

MAILPAC GROUP LIMITED
UNAUDITED FINANCIAL STATEMENTS
SIX (6) MONTHS ENDED JUNE 30, 2020

MAILPAC GROUP LIMITED
QUARTERLY REPORT (Unaudited)
SIX (6) MONTHS ENDED JUNE 30, 2020

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DIRECTORS' REPORT TO SHAREHOLDERS

OVERVIEW

The Board of Directors of Mailpac Group Limited ("Mailpac" or the "Company") is pleased to present our unaudited financial statements for the six months ending June 30, 2020. It should be noted that Mailpac started trading on October 1, 2019. Accordingly, the financial statements have no comparative period for 2019.

Despite the second quarter traditionally being the slowest in online retail, coupled with the meaningful decline in international shopping in April due to the impact of COVID-19, the Company achieved its highest ever quarterly revenue. Profitability also followed suit as it outperformed that of our 'Q4 peak season' in 2019.

FINANCIAL PERFORMANCE

Revenue for the quarter was \$366.1 million, which was \$1.4 million higher than the previous quarter ending March 31, 2020. Gross profit for the quarter was \$160.6 million, which represents a reduction relative to the previous quarter as our Mailpac Local business increased in its share of total revenue. For the half year to June 30, 2020, revenue was \$730.9 million with gross profit of \$343.9 million.

Operating expenses for the quarter were \$68.6 million, coming in significantly lower than the previous quarter. This comprised mostly of COVID-19 related reductions in staff costs, advertising expenses, and store operating expenses. Net income for Q2 2020 and H1 2020 came in at \$87.8 million and \$189.7 million, respectively.

We are encouraged by the performance of the Company in its second quarter as we navigated through the adverse impact of COVID-19 on our international shopping business. More specifically, the amalgamation of our two business lines, Mailpac Services and Mailpac Local, proved to be a tremendous diversification tool as intended. Though we saw a short term decline in the international business where customers typically buy what they 'want', the local business saw a tremendous bump as consumers used our unique platform to acquire what they 'need' (household and office supplies in the midst of limitations on movement and social interaction).

FINANCIAL POSITION

Total Assets at the end of the quarter stood at \$616.2 million, which included \$276.6 million of cash. Shareholder's Equity stood at \$543.4 million at the end of Q2 2020.

OUTLOOK

We are pleased with the performance of Mailpac in Q2 2020 as the Company continued to lead the ever-growing ecommerce market in innovation and service, resulting in a stellar financial performance.

However, the sustained impact of COVID-19 has led to significant uncertainty in the consumer space. We anticipate that the crisis will continue to present challenges and opportunities for our industry. Accordingly, Mailpac remains focused on delivering the highest level of ecommerce solutions and service in the industry.

Additionally, we are currently exploring a number of strategic initiatives to serve a broader base of customers and have deeper share of wallet with our current ones. As we navigate through the challenges of COVID-19, we are positioning ourselves better for the opportunity it brings for ecommerce. We want to thank our dedicated team and our customers for their continued support and for a continued future of 'Happy Shopping'.




Khary Robinson

Executive Chairman

MAILPAC GROUP LIMITED
STATEMENT OF FINANCIAL POSITION (Unaudited)
AS AT JUNE 30, 2020

	<u>Note</u>	Six Months June 2020 \$	Audited Three Months Dec-19 \$
ASSETS			
Non-current Assets			
Property, plant and equipment		32,968,116	32,647,727
Right-of-use asset	3	9,267,851	12,455,805
Intangible assets	4	243,199,394	244,119,131
Total non-current assets		285,435,361	289,222,663
Current Assets			
Other assets		289,473	-
Due from related companies		438,560	13,130
Trade and other receivables	5	52,718,861	49,086,610
Short term investments		696,639	-
Cash and cash equivalents		276,644,450	106,521,716
Total current assets		330,787,983	155,621,456
TOTAL ASSETS		616,223,344	444,844,119
EQUITY AND LIABILITIES			
Equity			
Share capital	6	267,356,112	267,356,112
Accumulated surplus		276,024,140	86,284,771
Total equity		543,380,252	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	2,814,472	6,027,717
Trade and other payables	7	47,343,879	50,151,712
Loan payable		15,086,708	15,327,109
Due to directors		-	1,419,195
Due to related companies		667,467	1,385,242
Taxation payable	8	-	9,961,695
Total current liabilities		65,912,526	84,272,670
TOTAL EQUITY AND LIABILITIES		616,223,344	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)
SIX MONTHS ENDED JUNE 30, 2020

