MAILPAC GROUP LIMITED

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the members of
MAILPAC GROUP LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mailpac Group Limited (the "Company"), which is comprised of the statement of financial position as at December 31, 2022, 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, 2022 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the Jamaican Companies Act (the "Act").

Basis for Opinion

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

Key Audit Matters

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

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

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Independent Auditor's Report (cont'd)

To the members of
MAILPAC GROUP LIMITED

Other Information

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

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

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

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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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 31, 2023

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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 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, 2022

	Note	2022 $	2021 $
ASSETS			
Non-current Assets			
Property, plant and equipment	5	137,104,195	97,586,541
Right of use assets	6	43,188,802	47,656,576
Intangible assets	7	238,600,706	240,440,181
Total non-current assets		418,893,703	385,683,298
Current Assets			
Due from related companies	8	590,191	8,022,396
Trade and other receivables	9	58,749,849	66,329,900
Cash and cash equivalents	10	209,478,205	363,813,562
Total current assets		268,818,245	438,165,858
TOTAL ASSETS		687,711,948	823,849,156
EQUITY AND LIABILITIES			
Equity			
Share capital	11	267,356,112	267,356,112
Retained earnings		310,233,088	427,197,791
Total equity		577,589,200	694,553,903
Non-current Liabilities			
Lease liabilities	6	28,854,094	31,411,854
Deferred tax liability	12	1,504,270	1,303,018
Total non-current liabilities		30,358,364	32,714,872
Current Liabilities			
Lease liabilities	6	17,893,605	19,490,052
Trade and other payables	13	58,874,150	76,540,616
Due to related companies	14	2,996,629	549,713
Total current liabilities		79,764,384	96,580,381
TOTAL EQUITY AND LIABILITIES		687,711,948	823,849,156

The financial statements on pages 5 to 34 were approved for issue by the Board of Directors March 31, 2023 and signed on its behalf by:

Mr. Khary Robinson - Chairman

Dr. Mark Gonzales - Director

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2022

	Note	2022 $	2021 $
Revenues	4	1,686,568,861	1,819,782,353
Cost of sales	15	865,429,260	928,582,663
Gross profit		821,139,601	891,199,690
Selling and distribution costs	16	66,770,036	68,902,027
Administrative and general expenses	17	395,329,824	373,339,390
		462,099,860	442,241,417
Operating profit	18	359,039,741	448,958,273
Other income	19	11,619,259	7,049,478
		370,659,000	456,007,751
Finance and policy costs	20	62,422,451	57,371,104
Profit before taxation		308,236,549	398,636,647
Taxation charge	21	201,252	800,977
Net profit, being total comprehensive income for the year		308,035,297	397,835,670
Earnings per share unit for profit attributable to the equity holders of the company during the year	22	0.12	0.16

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2022

	Share Capital $	Retained Earnings $	Total $
Balance at December 31, 2020	267,356,112	304,362,121	571,718,233
Transaction with owners:			
Dividends	-	(275,000,000)	(275,000,000)
Net profit, being total comprehensive income for the year	-	397,835,670	397,835,670
Balance at December 31, 2021	267,356,112	427,197,791	694,553,903
Transaction with owners:			
Dividends (see note 25)	-	(425,000,000)	(425,000,000)
Net profit, being total comprehensive income for the year	-	308,035,297	308,035,297
Balance at December 31, 2022	267,356,112	310,233,088	577,589,200

