves the company's key performance indicators. Billy Craig offers insurance brokerage and risk management services and has been in operation for over 50 years. Mr. Craig has successfully led the company to form valuable partnerships with international companies such as Aon plc, one of the world's largest insurance brokerage firms. He holds a bachelor's degree in economics from Clemson University in the United States and currently serves on the boards of Mailpac and Cargo Handlers Limited.

Tracy-Ann Spence
Independent, Non-Executive Director

Tracy-Ann Spence is the Chief Operating Officer at NCB Capital Markets Limited, which is the Wealth Management, Asset Management and Investment Banking arm of the NCB Financial Group, Jamaica's largest and most profitable financial institution. As the Chief Operating Officer at NCB Capital Markets, she has responsibility for the Jamaican operations and has strategic oversight of the Wealth Management and Investments & Trading functions.

Ms. Spence has been employed to the NCB Financial Group for over seventeen (17) years and counts a BSc in Applied Mathematics from York University in Toronto, an MBA in Banking and Finance (with distinction) from the University of the West Indies and Project Management Professional (PMP®) Certification from the Project Management Institute among her educational achievements. She is currently pursuing her Doctorate in Business Administration from the Mona School of Business and Management.

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

She enjoys imparting her knowledge and has been able to do this through her position as an adjunct lecturer at the Mona School of Business, University of the West Indies, where she has lectured in Financial Management in the MBA and EMBA programmes. She has also taught at NCB's Corporate Learning Campus in areas such as Portfolio and Investment Management. Ms. Spence currently sits on the boards of the Jamaica Association for the Deaf, tTech Limited, Mailpac Group Limited and SiFi Studios Limited. She also represents her company in various associations such as: The Primary Dealers' Association, First Angels Jamaica, and the Branson Centre for the Caribbean.

Stephen Greig
Company Secretary

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

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

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

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

Directors' REPORT

The Directors of Mailpac Group Limited are pleased to present their Report together with the Audited Financial Statements of the Company for the year ended December 31, 2020.

FINANCIAL HIGHLIGHTS

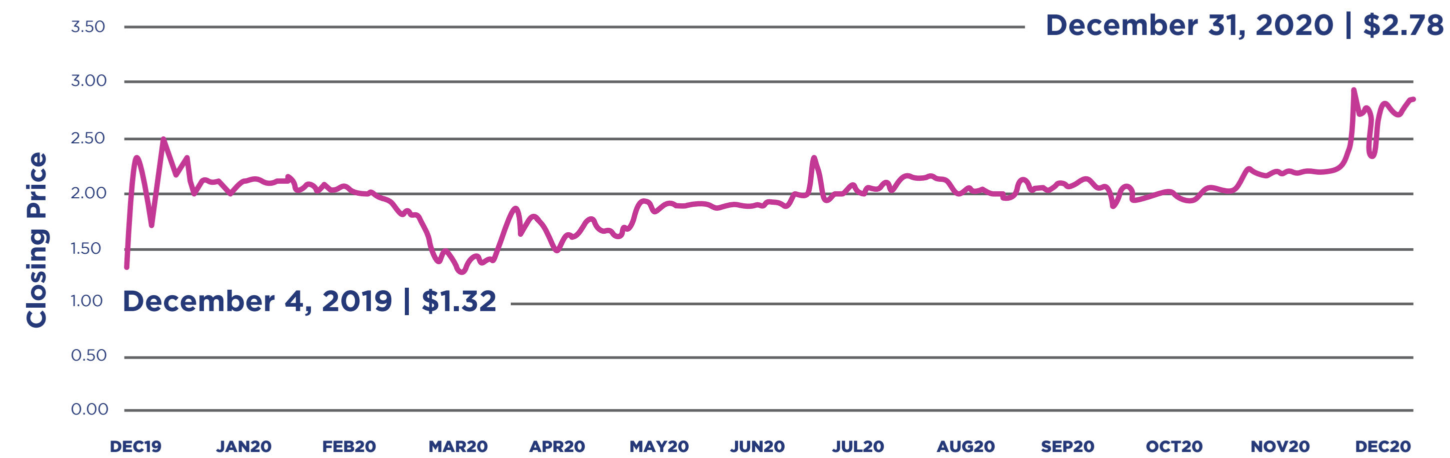
	YEAR ENDED (DECEMBER 2020) $	*3 MONTHS ENDED (DECEMBER 2020) $	3 MONTHS ENDED (DECEMBER 2019) $
Revenues	**1,726,239,428**	518,851,832	362,267,318
Gross Profit	**819,519,664**	235,173,895	197,002,610
Operating Expenses	**340,111,355**	111,755,540	87,401,097
Net Income	**443,077,350**	104,197,977	86,284,771
Earnings Per Share	**0.18**	0.04	0.04

**Mailpac Group Limited was incorporated on September 19, 2019. Because the Company does not have a full year of prior performance for comparative analysis, performance of the fourth quarter of 2020 versus performance of the fourth quarter of 2019 has been highlighted in this chart.*

For the year, the Company recorded total revenue of $1.7 billion with gross profit of $819.5 million. Total operating expenses were $340.1 million, including the cost to expand operating infrastructure for higher levels of demand and reward loyal customers in 2020. Net income for the year stood at $443.1 million.