	<u>Note</u>	Three Months June 2020 \$	Six Months June 2020 \$	Audited Three Months Dec-19 \$
Revenues		366,074,254	730,851,333	361,726,810
Cost of sales		<u>205,505,886</u>	<u>386,969,329</u>	<u>165,264,708</u>
Gross profit		160,568,368	343,882,004	196,462,102
Selling and promotion		<u>9,552,872</u>	<u>19,501,499</u>	<u>14,744,088</u>
Administrative and general expenses		<u>59,093,538</u>	<u>125,268,620</u>	<u>72,657,009</u>
		<u>68,646,410</u>	<u>144,770,119</u>	<u>87,401,097</u>
Operating profit		91,921,958	199,111,885	109,061,005
Other income		<u>8,163,921</u>	<u>10,258,913</u>	<u>777,176</u>
		100,085,879	209,370,798	109,838,181
Finance and policy costs		<u>12,257,897</u>	<u>19,631,429</u>	<u>13,061,461</u>
Profit before taxation		87,827,982	189,739,369	96,776,720
Taxation charge	8	<u>-</u>	<u>-</u>	<u>10,491,949</u>
Net profit, being total comprehensive income for the period		<u>87,827,982</u>	<u>189,739,369</u>	<u>86,284,771</u>
Earnings per share for profit attributable to the ordinary equity holders of the company	9	<u>0.04</u>	<u>0.08</u>	<u>0.04</u>

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY (Unaudited)
SIX MONTHS ENDED JUNE 30, 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	<u>-</u>	<u>86,284,771</u>	<u>86,284,771</u>
Balance at December 31, 2019 (Audited)	<u>267,356,112</u>	<u>86,284,771</u>	<u>353,640,883</u>
Net profit, being total comprehensive income for the six months period	<u>-</u>	<u>189,739,369</u>	<u>189,739,369</u>
Balance at June 30, 2020	<u>267,356,112</u>	<u>276,024,140</u>	<u>543,380,252</u>

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
STATEMENT OF CASH FLOWS (Unaudited)
SIX MONTHS ENDED JUNE 30, 2020

	Unaudited Six Months June 2020 \$	Audited Three Months Dec-19 \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	189,739,369	86,284,771
Adjustments for items not affecting cash resources:		
Depreciation and amortization	4,900,979	2,293,773
Taxation expense	-	10,491,949
	<u>194,640,348</u>	<u>99,070,493</u>
Increase in operating assets:		
Other assets	(289,473)	-
Due from related companies	(425,430)	(13,130)
Trade and other receivables	(3,632,251)	(49,086,610)
(Decrease) / increase in operating liabilities:		
Trade and other payables	(2,807,833)	50,151,713
Cash flows provided by operating activities	<u>187,485,361</u>	100,122,466
Taxation paid	(9,961,695)	-
Net cash provided by operating activities	<u>177,523,666</u>	<u>100,122,466</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of intangible assets	-	(244,579,000)
Acquisition of property, plant and equipment	(1,113,677)	(48,087,159)
Short term investments	(696,639)	-
Net cash used in investing activities	<u>(1,810,316)</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	(240,401)	(265,149,811)
Loan from related party	-	1,385,242
Loan repayment to related party	(717,775)	-
Loan from director	-	1,419,195
Loan repayment to director	(1,419,195)	-
Lease liabilities payments	(3,213,245)	(1,427,249)
Net cash (used in) / provided by financing activities	<u>(5,590,616)</u>	<u>284,060,409</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	170,122,734	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	276,644,450	106,521,716

The accompanying notes form an integral part of the financial statements

MAILPAC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
SIX MONTHS ENDED JUNE 30, 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 six (6) months period ended June 30, 2020 have been prepared in accordance with IAS 34, "Interim Financial Reporting". These interim financial statements should be read in conjunction with the accounting policies 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)
SIX MONTHS ENDED JUNE 30, 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 a finite 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)
SIX MONTHS ENDED JUNE 30, 2020

3. RIGHT-OF-USE ASSETS

	Office Building	
	\$	
At Valuation		
Balance at October 1, 2019	-	
Additions	13,855,278	
Balance as at December 31, 2019	<u>13,855,278</u>	
Balance at January 1, 2020	13,855,278	
Additions	523	
Balance at June 30, 2020	<u>13,855,801</u>	
Accumulated		
Depreciation charge		
Balance at October 1, 2019	-	
Charge for period	1,399,473	
Balance as at December 31, 2019	<u>1,399,473</u>	
Balance at January 1, 2020	1,399,473	
Charge for period	3,188,477	
Balance at June 30, 2020	<u>4,587,950</u>	
Net Book Value		
Balance at June 30, 2020	<u>9,267,851</u>	
Balance as at December 31, 2019	<u>12,455,805</u>	
Lease Liabilities:		
	Unaudited	Audited
	June 2020	Dec 2019
	\$	\$
Non-current lease liabilities	<u>6,400,312</u>	<u>6,400,312</u>
Current lease liabilities	<u>2,814,472</u>	<u>6,027,717</u>

