

MAILPAC GROUP LIMITED
UNAUDITED FINANCIAL STATEMENTS
THREE (3) MONTHS ENDED MARCH 31, 2020

MAILPAC GROUP LIMITED
QUARTERLY REPORT (Unaudited)
THREE(3) MONTHS ENDED MARCH 31, 2020

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DIRECTORS' REPORT TO SHAREHOLDERS

OVERVIEW

The Board of Directors of Mailpac Group Limited (“Mailpac”) is pleased to present our unaudited financial statements for the three months ending March 31, 2020. It should be noted that Mailpac Group Limited started trading on October 1st, 2019. Accordingly, the financial statements have no comparative period for 2019. However, the company surpassed the revenue and profitability performance of the previous quarter, ending December 31st, 2019.

FINANCIAL PERFORMANCE

Revenues for the quarter were \$364.7 million, which is 0.8% higher than the previous quarter ending December 31st 2019. Gross profit for the quarter was \$183.3 million, which represents a reduction relative to the previous quarter.

Operating expenses for the quarter were \$76.1 million, coming in significantly lower than the previous quarter. These expenses comprised mostly of staff cost, advertising expenses, and store operating expenses. Net income for Q1 2020, like Revenues, also came in higher than Q4 2019 at \$101.9 million.

We are encouraged by the performance of the company in its first quarter as it surpassed the final quarter of the previous year when most consumer shopping occurs. The amalgamation of both business lines, Mailpac Services and Mailpac Local, have continued to generate meaningful momentum and operating efficiencies for Mailpac Group Limited.

FINANCIAL POSITION

Total Assets at the end of the quarter stood at \$534.5 million, with \$194.4 million of cash on the balance sheet at the end of the period. Shareholder’s Equity stood at \$455.5 million at the end of Q1 2020.

OUTLOOK

We are pleased with the performance of Mailpac Group Limited in Q1 2020 as the company continued to lead the ecommerce market in innovation and service, resulting in a stellar financial performance.

However, towards the end of the quarter, the rapid spread of COVID 19 has led to lower consumer confidence and limitation on consumer movements which has had varied impacts on our ecommerce platform. While we anticipate that the crisis will present challenges and opportunities for our industry, Mailpac’s strategy will continue to be focused on delivering the highest level of solutions and service to the consumer market through ecommerce

More importantly, we have taken all the necessary measures required to ensure the continued safety and wellness of our team and our customers. We have substantially expanded our delivery infrastructure and have employed various in-store strategies to limit person to person contact. We want to thank our dedicated team and our customers for their continued support and for a future of ‘Happy Shopping’.

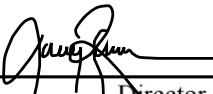


Khary Robinson
Executive Chairman


MAILPAC GROUP LIMITED
STATEMENT OF FINANCIAL POSITION (Unaudited)
AS AT MARCH 31, 2020

	<u>Note</u>	Three Months March 2020 \$	Audited Three Months Dec 2019 \$
ASSETS			
Non-current Assets			
Property, plant and equipment		32,278,856	32,647,727
Right-of-use asset	3	10,797,168	12,455,805
Intangible assets	4	243,659,263	244,119,131
Total non-current assets		286,735,287	289,222,663
Current Assets			
Due from related companies		103,850	13,130
Trade and other receivables	5	53,355,239	49,086,610
Cash and cash equivalents		194,402,295	106,521,716
Total current assets		247,861,384	155,621,456
TOTAL ASSETS		534,596,671	444,844,119
EQUITY AND LIABILITIES			
Equity			
Share capital	6	267,356,112	267,356,112
Accumulated surplus		188,196,158	86,284,771
Total equity		455,552,270	353,640,883
Non-current Liabilities			
Lease liabilities	3	6,400,312	6,400,312
Deferred tax liability		530,254	530,254
Total non-current liabilities		6,930,566	6,930,566
Current Liabilities			
Lease liabilities	3	4,399,406	6,027,717
Trade and other payables	7	52,340,206	50,151,712
Loan payable		14,698,000	15,327,109
Due to directors		459,195	1,419,195
Due to related companies		217,028	1,385,242
Taxation payable	8	-	9,961,695
Total current liabilities		72,113,835	84,272,670
TOTAL EQUITY AND LIABILITIES		534,596,671	444,844,119

The financial statements on pages 3 to 11 were approved for issue by the Board of Directors
,2020 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 (Unaudited)
THREE MONTHS ENDED MARCH 31, 2020