Total assets at the end of the year were at $654.4 million, with $284.0 million of cash on the balance sheet. Shareholders' equity stood at $571.7 million, this figure being impacted by the $225.0 million in dividends paid out by the Company in 2020.

MGL CLOSING SHARE PRICES SINCE IPO



DIRECTORS

The Directors of the Company as at December 31, 2020 are:

Khary Robinson | *Executive Chairman*

Mark Gonzales | *Executive Director & CEO*

Garth Pearce | *Director*

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

William Craig | *Independent, Non-Executive Director*

AUDITORS

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

DIVIDENDS

Two dividends were paid to Company shareholders of $0.04 cents per share paid on July 30, 2020 and of $0.05 cents per share paid on October 16, 2020.

Khary Robinson
Executive Chairman, Mailpac Group Limited

Senior MANAGEMENT TEAM

Mark Gonzales
Chief Executive Officer (CEO)

Profile on page 22.

Christeen Allen
Chief Financial Officer (CFO)

Ms. Allen has over 20 years' experience in accounting and is currently responsible for the financial reporting and accounting controls for MGL.

Prior to joining Mailpac, she honed her accounting skills at GC & Associates Limited. Ms. Allen is a Certified Accounting Technician (CAT) designated by the Association of Chartered Certified Accountants (ACCA).

Samantha Ray
Chief Operations Officer (COO)

Ms. Ray has been employed to the Norbrook Group since 2011, where her main focus has been on overseeing the day-to day operations of Mailpac, which include operations and marketing.

Before assuming her role as COO, she was the Executive VP for Marketing for Norbrook, where her role involved the development and execution of marketing initiatives across the Group. Ms. Ray graduated with a B.Sc. in Psychology from the University of the West Indies.

Darlene Johnson
Customer Service Manager

Mrs. Johnson is the Customer Service Manager of MGL and served in the same capacity for over 16 years with Mailpac Services. She is a certified customer service professional with more than 33 years of experience at both the administrative and managerial levels that have spanned the fields of accounts, operations and customer service. Her experience was gained through working in several fields, including the automotive, regulatory and service industries. She holds a diploma in Financial Management & Accounting from the University College of the Caribbean.

Tommy Walters
Importation Manager

Mr. Walters is responsible for supervising the importation process of the shipments received from Miami. This includes ensuring that the proper procedures and protocols relating to customs are observed and overseeing the sorting and distribution to the various locations. He is also tasked with resolving issues related to package delivery errors. Mr. Walters has been performing in this capacity for 20 years throughout the various acquisitions that led to the formation of MGL. He spent his early years working as a customs broker clerk with Jamaica Air Express.

Management DISCUSSION & ANALYSIS

The following Management Discussion and Analysis (“MD&A”) is provided as a supplement to and should be read in conjunction with the Mailpac Group Limited 2020 audit, the historical financials, and the accompanying notes starting on page 48. Amounts and percentages may not total due to rounding.

OVERVIEW

Mailpac exceeded the 2020 projections outlined in its November 2019 IPO Prospectus by employing a number of strategies to provide better access to online shopping for Jamaicans whose travel and movement were curtailed due to the Covid-19 pandemic.

The pandemic, though adverse in its overall impact on our country, has brought greater awareness to the value of online shopping owing to its superiority in convenience, cost savings and the variety of choices over other traditional shopping options. We saw this come to life in 2020 with greater consumer demand for international e-commerce with Mailpac Services as well as online shopping for Jamaican goods with Mailpac Local. It is our belief that the experience of Jamaican consumers in 2020 has created a fundamental shift in the way they will shop in the future, and Mailpac is well positioned to continue growing by efficiently serving this evolution of the consumer market.