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	2022	2021
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	308,035,297	397,835,670
Adjustments for items not affecting cash resources:		
Depreciation and amortization	8,538,578	5,897,309
Depreciation right of use assets	17,118,949	13,374,408
Interest expense on right of use assets	3,740,144	2,793,733
Loss on disposal of property, plant and equipment	876,006	-
Increase / (decrease) in expected credit loss	1,462,225	(16,134)
Unrealized foreign currency loss	1,141,234	2,356,456
Realized foreign currency loss	-	2,005,413
Reclassification of work-in progress to expenses	3,508,710	-
Deferred taxation	201,252	800,977
	344,622,395	425,047,832
Decrease / (increase) in operating assets:		
Due from related companies	7,432,206	(7,299,266)
Other assets	-	128,866
Trade and other receivables	6,117,826	(10,270,741)
(Decrease) / increase in operating liabilities:		
Trade and other payables	(22,894,521)	11,528,368
Net cash provided by operating activities	335,277,906	419,135,059
CASH FLOWS FROM INVESTING ACTIVITIES		
Cost of work-in-progress	(41,055,302)	(6,170,682)
Proceed from sale of property, plant and equipment	163,179	-
Acquisition of property, plant and equipment	(9,709,344)	(37,777,899)
Net cash used in investing activities	(50,601,467)	(43,948,581)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(419,732,285)	(270,555,022)
Loan repayment to related companies	2,446,916	(7,102,280)
Lease liabilities, net	(20,545,526)	(13,342,723)
Net cash used in financing activities	(437,830,895)	(291,000,025)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(153,154,456)	84,186,453
CASH AND CASH EQUIVALENTS - Beginning of the year	363,813,562	283,988,978
Effects of movements on foreign currency bank balances	(1,180,901)	(4,361,869)
CASH AND CASH EQUIVALENTS - End of the year	209,478,205	363,813,562

The accompanying notes form an integral part of the financial statements

1. IDENTIFICATION

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

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

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

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

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of compliance:

The Company's financial statements for the year ended December 31, 2022 have been prepared in accordance and comply with International Financial Reporting Standards ("IFRS") and the relevant requirements of the Act.

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

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

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

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

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

(b) Changes in accounting standards and interpretations:

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

- *IAS 1 'Presentation of Financial Statements - Amendment', issued January 2020.*
  Effective for periods commencing on or after 1 January 2022.

- *IAS 16 Property, Plant and Equipment - Proceeds before Intended Use - Amendment', issued May 2020.* Effective for periods commencing on or after 1 January 2022

- IAS 37 '*Onerous Contracts - Cost of Fulfilling a Contract - Amendments*', issued May 2020
  Effective for periods commencing on or after 1 January 2022

- Annual Improvements to IFRS Standards - IFRS 1, IFRS 9 and IFRS 16, issued May 14, 2020.
  Effective for periods commencing on or after 1 January 2022

- *References to Conceptual Framework in IFRS 3 - Amendment, issued May 2020*
  Effective for periods commencing on or after 1 January 2022.

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

- IFRS 15 *'Lease Liability in a Sale and Leaseback - Amendment*', issued September 2022
  Effective for periods commencing on or after 1 January 2024

- *IAS 1 'Classification of Liabilities as Current or Non-Current - Amendment', issued January 2020*
  Effective for periods commencing on or after 1 January 2024

- *IAS 8 'Definition of Accounting Estimates - Amendment', issued February 12, 2021.*
  Effective for periods commencing on or after 1 January 2023.

- IAS 12 '*Deferred Tax related to Assets and Liabilities arising from a Single Transaction-Amendment*', issued May 2021
  Effective for periods commencing on or after 1 January 2023

- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*
  Effective for periods commencing on or after 1 January 2023.

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

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

(c) Use of estimates and judgements

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

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

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

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

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

(a) Classification of financial assets:

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

(b) Impairment of financial assets:

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

(c) Depreciable assets:

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

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

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

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

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

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

(ii) Key assumptions and other sources of estimation uncertainty

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

(a) Fair value estimation

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

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

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

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

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

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

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

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

(a) Fair value estimation (cont'd)

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

(b) Allowance for expected credit losses

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

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

(c) Estimating the incremental borrowing rate for leases

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

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

The cost of day-to-day servicing of property, plant and equipment is recognized in the statement of comprehensive income as incurred. With the exception of freehold land, on which no depreciation is provided, property, plant and equipment are depreciated on the reducing balance basis over the estimated useful lives of such assets. The rates of depreciation in use are:

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

(b) Intangible assets

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

(c) Leases

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

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

Lease liability

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Trade and other receivables

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

(e) Related party identification

A party is related to the Company if:

(i) directly or indirectly the party:

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

(ii) the party is an associate of the Company

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

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

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

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

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

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

(f) Cash and cash equivalents

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

(g) Trade and other payables

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

(h) Provisions

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

(i) Taxation

Taxation expense represents the total of current income tax and deferred tax.

(i) Current income tax

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Taxation (cont'd)

(ii) Deferred income tax

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

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

(j) Foreign currencies

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

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

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

(k) Revenue recognition

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

(l) Impairment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (cont'd)

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

(m) Financial instruments

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

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

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

Financial assets

Initial recognition and measurement

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

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

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

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

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 amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial instruments (cont'd)

Financial assets (cont'd)

Impairment (cont'd)

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

Financial liabilities

Initial recognition and measurement
The Company's financial liabilities, comprising loans and accounts payable, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised 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. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR 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 are substantially ready for their intended use or sale.

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

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, 2022

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 December 31, 2020	28,558,415	3,697,666	4,156,016	5,617,737	18,488,447	60,518,281
Transferred from work-in-progress	17,775,397	-	-	-	(17,775,397)	-
Additions	18,780,583	4,874,150	14,123,167	-	6,170,682	43,948,582
Balance as at December 31, 2021	65,114,395	8,571,816	18,279,183	5,617,737	6,883,732	104,466,863
Disposal	-	-	(1,489,351)	-	-	(1,489,351)
Transferred from work-in-progress	-	5,161,574	368,750	-	(5,530,324)	-
Reclassified to expenses	-	-	-	-	(3,508,710)	(3,508,710)
Additions	2,964,766	737,360	6,007,218	-	41,055,302	50,764,646
Balance as at December 31, 2022	68,079,161	14,470,750	23,165,800	5,617,737	38,900,000	150,233,448
Accumulated Depreciation:						
Balance as at December 31, 2020	855,871	225,876	702,783	1,037,958	-	2,822,488
Charge for the period	1,342,513	550,160	1,372,487	792,674	-	4,057,834
Balance as at December 31, 2021	2,198,384	776,036	2,075,270	1,830,632	-	6,880,322
Disposal	-	-	(450,166)	-	-	(450,166)
Charge for the year	1,593,041	1,287,157	3,061,478	757,421	-	6,699,097
Balance as at December 31, 2022	3,791,425	2,063,193	4,686,582	2,588,053	-	13,129,253
Net book value:						
At December 31, 2022	64,287,736	12,407,557	18,479,218	3,029,684	38,900,000	137,104,195
At December 31, 2021	62,916,011	7,795,780	16,203,913	3,787,105	6,883,732	97,586,541

6. RIGHT OF USE ASSETS / LEASE LIABILITIES

	Office Building $
At Valuation	
Balance at December 31, 2020	25,013,074
Terminated right of use asset	(12,389,872)
Additions	47,503,771
Balance at December 31, 2021	60,126,973
Additions	11,497,439
Balance at December 31, 2022	71,624,412
Depreciation charge of right of use asset	
Balance at December 31, 2020	11,485,861
Depreciation on terminated right of use asset	(12,389,872)
Charge for the year	13,374,408
Balance at December 31, 2021	12,470,397
Charge for the year	15,965,213
Balance at December 31, 2022	28,435,610
Net Book Value	
Balance at December 31, 2022	43,188,802
Balance at December 31, 2021	47,656,576

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

Lease Liability:

	2022	2021
	$	$
Non-current lease liability	28,854,094	31,411,854
Current lease liability	17,893,605	19,490,052
	46,747,699	50,901,906

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.