	<u>Note</u>	Three Months March 2020 \$	Audited Three Months Dec 2019 \$
Revenue		364,777,079	361,726,810
Cost of sales		<u>181,463,443</u>	<u>165,264,708</u>
Gross profit		183,313,636	196,462,102
Selling and distribution costs		<u>9,948,627</u>	<u>14,744,088</u>
Administrative and general expenses		<u>66,175,082</u>	<u>72,657,009</u>
		<u>76,123,709</u>	<u>87,401,097</u>
Operating profit		107,189,927	109,061,005
Other income		<u>2,094,992</u>	<u>777,176</u>
		109,284,919	109,838,181
Finance and policy costs		<u>7,373,532</u>	<u>13,061,461</u>
Profit before taxation		101,911,387	96,776,720
Taxation charge	8	<u>-</u>	<u>10,491,949</u>
Net profit, being total comprehensive income for the period		<u><u>101,911,387</u></u>	<u><u>86,284,771</u></u>
Earnings per share for profit attributable to the ordinary equity holders of the company	9	<u><u>0.04</u></u>	<u><u>0.04</u></u>

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY (Unaudited)
THREE MONTHS ENDED MARCH 31, 2020

	Share Capital \$	Accumulated Surplus \$	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 (Audited)	267,356,112	86,284,771	353,640,883
Net profit, being total comprehensive income for the period	-	101,911,387	101,911,387
Balance at March 31, 2020	267,356,112	188,196,158	455,552,270

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
STATEMENT OF CASH FLOWS (Unaudited)
THREE MONTHS ENDED MARCH 31, 2020

	Unaudited Three Months March 2020 \$	Audited Three Months Dec 2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	101,911,387	86,284,771
Adjustments for items not affecting cash resources:		
Depreciation and amortization	2,487,377	2,293,773
Taxation expense	-	10,491,949
	<u>104,398,764</u>	<u>99,070,493</u>
Increase in operating assets:		
Due from related companies	(90,720)	(13,130)
Trade and other receivables	(4,268,629)	(49,086,610)
Increase in operating liabilities:		
Trade and other payables	2,188,493	50,151,713
Cash flows provided by operating activities	<u>102,227,908</u>	100,122,466
Taxation paid	<u>(9,961,695)</u>	-
Net cash provided by operating activities	<u>92,266,213</u>	<u>100,122,466</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of intangible assets	-	(244,579,000)
Acquisition of property, plant and equipment	-	(48,087,159)
Net cash used in investing activities	<u>-</u>	<u>(292,666,159)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of shares	-	267,356,112
Proceed from loan	-	280,476,920
Loan repayment	(629,109)	(265,149,811)
(Repayment) / loan from related companies	(1,168,214)	1,385,242
(Repayment) / loan from director	(960,000)	1,419,195
Lease liabilities payments	(1,628,311)	(1,427,249)
Net cash (used in) / provided by financing activities	<u>(4,385,634)</u>	<u>284,060,409</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	87,880,579	91,516,716
CASH AND CASH EQUIVALENTS - Beginning of the period	106,521,716	15,005,000
CASH AND CASH EQUIVALENTS - End of the period	194,402,295	106,521,716
REPRESENTED BY:		
Cash and bank deposits	<u>194,402,295</u>	<u>106,521,716</u>

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
THREE MONTHS ENDED MARCH 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 under 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

These unaudited financial statements for the three (3) month period ended March 31, 2020 have been prepared in accordance with IAS 34, "Interim financial reporting". These interim financial statements should be read in conjunction with the accounting as set out in Note #2 & #3 of the audited financial statements for the period ended December 31, 2019 which has been prepared in accordance with International Financial Reporting Standards ("IFRS") and the relevant requirements of the Act.

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

The Company has adopted IFRS 16 (Leases) from October 1, 2019. IFRS 16 introduces a single lease accounting model for lessees. It requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The standard includes an optional exemption for certain short-term leases and leases of low-value assets. For lessors, the accounting stays almost the same.

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

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
THREE MONTHS ENDED MARCH 31, 2020

3. ACCOUNTING POLICIES

(a) Intangible assets

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

(b) Leases

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

Leases are recognise as assets and liabilities unless the lease term is 12 months or less or the underlying asset has a low value of less than US\$5,000 or its Jamaica dollar equivalent.

The 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. It is subject to impairment test.

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.