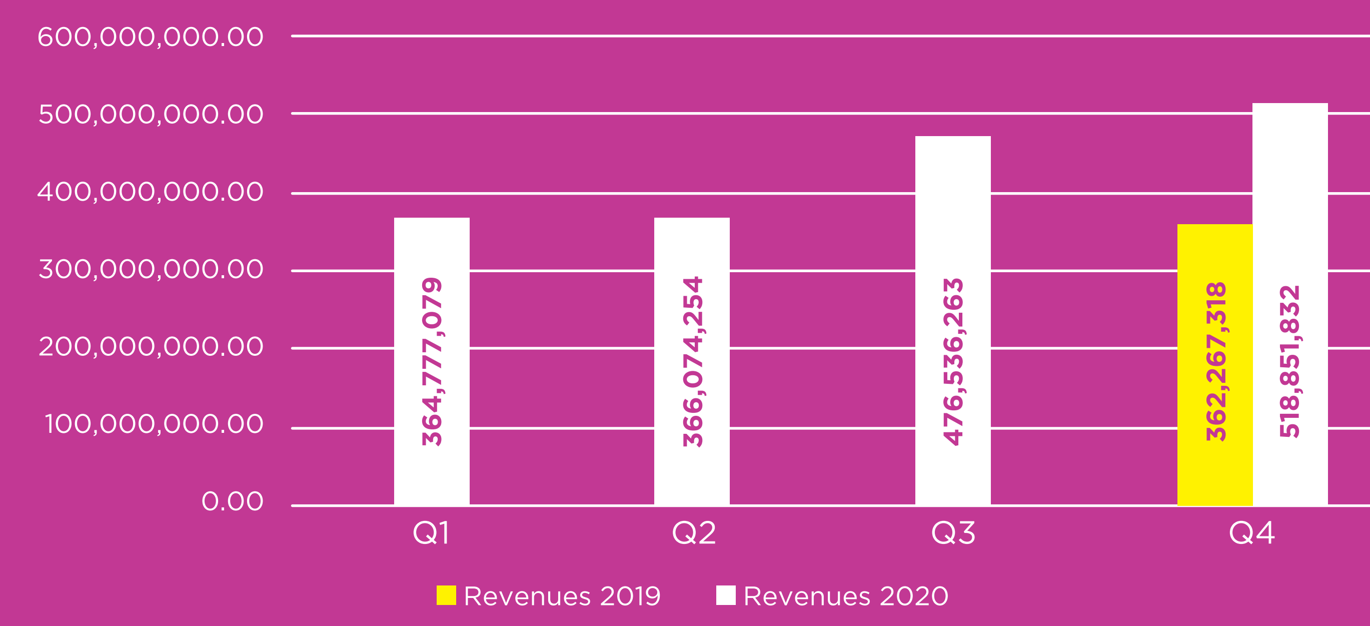
In reviewing the 2020 performance, all comparative analyses are associated with the fourth quarter of 2020 as Mailpac Group Limited was incorporated on September 19, 2019 and does not have a full comparative year of prior performance.

FINANCIAL PERFORMANCE

REVENUES

Total revenues for the 2020 financial year were $1.7 billion. This was driven mainly by order volume and a commitment to strong customer service. Both Mailpac Services and Mailpac Local saw increases in orders over the previous year, and Mailpac Local implemented an online credit card system to facilitate ease of payment and enhance customer experience. For Q4 2020, revenues were $518.9 million, which is 43.2% higher than the $362.3 million achieved in the same quarter of the previous year.