	2022	2021
	$	$
Cost:		
Purchase goodwill	171,000,000	171,000,000
Customer contracts, lists of existing customers and other intangibles	73,579,000	73,579,000
	244,579,000	244,579,000
Amortization:		
Balance at beginning of the year	4,138,819	2,299,344
Charge for the year	1,839,475	1,839,475
		-
	5,978,294	4,138,819
Balance at end of the year	238,600,706	240,440,181

8. DUE FROM RELATED COMPANIES

	2022	2021
	$	$
Norbrook Car Rentals Limited	51,153	39,440
Norbrook Home Delivery	8,992	42,956
Norbrook Trucking Solution Limited	-	7,940,000
Norbrook Equity Partners Limited	38,042	-
Express Fitness Limited	398,293	-
SNB Creative Group Ltd	72,515	-
Pure National Limited	21,196	-
	590,191	8,022,396

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

9. TRADE AND OTHER RECEIVABLES

Trade receivables materially represent balance due on credit sales.

	2022 $	2021 $
Trade receivables	53,819,786	59,915,139
Less: expected credit loss provision	(6,523,693)	(5,061,469)
Net trade receivables	47,296,093	54,853,670
Deposits	3,179,422	2,407,147
Prepayments	6,640,335	8,521,734
Other receivables	1,633,999	547,349
	58,749,849	66,329,900

10. CASH AND CASH EQUIVALENTS

	2022 $	2021 $	
Current accounts	106,513,168	262,237,348	*
Term deposit	102,711,098	100,993,588	*
Cash in hand	253,939	582,626	
	209,478,205	363,813,562	

11. SHARE CAPITAL

	2022 $	2021 $
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.

**** Restated to conform to current year presentation***

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.

	2022	2021
	$	$
Deferred tax liability	1,504,270	1,303,018

Deferred tax liability is attributable to the following:

	2022	2021
	$	$
Property, plant and equipment	1,789,578	1,216,202
Cash and cash equivalents	(295,225)	95,955
Trade payables	9,917	(9,139)
	1,504,270	1,303,018

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

	2022	2021
	$	$
Balance at the beginning of the year	1,303,018	502,041
Movement during the year	201,252	800,977
Balance at the end of the year	1,504,270	1,303,018

13. TRADE AND OTHER PAYABLES

	2022	2021
	$	$
Trade payables	38,480,598	58,752,453
Statutory liabilities	7,100,112	6,732,386
GCT payable	109,529	283,880
Accruals	3,800,000	4,031,619
Dividend payable	5,267,715	4,444,978
Other payables	4,116,196	2,295,300
	58,874,150	76,540,616

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

14. DUE TO RELATED COMPANIES

	2022	2021
	$	$
Pure National Limited	20,746	76,044
Norbrook Equity Partners	1,700,000	289,195
Express Fitness Limited	-	184,474
Norbrook Home Delivery	6,716	-
109 OHR Limited	1,269,167	-
	2,996,629	549,713

15. COST OF SALES

	2022	2021
	$	$
Freight and brokerage	693,811,990	668,652,690
Delivery	37,050,363	35,625,855
Damaged claims	-	349,088
Packaging material	2,847,232	3,376,373
On-line orders	131,719,675	220,578,657
	865,429,260	928,582,663

16. SELLING AND DISTRIBUTION COSTS

	2022	2021
	$	$
Advertising	41,195,629	46,345,521
Customer welfare	149,578	306,895
Commission fees	3,935,252	4,344,759
Travel and entertainment	21,489,577	17,904,852
	66,770,036	68,902,027