(c) Trade and other receivables

Trade and other receivables are stated at amortized cost.

Appropriate allowances for estimated irrecoverable amounts are recognized in the statement of comprehensive income when there is objective evidence that the asset is impaired.

(d) Related party identification

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

(e) Trade and other payables

Trade and other payables are stated at amortized cost.

MAILPAC GROUP LIMITED
NOTES TO FINANCIAL STATEMENTS (Unaudited)
THREE MONTHS ENDED MARCH 31, 2020

3. RIGHT-OF-USE ASSETS

	Office Building	
	\$	
At Valuation		
Balance at October 1, 2019	-	
Additions	13,855,278	
	<u>13,855,278</u>	
Balance as at December 31, 2019	13,855,278	
Balance at January 1, 2020	13,855,278	
Additions	523	
	<u>13,855,801</u>	
Balance at March 31, 2020	13,855,801	
Accumulated		
Depreciation charge		
Balance at October 1, 2019	-	
Charge for period	1,399,473	
	<u>1,399,473</u>	
Balance as at December 31, 2019	1,399,473	
Balance at January 1, 2020	1,399,473	
Charge for period	1,659,160	
	<u>3,058,633</u>	
Balance at March 31, 2020	3,058,633	
Net Book Value		
Balance at March 31, 2020	<u>10,797,168</u>	
Balance as at December 31, 2019	<u>12,455,805</u>	
Lease Liabilities:		
	Unaudited	Audited
	March 2020	Dec 2019
	\$	\$
Non-current lease liabilities	<u>6,400,312</u>	<u>6,400,312</u>
Current lease liabilities	<u>4,399,406</u>	<u>6,027,717</u>

MAILPAC GROUP LIMITED
NOTES TO FINANCIAL STATEMENTS (Unaudited)
THREE MONTHS ENDED MARCH 31, 2020

4. 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.

	Unaudited	Audited
	March 2020	Dec 2019
Cost:	\$	\$
Purchase goodwill	171,000,000	171,000,000
Customer contracts, lists of existing customers and other intangibles	73,579,000	73,579,000
	<u>244,579,000</u>	<u>244,579,000</u>
Amortization:		
Balance at January 1, 2020	459,869	-
Charge for the period	459,868	459,869
	<u>919,737</u>	<u>459,869</u>
Balance at period end	<u><u>243,659,263</u></u>	<u><u>244,119,131</u></u>

5. TRADE AND OTHER RECEIVABLES

Accounts receivable materially represents balance due on credit sales

	Unaudited	Audited
	March 2020	Dec 2019
	\$	\$
Trade receivables	47,926,866	48,743,827
<i>Less</i> : expected credit loss provision	(3,468,757)	(4,148,958)
Net trade receivables	44,458,109	44,594,869
Deposits	1,635,075	1,635,075
Prepayments	7,222,700	2,495,256
Other receivables	39,355	361,410
	<u><u>53,355,239</u></u>	<u><u>49,086,610</u></u>

MAILPAC GROUP LIMITED
NOTES TO FINANCIAL STATEMENTS (Unaudited)
THREE MONTHS ENDED MARCH 31, 2020

6. SHARE CAPITAL

	Unaudited March 2020	Audited Dec 2019
	\$	\$
<u>Authorized share capital:</u>		
No maximum share capital		
<u>Issued and fully paid:</u>		
2,250,000,000 ordinary shares of no par value	27,395,000	27,395,000
250,000,000 ordinary shares of no par value	250,000,000	250,000,000
Less: transaction costs of share issue	<u>(10,038,888)</u>	<u>(10,038,888)</u>
	<u>267,356,112</u>	<u>267,356,112</u>

- (a) The issued share capital of the Company was increased to 2,250,000,000 shares prior to the initial public offering ("IPO"). An additional 250,000,000 new shares were offered to the general public in the IPO on December 4, 2019.
- (b) The proceeds of the sale of the 250,000,000 shares issued to the general public in December 2019 amounted to \$250,000,000 less transaction cost of \$10,038,888.

7. TRADE AND OTHER PAYABLES

	Unaudited March 2020	Audited Dec 2019
	\$	\$
Trade payables	47,157,761	33,499,371
Statutory liabilities	2,096,034	4,234,276
GCT payables	394,578	151,384
Accruals	1,806,842	6,317,734
Other payables	884,991	5,948,947
	<u>52,340,206</u>	<u>50,151,712</u>

8. TAXATION

The Company's 100% income tax remission under the rules of the Jamaica Junior Stock Exchange began on December 4, 2019 for five years and 50% for a further five years thereafter, providing the Company complies with the requirements of the Junior Market of the Jamaica Stock Exchange.