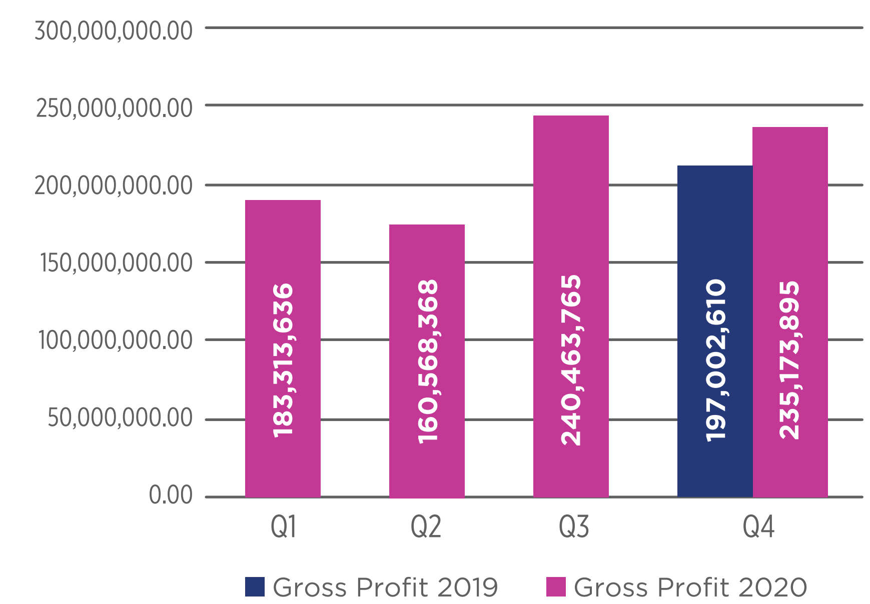
MAILPAC GROUP REVENUE BY QUARTER



GROSS PROFIT

Gross profit was $819.5 million for the year. For Q4 2020, gross profit was $235.2 million, which represents a 19.4% increase over the previous year. Owing to the significant spike in package volume, gross profit was adversely impacted by extraordinary spending on charter flights and other freight solutions to offset the lack of capacity at traditional airlift channels. Mailpac is currently finalizing solutions to ensure that any extraordinary costs and constraints in airlift capacity are mitigated in the future.

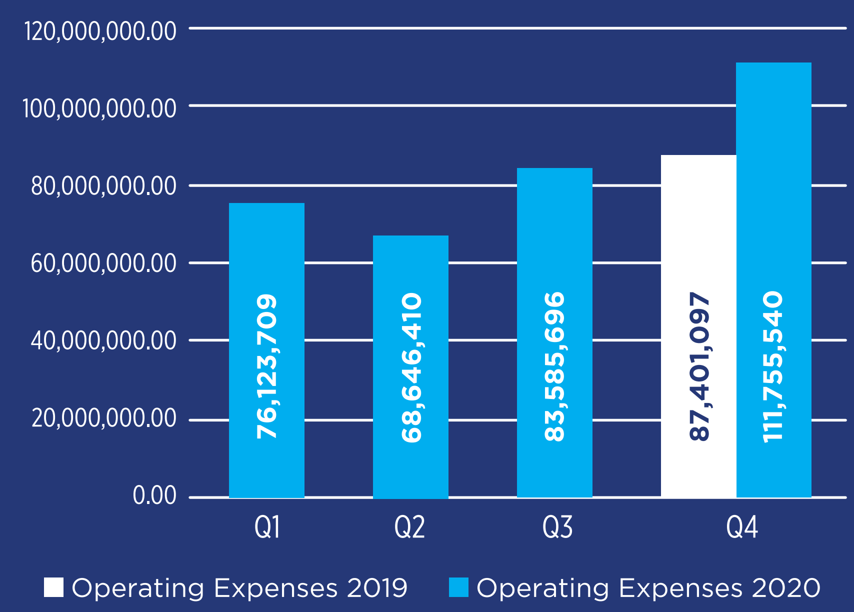
MAILPAC GROUP GROSS PROFIT BY QUARTER



OPERATING EXPENSES

Operating expenses for the 2020 year were $340.1 million. For Q4 2020, operating expenses were $111.8 million, coming in 27.9% higher than the prior year comparative quarter as the Company had to significantly expand its operating infrastructure to support the new volume levels. Additionally, Mailpac issued over $20 million in rewards and gifts to customers during its "Bring Back the Joy" marketing campaign. The campaign embodied Mailpac's commitment to enrich a challenging holiday season for many of its loyal customers.

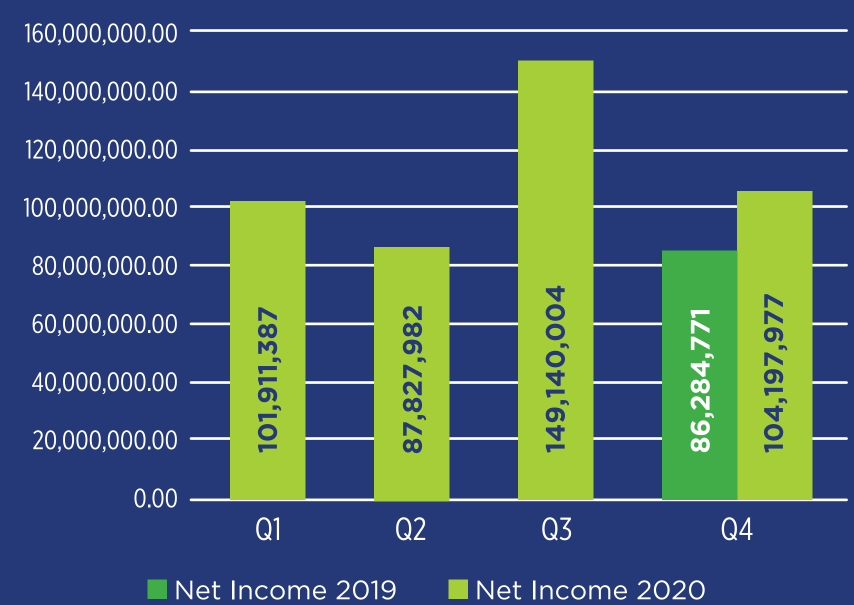
MAILPAC GROUP OPERATING EXPENSES BY QUARTER



NET INCOME

Net income for the year stood at $443.1 million. Net Income for Q4 2020 came in at $104.2 million, which is 20.8% higher than the $86.3 million achieved in the same quarter of the previous year. This was due to the increase in Mailpac's revenue for Q4 2020 (43.2%) surpassing the increase in operating expenses (27.9%).