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

17. ADMINISTRATIVE AND GENERAL EXPENSES

	2022	2021
	$	$
Audit fees	2,730,000	2,625,000
Directors' emoluments	720,000	720,000
Utilities	17,793,334	14,823,694
Insurance	6,181,002	5,650,829
Irrecoverable GCT	16,585,048	15,895,937
Legal and professional fees	12,985,995	11,130,949
General office expenses	6,397,170	9,227,879
Meal and entertainment	377,243	328,865
Accommodation	28,831	21,807
Management fee	27,331,614	25,800,000
Motor vehicle expense	-	125,623
Repairs and maintenance	17,475,532	13,407,487
Staff welfare	15,964,542	16,046,992
Casual labour	15,582,107	22,037,593
Salaries wages and related costs	211,080,431	201,441,255
Security	14,869,354	15,356,706
Subscriptions, sponsorship and donations	3,112,494	3,369,952
Short term leases	16,896,257	7,685,895
Cleaning and sanitation	9,218,870	7,642,928
	395,329,824	373,339,390

18. OPERATING PROFIT

	2022	2021
	$	$
	359,039,741	448,958,273

Stated after charging the following:

Directors' remuneration	720,000	720,000
Auditor's remuneration	2,730,000	2,625,000

19. OTHER INCOME

	2022 $	2021 $
Interest income	3,404,231	1,997,824
Other income	8,215,028	5,051,654
	11,619,259	7,049,478

20. FINANCE AND POLICY COSTS

	2022 $	2021 $
Bank charges	25,853,508	29,570,377
Expected credit loss provision	1,462,225	(16,134)
Interest expense on right-of-use assets	3,740,144	2,793,733
Interest expense	2,680,629	1,389,542
Depreciation	6,699,103	4,057,834
Depreciation-right-of-use assets	17,118,949	13,374,408
Amortization	1,839,475	1,839,475
Penalties	90,387	-
Loss on disposal of property, plant and equipment	876,006	-
Unrealized gain on foreign exchange	(1,974,201)	(5,667,587)
Realized gain on foreign exchange	(2,898,812)	(48,056)
Unrealized loss on foreign exchange	3,115,435	8,024,043
Realized loss on foreign exchange	3,819,603	2,053,469
	62,422,451	57,371,104

21. TAXATION CHARGE

Income tax charge is computed based on the profit for the year, however, as a result of the Company's enlistment on the Jamaica Stock Exchange Junior Market effective December 4th, 2019, the Company is entitled to a 100% remission of income tax for the first 5 years and 50% remission for the following 5 years, providing that it adheres to the rules and regulations of the Jamaica Stock Exchange Junior Market.

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

The taxation charge is made up as follows:

	2022 $	2021 $
Current:		
Provision for charge on profit	-	-
Deferred:		
Origination and reversal of temporary differences	201,252	800,977
	201,252	800,977

Reconciliation of effective tax rate and charge:

	2022 $	%	2021 $	%
Profit before taxation	308,236,549		398,636,647	
Computed tax charge	77,059,137	25%	99,659,161.73	25%
Taxation differences between profit for financial statements and tax reporting purposes on:				
Depreciation and capital allowances	240,868	0%	459,869	0%
Unrealized foreign exchange gain	(694,985)	0%	675,583	0%
Other adjustments	(3,140,326)	-1%	(1,252,513)	0%
Remission of income taxes	(73,263,442)	-24%	(98,741,124)	-25%
Actual tax rate and charge	201,252	0%	800,977	0%

22. EARNINGS PER SHARE

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

	2022 $	2021 $
Net profit attributable to shareholders	308,035,297	397,835,670
Weighted average number of shares in issue	2,500,000,000	2,500,000,000
	$ 0.12	$ 0.16

23. RELATED PARTIES

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

	2022 $	2021 $
Amounts due from related parties	590,191	8,022,396
Amounts due to related parties	2,996,629	549,713