MAILPAC GROUP LIMITED
NOTES TO FINANCIAL STATEMENTS (Unaudited)
SIX MONTHS ENDED JUNE 30, 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
	June 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	919,737	459,869
	<u>1,379,606</u>	<u>459,869</u>
Balance at period end	<u>243,199,394</u>	<u>244,119,131</u>

5. TRADE AND OTHER RECEIVABLES

Accounts receivable materially represents balance due on credit sales

	Unaudited	Audited
	June 2020	Dec 2019
	\$	\$
Trade receivables	50,702,902	48,743,827
<i>Less</i> : expected credit loss provision	(6,232,397)	(4,148,958)
Net trade receivables	44,470,505	44,594,869
Deposits	1,635,075	1,635,075
Prepayments	6,505,150	2,495,256
Other receivables	108,131	361,410
	<u>52,718,861</u>	<u>49,086,610</u>

MAILPAC GROUP LIMITED
NOTES TO FINANCIAL STATEMENTS (Unaudited)
SIX MONTHS ENDED JUNE 30, 2020

6. SHARE CAPITAL

	Unaudited June 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><u>267,356,112</u></u>	<u><u>267,356,112</u></u>

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

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

7. TRADE AND OTHER PAYABLES

	Unaudited June 2020	Audited Dec 2019
	\$	\$
Trade payables	29,951,275	33,499,371
Statutory liabilities	1,944,928	4,234,276
GCT payables	196,131	151,384
Accruals	2,080,075	6,317,734
Credit card payables	11,035,157	2,313,003
Other payables	<u>2,136,313</u>	<u>3,635,944</u>
	<u><u>47,343,879</u></u>	<u><u>50,151,712</u></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 year.

	Unaudited June 2020	Audited Dec 2019
Net profit attributable to shareholders	<u>189,739,369</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><u>\$ 0.08</u></u>	<u><u>\$ 0.04</u></u>

10. DIVIDENDS

The Company did not declare any dividends during the period ended June 30, 2020.

**MAILPAC GROUP LIMITED
TOP TEN SHAREHOLDERS
AS AT JUNE 30, 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 INSURANCE COMPANY LIMITED	-	42,446,567	42,446,567	1.6979%
3	JCS D TRUSTEE SERVICES LTD - SIGMA GLOBAL VENTURE	-	32,917,215	32,917,215	1.3167%
4	FIRSTROCK CAPITAL HOLDINGS LIMITED	-	29,942,156	29,942,156	1.1977%
5	QWI INVESTMENTS LIMITED	-	28,111,643	28,111,643	1.1245%
6	NCB CAPITAL MARKETS LTD. A/C 2231	-	25,322,500	25,322,500	1.0129%
7	JMMB FUND MANAGERS LTD.T1-EQUITIES FUND	-	25,000,000	25,000,000	1.0000%
8	MF&G ASSET MANAGEMENT LTD. - JAMAICA INVESTMENTS FUND	-	25,000,000	25,000,000	1.0000%
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	0.4857%	0.4857%

Total Issued Capital: 2,500,000,000

Total Units Owned by Top Ten Shareholders: 2,178,150,921

Percentage Owned by Top Ten Shareholders: 87.1260%

MAILPAC GROUP LIMITED
SHAREHOLDINGS FOR DIRECTORS AND SENIOR OFFICERS
AS AT JUNE 30, 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 ROBINSON</i>	1,940,000,000 - 2,855,600	-	1,942,855,600	77.7142%
GARTH PEARCE <i>NORBROOK EQUITY PARTNERS LTD</i>	1,940,000,000	-	1,940,000,000	77.6000%
MARK GONZALES	-	4,444,400	4,444,400	0.1778%
TRACY-ANN SPENCE <i>SEAN SPENCE</i>	-	3,999,800	3,999,800	0.1599%
WILLIAM CRAIG <i>CANDIS 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 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%
DARLENE JOHNSON	-	-	-	-
TOMMY WALTERS	-	167,900	167,900	0.0067%
STEPHEN GREIG	-	-	-	-