MAILPAC GROUP NET INCOME BY QUARTER



FINANCIAL POSITION

Total assets at the end of the year stood at $654.4 million, with $284.0 million of cash on the balance sheet at the end of the period. Shareholders' equity stood at $571.7 million. It should be noted that shareholders' equity has been impacted by the $225.0 million in dividends paid out by the Company in 2020.

OUTLOOK

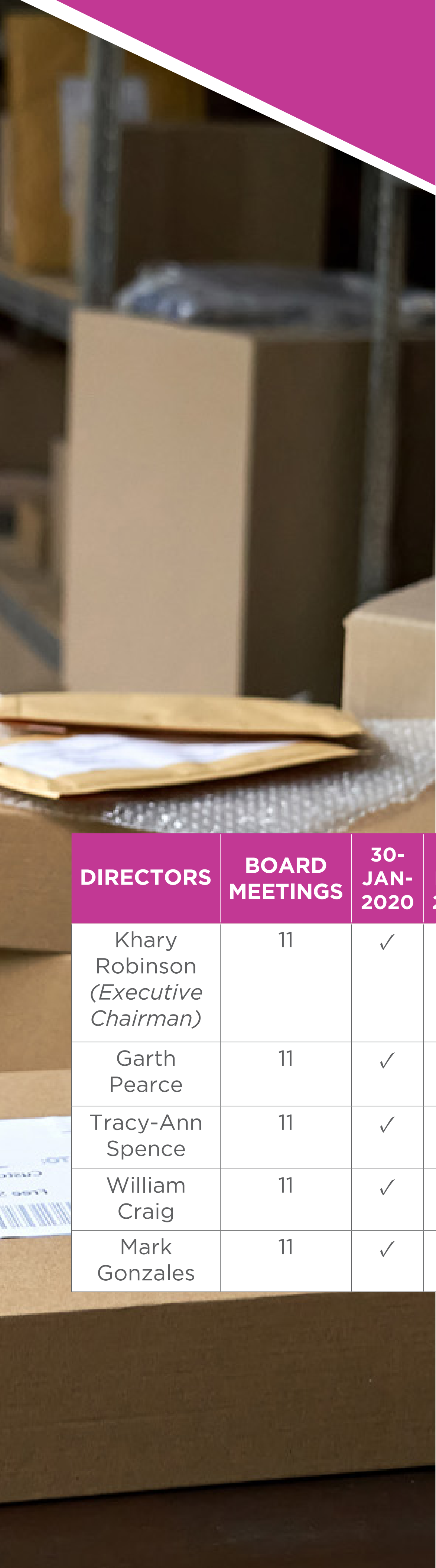
We are extremely pleased with the performance of Mailpac Group Limited in 2020 as the Company continued to lead the ever-growing e-commerce and logistics market in innovation and service, resulting in a stellar financial performance. While our IPO Prospectus projected the Company to generate profits of $317.0 million in 2020, we surpassed that amount by 39.8%, attesting to the shift towards online shopping and Mailpac as the preferred local conduit.

Additionally, while we remain cognizant of the fact that we have realised positive impacts on our operation during the pandemic, we believe that it has brought about a unique level of awareness on the value of online shopping that the Company will benefit from in years to come. Mailpac has cemented its position as an integral provider for Jamaica's evolving consumer market and reinforced its commitment to the highest standards of customer service and satisfaction. Mailpac now has the appropriate infrastructure and resources to manage significantly more volume without incurring any additional costs or extraordinary capital expenditure.