9. 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 period.

	Unaudited March 2020	Audited Dec 2019
Net profit attributable to shareholders	<u>101,911,387</u>	<u>86,284,771</u>
Weighted average number of shares in issue	<u>2,500,000,000</u>	<u>2,331,521,739</u>
	<u>\$ 0.04</u>	<u>\$ 0.04</u>

10. DIVIDENDS

The Company did not declare any dividends during the period ended March 31, 2020.

**MAILPAC GROUP LIMITED
TOP TEN SHAREHOLDERS
AS AT MARCH 31, 2020**

TOP TEN SHAREHOLDERS

	PRIMARY ACCOUNT HOLDER	JOINT HOLDER	DIRECT HOLDINGS	VOLUME	% OF ISSUED SHARES
1	NORBROOK EQUITY PARTNERS LTD	-	1,940,000,000	1,940,000,000	77.6000%
2	NCB CAPITAL MARKETS (CAYMAN) LTD	-	63,316,528	63,316,528	2.5327%
3	NCB INSURANCE COMPANY LIMITED	-	42,446,567	42,446,567	1.6979%
4	JCS D TRUSTEE SERVICES LTD - SIGMA EQUITY	-	28,412,255	28,412,255	1.1365%
5	JMMB FUND MANAGERS LTD.T1-EQUITIES FUND	-	25,000,000	25,000,000	1.0000%
6	MF&G TRUST & FINANCE LTD - A/C 57	-	25,000,000	25,000,000	1.0000%
7	JCS D TRUSTEE SERVICES LTD - SIGMA GLOBAL VENTURE	-	21,139,026	21,139,026	0.8456%
8	SAGICOR SELECT FUND LIMITED - ('CLASS C' SHARES) MANUFACTURING & DISTRIBUTION	-	20,139,026	20,139,026	0.8056%
9	MF & G ASSET MANAGEMENT LTD. - NCB CM UNIT TRUST SCHEME (JMD CARIBBEAN EQUITY PORTFOLIO)	-	17,269,540	17,269,540	0.6908%
10	DEOL BALJIT	-	12,141,300	12,141,300	0.4857%

Total Issued Capital: 2,500,000,000

Total Units Owned by Top Ten Shareholders: 2,194,864,242

Percentage Owned by Top Ten Shareholders: 87.7946%

MAILPAC GROUP LIMITED
SHAREHOLDINGS FOR DIRECTORS AND SENIOR OFFICERS
AS AT MARCH 31, 2020

DIRECTORS

PRIMARY ACCOUNT HOLDER	CONNECTED PARTIES	DIRECT HOLDINGS	COMBINED VOLUME	% OF ISSUED SHARES
KHARY ROBINSON <i>NORBROOK EQUITY PARTNERS LTD</i> <i>LENNOX ROBINSON</i> <i>MARCIA C ROBINSON</i>	1,940,000,000 5,000,000 4,777,700	-	1,949,777,700	77.9911%
GARTH PEARCE <i>NORBROOK EQUITY PARTNERS LTD</i>	1,940,000,000	-	1,940,000,000	77.6000%
MARK JOSE GONZALES	-	4,444,400	4,444,400	0.1778%
TRACY-ANN NICOLE SPENCE <i>SEAN ANDRE SPENCE</i>	-	3,999,800	3,999,800	0.1599%
WILLIAM A. CRAIG <i>CANDIS M. CRAIG</i> <i>BILLY CRAIG INSURANCE BROKERS LIMITED</i>	- - -	4,000,000	4,000,000	0.1600%

SENIOR OFFICERS

PRIMARY ACCOUNT HOLDER	CONNECTED PARTIES	DIRECT HOLDINGS	COMBINED VOLUME	% OF ISSUED SHARES
MARK JOSE GONZALES	-	4,444,400	4,444,400	0.1778%
SAMANTHA RAY	-	5,100,000	5,100,000	0.2040%
CHRISTEEN MARLINE ALLEN	-	277,500	277,500	0.0111%
TONI MELVINA WHITEHORNE	-	61,100	61,100	0.0024%
DARLENE JOHNSON	-	-	-	-
TOMMY WALTERS	-	167,900	167,900	0.0067%
STEPHEN GREIG	-	-	-	-