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

	2022 $	2021 $
(a) Corporate services-Norbrook Equity Partners	24,000,000	24,000,000
(b) Rent expense-Norbrook Equity Partners	3,950,000	2,445,000
(c) Water supply-Norbrook Water Company	348,735	473,695
(d) Package transportation-Norbrook Trucking Solution Limited	-	161,945,990
(e) Office Rental-Norbrook Home Delivery	-	750,000
(f) Gym Membership Fees- Express Fitness Limited	991,000	652,000
(g) Rent expense-Express Fitness Limited	1,421,904	-
(h) Fuel Purchase-Pure National Limited	279,759	1,179,825
(i) Rent expense--109 OHR Limited	8,926,496	-
Transactions with key management personnel:		
Key management compensation	45,141,272	43,898,109

24. STAFF COSTS

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

	2022 $	2021 $
Temporary	19	32
Permanent	94	115
	113	147

The aggregate payroll costs for these persons were as follows:

	2022 $	2021 $
Salaries and profit related pay	189,842,021	181,468,223
Statutory contributions	21,238,410	19,973,032
	211,080,431	201,441,255

25. DIVIDENDS

The Company at its Board of Directors' meeting on March 11, 2022 declared an interim dividend of 9 cents ($0.09) per share which was paid on April 8, 2022 to shareholders on record at the close of business on March 25, 2022. An additional dividend of four (4) cents ($0.04) per share was declared at its Board of Directors' meeting on July 1, 2022 and paid on July 29, 2022 to shareholders on record at the close of business on July 15, 2022. The Company in its final quarter held a Board Meeting on November 11, 2022 and declared an interim dividend of $0.04 per share paid on December 9, 2022 to shareholders on record at the close of business on November 25, 2022.

26. FINANCIAL INSTRUMENTS

Financial risk management

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

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

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

(i) Credit risk

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

Cash and bank balances

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

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer. Management has a credit policy in place to minimise exposure to credit risk. Credit evaluations are performed on all customers requiring credit. Management's policy is to provide for balances based on past default experience, current economic conditions and expected recovery. The impairment requirements of IFRS 9 are based on an expected credit loss (ECL) model. The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.

For trade receivables and contract assets that do not have a financing component, it is a requirement of IFRS 9 to recognize a lifetime expected credit loss. This was achieved in the current year by the development and application of historical data relating to trade receivables and write-offs, as well as forecasting payment probabilities. 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 2022.

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

26. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd):

Trade receivables(cont'd)

Aging	Gross Carrying Amount	Weighted Average Loss Rate	Lifetime ECL Allowance
	2021		
Current	41,739,349	1%	389,263
31-60 days	8,432,189	1%	81,656
61-90 days	3,556,716	16%	569,075
91 days and over	6,186,885	65%	4,021,475
Total	59,915,139		5,061,469

(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
2022:				
Lease liabilities	46,747,699	46,747,699	17,893,605	28,854,094
Trade and other payables	58,874,150	58,874,150	58,874,150	-
	105,621,849	105,621,849	76,767,755	28,854,094
2021:				
Lease liabilities	50,901,906	50,901,906	19,490,052	31,411,854
Trade and other payables	76,540,616	76,540,616	76,540,616	-
	127,442,522	127,442,522	96,030,668	31,411,854

(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.

26. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd):

(iii) Market risk (cont'd):

Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Company materially contracts financial liabilities at fixed interest rates for the duration of the term. When utilised, bank overdrafts are subject to fixed interest rates which may be varied by appropriate notice by the lender. At December 31, 2022 and 2021, 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.

	2022	2021
	US$	US$
Cash and cash equivalents	144,752	319,141
Lease liabilities	(214,814)	(204,895)
Net exposure	(70,062)	114,246

Sensitivity analysis:

A 1% (2021:2%) strengthening of the United States dollar against the Jamaican dollar at December 31, 2022 would have decreased the surplus for the year by $105,799 (2021: $351,694). The analysis assumes that all other variables, in particular interest rates, remain constant.

26. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd):

(iii) Market risk (cont'd):

A 4% (2021: 8%) weakening of the United States dollar against the Jamaican dollar at December 31, 2022 would have increased the surplus for the year by $423,197 (2021: $1,406,776).

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.