Both Mailpac Services and Mailpac Local have continually sought to differentiate themselves from the competitive market. Among the strategic projects the Group looks forward to in 2021 are:

- The launch of the Mailpac Mastercard to create access to online shopping for the underbanked
- The opening of Mailpac Lockers to expedite package pick-up at high trafficked locations
- New technologies to improve customer experience and increase operational efficiencies for the Mailpac team
- The opening of new locations for Mailpac Services to serve our increased customer base
- The introduction of new brands to Mailpac Local to offer a wider selection of products delivered straight to customers' doors
- The enhanced promotion of our exclusive free returns and our tax-free address
- Better procurement for Mailpac Local to enhance pricing for consumers
- The expansion of the local delivery capabilities and reach of Mailpac Local
- Online payments with both Mailpac and Mailpac Local

More than ever, we are excited about the prospects of Mailpac as the awareness around our platform continues to grow and we position ourselves to best serve our customers. Mailpac remains focused on delivering the highest level of e-commerce solutions and service in the industry, and we actively work to continue effective management of all elements of our business and the customer experience.



Corporate GOVERNANCE

Mailpac Group Limited is committed to high standards of governance. The Company's Board of Directors (the "Board") implements the corporate strategy and manages the Company to the benefit of all stakeholders.

BOARD OF DIRECTORS' COMPOSITION

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

ATTENDANCE RECORD OF DIRECTORS

DIRECTORS	BOARD MEETINGS	30-JAN-2020	14-FEB-2020	21-FEB-2020	26-MAR-2020	8-MAY-2020	2-JUL-2020	10-AUG-2020	12-AUG-2020	18-SEPT-2020	2-NOV-2020	15-DEC-2020
Khary Robinson *(Executive Chairman)*	11	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Garth Pearce	11	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tracy-Ann Spence	11	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
William Craig	11	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mark Gonzales	11	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

The Board's two current committees are:

- The Audit Committee
- The Corporate Governance and Remuneration Committee

AUDIT COMMITTEE

The Audit Committee is charged with assisting the Board of Directors in fulfiling its oversight responsibilities for the financial reporting process, the system of internal controls, risk management, the internal and external audit processes, and the Company's compliance with legal, financial regulatory and statutory reporting requirements.

MEMBERS	AUDIT MEETINGS	26-MAR-2020	4-MAY-2020	7-AUG-2020	18-SEPT-2020	2-NOV-2020
Tracy-Ann Spence *(Chairperson)*	5	✓	✓	✓	✓	✓
Garth Pearce	5	✓	✓	✓	✓	✓
William Craig	5	✓	✓	✓	✓	✓

CORPORATE GOVERNANCE AND REMUNERATION COMMITTEE

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

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

MEMBERS	CORP GOV & REMUNERATION MEETINGS	13 NOVEMBER 2020	18 SEPTEMBER 2020
William Craig *(Chairperson)*	2	✓	✓
Tracy-Ann Spence	2	✓	✓
Khary Robinson	2	✓	✓

The Board participated in a Corporate Governance Training session on July 30, 2020 led by Ms. Greta Bogues.

The Company's Corporate Governance Guidelines policy was approved by the Board on March 11, 2021 and is available on the Company's website: **www.mailpacgroup.com.**

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

Risk MANAGEMENT

Operating Mailpac Services and Mailpac Local requires a certain degree of measured risk to generate value for shareholders. E-commerce is one of the fastest growing industries in our local and global economy, introducing myriad opportunities as well as exposure. Therefore, our team continually monitors existing risks in our industry and evaluates potential ones in order to mitigate liability.

OPERATIONAL RISK MANAGEMENT

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

KEY PARTNER

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

LOGISTICS RISKS

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

SAFETY AND SECURITY REGULATIONS

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

IMPORT LEGISLATION

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

INFORMATION TECHNOLOGY RISKS

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

RISK OF GROWTH IN COMPETITION

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

FINANCIAL RISKS

The evaluation and explanation of how the Company mitigates against financial risks, including credit risk, liquidity risk, market risk, and cash flow risk, can be found in the Audited Financial Statements starting on page 79.

TOP 10 SHAREHOLDERS

Shareholdings of Top Ten Shareholders as at December 31, 2020.

	PRIMARY ACCOUNT HOLDER	JOINT HOLDER	DIRECT HOLDINGS	VOLUME	% OF ISSUED SHARES
1	Norbrook Equity Partners Ltd.	-	1,815,000,000	1,815,000,000	72.6000%
2	JCSD Trustee Services Ltd. A/C Barita Unit Trust Capital Growth Fund	-	82,240,574	82,240,574	3.2896%
3	MF&G Asset Management Ltd. - Jamaica Investments Fund	-	62,052,750	62,052,750	2.4821%
4	JCSD Trustee Services Ltd. - Sigma Global Venture	-	45,583,878	45,583,878	1.8234%
5	QWI Investments Ltd.	-	30,111,643	30,111,643	1.2045%
6	Firstrock Capital Holdings Ltd.	-	29,942,156	29,942,156	1.1977%
7	JMMB Fund Managers Ltd. T1 Equities Fund	-	25,000,000	25,000,000	1.0000%
8	MF&G Asset Management Ltd. - NCB CM Unit Trust Scheme (JMD Caribbean Equity Portfolio)	-	17,269,540	17,269,540	0.6908%
9	Baljit Deol	-	12,141,300	12,141,300	0.4857%
10	JMMB Securities Ltd. House Account #2	-	12,000,000	12,000,000	0.4800%

Total Issued Capital: 2,500,000,000

Total Units Owned by Top Ten Shareholders: 2,131,341,841

Percentage Owned by Top Ten Shareholders: 85.2537%

DIRECTORS

Shareholdings of Directors as at December 31, 2020.

PRIMARY ACCOUNT HOLDER	CONNECTED PARTIES	DIRECT HOLDINGS	VOLUME	% OF ISSUED SHARES
Khary Robinson		-	1,817,855,600	72.7142%
Norbrook Equity Partners Ltd.	1,815,000,000			
Marcia Robinson	2,855,600			
Garth Pearce		-	1,815,000,000	72.6000%
Norbrook Equity Partners Ltd.	1,815,000,000			
Mark Gonzales	-	4,444,400	4,444,400	0.1778%
Tracy-Ann Spence	-	4,076,330	4,076,330	0.1631%
William Craig	-	4,000,000	4,000,000	0.1600%
Stephen Greig	-	126,000	126,000	0.0050%

SENIOR MANAGEMENT

Shareholdings of Senior Management as at December 31, 2020.

PRIMARY ACCOUNT HOLDER	CONNECTED PARTIES	DIRECT HOLDINGS	VOLUME	% OF ISSUED SHARES
Mark Gonzales	-	4,444,400	4,444,400	0.1778%
Samantha Ray	-	5,100,000	5,100,000	0.2040%
Christeen Allen	-	277,500	277,500	0.0111%
Tommy Walters	-	167,900	167,900	0.0067%

CORPORATE DATA

BOARD OF DIRECTORS	**Khary Robinson** | Executive Chairman **Garth Pearce** | Director **Mark Gonzales** | Director & CEO **Tracy-Ann Spence** | Independent, Non-Executive Director **William Craig** | Independent, Non-Executive Director
REGISTERED ADDRESS	109 Old Hope Road Kingston 6 (876) 927-7225
PRIMARY BANK	**National Commercial Bank** 124 Constant Spring Road Kingston
SECONDARY BANK	**Scotiabank** 2 Knutsford Boulevard Kingston
COMPANY'S AUDITORS	**CrichtonMullings & Associates** 80 Lady Musgrave Road Kingston 6
COMPANY'S LAWYERS	**Hart Muirhead Fatta** 2nd Floor Victoria Mutual Building 53 Knutsford Boulevard Kingston 5

Corporate SOCIAL RESPONSIBILITY

It is our belief that no man is an island. We are all connected and need each other in order to thrive, and at Mailpac, supporting and building resilient communities is of utmost importance in order to improve the welfare of our country.

Over the past year, Mailpac has donated to several organisations.

JAMAICA SOCIETY FOR THE BLIND

We are proud to be a neighbour of the Jamaica Society for the Blind, which provides services for Jamaicans with low vision. This organisation is a stone's throw from Mailpac's head office on Old Hope Road. We mainly support the organisation in academics, infrastructure and, most recently, Covid-19 relief care packages. Our support in CSEC exams preparation provides for examination fees, teacher stipends, and supplies for the visually impaired.

CHRISTMAS IN RIVERTON

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

THE LAY MAGISTRATES' ASSOCIATION OF JAMAICA - KINGSTON CHAPTER

Mailpac makes monetary donations to The Lay Magistrates' Association of Jamaica, which is the professional body that represents Justices of the Peace whose primary function is to assist in the maintenance of the country's law and order.

ELECTRIC VEHICLE TECHNOLOGIES

In addition to the Company's community contributions, in 2020, Mailpac made its first investment in electric vehicle technology. The technology underwent beta testing this year and recently passed inspection to handle local roads for customers' deliveries. Mailpac believes this is just the starting point to further investment in sizable green technology. Long-term, these solutions will not only work to reduce the Company's emissions and ecological impact, but they will also reduce costs associated with conventional energy usage and thereby impact the community and Mailpac's stakeholders.

Audited FINANCIALS

MAILPAC GROUP LIMITED
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

MAILPAC GROUP LIMITED
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

CONTENTS

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

CrichtonMullings & ASSOCIATES

Chartered Accountants
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the members of
MAILPAC GROUP LIMITED

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Cont. /2

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Suite B
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770-320-7786

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.

Cont. /3

Independent Auditor's Report (cont'd)

To the members of
MAILPAC GROUP LIMITED

Report on additional matters as required by the Act

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

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

CrichtonMullings & Associates
Chartered Accountants

Kingston, Jamaica
March 29, 2021

Independent Auditor's Report (cont'd)

To the members of
MAILPAC GROUP LIMITED

Appendix to the Independent Auditor's Report

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

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

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

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

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

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

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

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

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

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

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

Director　　　　Director

The accompanying notes form an integral part of the financial statements

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

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

-Restated to conform to current year presentation

The accompanying notes form an integral part of the financial statements

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

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

The accompanying notes form an integral part of the financial statements

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

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

-Restated to conform to current year presentation

The accompanying notes form an integral part of the financial statements

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

1. IDENTIFICATION

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

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

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

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

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of compliance:

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

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

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

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

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

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

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

(b) Changes in accounting standards and interpretations:

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

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

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

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

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

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

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

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

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

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

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

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

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

  Effective for periods commencing on or after 1 January 2022

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

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

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

(c) Use of estimates and judgements

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

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

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

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

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

(a) Classification of financial assets:

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

(b) Impairment of financial assets:

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

(c) Depreciable assets

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

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

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, 2020

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, 2020

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

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

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

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

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

(b) Intangible assets

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

(c) Leases

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

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

Lease liability

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Trade and other receivables

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

(e) Related party identification

A party is related to the Company if:

(i) directly or indirectly the party:

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

(ii) the party is an associate of the Company

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

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

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

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

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

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

(f) Cash and bank balances

Cash and bank comprises cash in hand and with banks.

(g) Trade and other payables

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

(h) Provisions

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

(i) Taxation

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

(i) Current income tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Taxation (cont'd)

(ii) Deferred income tax

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

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

(j) Foreign currencies

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

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

(k) Revenue recognition

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

(l) Impairment

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (Cont'd)

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

(m) Financial instruments

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

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

Financial assets

Initial recognition and measurement

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial instruments (cont'd)

Financial assets (cont'd)

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

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

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

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

Impairment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial instruments (cont'd)

Financial assets (cont'd)

Impairment (cont'd)

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

Financial liabilities

Initial recognition and measurement

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

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

(n) Employee benefits

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

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

(o) Provisions

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

(p) Borrowing costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Dividends

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

(r) Comparative information

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

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

4. REVENUES

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

5. PROPERTY, PLANT AND EQUIPMENT

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

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

6. RIGHT OF USE ASSETS / LEASE LIABILITIES

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

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

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

Lease Liability:

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

7. INTANGIBLE ASSETS

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

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

8. DUE FROM RELATED COMPANIES

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

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

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

9. TRADE AND OTHER RECEIVABLES

Trade receivable materially represents balance due on credit sales.

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

10. CASH AND BANK BALANCES

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

11. SHARE CAPITAL

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

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

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

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

12. DEFERRED TAX LIABILITY

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

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

Deferred tax liability is attributable to the following:

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

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

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

13. TRADE AND OTHER PAYABLES

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

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

14. LOAN PAYABLE

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

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

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

15. DUE TO DIRECTOR

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

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

16. DUE TO RELATED COMPANIES

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

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

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

17. TAXATION PAYABLE

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

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

18. COST OF SALES

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

19. SELLING AND DISTRIBUTION COSTS

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

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

20. ADMINISTRATIVE AND GENERAL EXPENSES

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

21. OPERATING PROFIT

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

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

22. OTHER INCOME

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

23. FINANCE AND POLICY COSTS

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

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

24. TAXATION CREDIT / (CHARGE)

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

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

Reconciliation of effective tax rate and charge:

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

25. EARNINGS PER SHARE

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

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

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

26. RELATED PARTIES

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

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

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

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

27. STAFF COSTS

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

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

The aggregate payroll costs for these persons were as follows:

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

28. DIVIDENDS

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

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

29. FINANCIAL INSTRUMENTS

Financial risk management

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

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

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

(i) Credit risk

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

Cash and bank balances

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

Trade receivables

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

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

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

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

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

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd):

Trade receivables (cont'd)

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

(ii) Liquidity risk

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

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

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

(iii) Market risk

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

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

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd):

(iii) Market risk (cont'd):

Interest rate risk:

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

Fair value sensitivity analysis for fixed rate instruments

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

Foreign currency risk:

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

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

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

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

Sensitivity analysis:

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

-Restated to conform to current year presentation

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

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd):

(iii) Market risk (cont'd):

Sensitivity analysis (cont'd):

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

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

(iv) Cash flow risk

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

(v) Capital management

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