

Edufocal Limited

**Financial Statements
31 December 2021**

Edufocal Limited

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INDEPENDENT AUDITORS' REPORT

To the Members of
Edufocal Limited

Report on the audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Edufocal Limited ("the Company") set out on pages 1 to 42, which comprise of the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaica Companies 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
Edufocal Limited
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Report on the audit of the Financial Statements (continued)

Responsibilities of Management and the Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company 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.

Auditors' 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 auditors' 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT (Continued)

To the Members of
Edufocal Limited
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Report on the audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 auditors' 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 auditors' 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 presents a true and fair view.

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.

Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examinations of those records, and the financial statements, which are in agreement therewith give the information required by the Jamaican Companies Act, in the manner so required.


Baker Tilly
Chartered Accountants

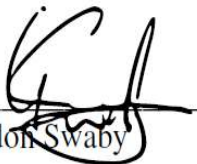
Kingston, Jamaica
16 March 2022


Edufocal Limited

Statement of Financial Position As at 31 December 2021

	Note	2021	2020
		\$	\$
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,691,885	1,062,028
Intangible assets	6	66,725,467	31,962,363
Right- of- use asset	7	4,023,825	-
Deferred tax assets	8	1,267,438	353,160
		<u>75,708,615</u>	<u>33,377,551</u>
Current assets			
Receivables	9	126,537,140	33,470,083
Director's account	10	20,106,531	14,338,230
Cash and cash equivalent	11	4,013,319	495,216
		<u>150,656,990</u>	<u>48,303,529</u>
TOTAL ASSETS		<u><u>226,365,605</u></u>	<u><u>81,681,080</u></u>
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	12	10,345,452	10,345,452
Preference shares	13	54,999,999	-
Accumulated deficit		1,452,113	(7,292,272)
		<u>66,797,564</u>	<u>3,053,180</u>
Non-current liabilities			
Lease liability	7	1,481,460	-
Long term loans	14	24,340,758	25,918,326
		<u>25,822,218</u>	<u>25,918,326</u>
Current liabilities			
Payables	15	23,047,054	15,076,210
Current portion of lease liability	7	2,642,543	-
Current portion of long term loans	14	2,205,534	10,329,597
Short term loans	16	85,484,661	17,502,992
Due to related party	17	1,500,000	-
Shareholder's loan	18	7,412,995	7,132,465
Bank overdraft	19	60,307	-
Taxation payable		11,392,729	2,668,310
		<u>133,745,823</u>	<u>52,709,574</u>
TOTAL EQUITY AND LIABILITIES		<u><u>226,365,605</u></u>	<u><u>81,681,080</u></u>

Approved for issue by the Board on 16 March 2022 and signed on its behalf by:


Gordon Swaby
Chief Executive Officer


Peter Levy
Chairman

Edufocal Limited**Statement of Comprehensive Income
Period ended 31 December 2021**

	Note	<u>2021</u>	<u>2020</u>
		\$	\$
Revenue	20	185,151,034	102,618,593
Administrative and operating expenses	21	(128,815,712)	(74,024,954)
Operating profit		<u>56,335,322</u>	<u>28,593,639</u>
Other operating income	22	7,905	1,683,114
Impairment losses on financial assets	23	(19,158,946)	(6,240,258)
Profit before finance costs	24	<u>37,184,281</u>	<u>24,036,495</u>
Finance costs, net	26	(19,629,755)	(8,423,287)
Profit before taxation		<u>17,554,526</u>	<u>15,613,208</u>
Taxation	27	(8,810,141)	(4,696,551)
Net profit for the year, being total comprehensive income		<u><u>8,744,385</u></u>	<u><u>10,916,657</u></u>

Edufocal Limited

Statement of Changes in Equity Period ended 31 December 2021

	Share Capital	Preference Shares	Accumulated Surplus	Total
	\$	\$	\$	\$
Balance at 1 January 2020	2,000	-	(18,208,929)	(18,206,929)
Issue of ordinary shares (Note 12)	10,343,452	-	-	10,343,452
Total comprehensive income for the year	-	-	10,916,657	10,916,657
Balance at 31 December 2020	10,345,452	-	(7,292,272)	3,053,180
Issue of preference shares (Note 13)	-	54,999,999	-	54,999,999
Total comprehensive income for the year	-	-	8,744,385	8,744,385
Balance at 31 December 2021	10,345,452	54,999,999	1,452,113	66,797,564

Edufocal Limited**Statement of Cash Flows**
Period ended 31 December 2021

	<u>2021</u>	<u>2020</u>
	\$	\$
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Operating Activities		
Profit before taxation	17,554,526	15,613,208
Adjustments for:		
Bad debt written off	8,960,325	5,162,349
Depreciation	656,637	178,144
Amortization of intangible assets	10,694,813	1,878,921
Amortization of right-of-use asset	1,341,276	-
Impairment losses on financial assets	19,158,946	6,240,258
Foreign exchange losses	1,516,901	976,034
Interest income	(578,505)	(36,104)
Lease interest expense	204,152	-
Interest expense	12,335,022	7,019,210
	<u>71,844,093</u>	<u>37,032,020</u>
Changes in operating assets and liabilities:		
Increase in receivables	(121,186,328)	(38,069,901)
Increase in director's account	(5,274,708)	(7,390,814)
Increase in payables	7,977,833	8,573,122
Cash (used in)/provided by operating activities	<u>(46,639,110)</u>	<u>144,427</u>
Interest received	371	36,104
Interest paid	(13,108,691)	(5,492,732)
Tax paid	(1,000,000)	-
Net cash used in operating activities	<u>(60,747,430)</u>	<u>(5,312,201)</u>
Investing Activities		
Purchase of property, plant and equipment	(3,286,494)	(470,215)
Purchase of intangible assets	(45,457,917)	(28,052,102)
Net cash used in investing activities	<u>(48,744,411)</u>	<u>(28,522,317)</u>
Balance carried forward	<u>(109,491,841)</u>	<u>(33,834,518)</u>

Edufocal Limited**Statement of Cash Flows
Period ended 31 December 2021**

	2021	2020
	\$	\$
Cash flows brought forward	(109,491,841)	(33,834,518)
Financing Activities		
Proceeds from issued ordinary shares	-	10,343,452
Proceeds from issued preference shares	54,999,999	-
Lease payments	(1,445,250)	-
Long term loan, net	(10,169,815)	12,894,232
Short term loan, net	68,523,538	1,946,722
Due to related party	1,500,000	-
Shareholder's loan	280,530	7,132,465
Net cash provided by financing activities	<u>113,689,002</u>	<u>32,316,871</u>
Net increase/(decrease) in cash and cash equivalents	4,197,161	(1,517,647)
Effect of foreign exchange losses on cash at bank	(739,365)	(161,523)
Cash and cash equivalents at beginning of year	<u>495,216</u>	<u>2,174,386</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>3,953,012</u></u>	<u><u>495,216</u></u>
Represented by:		
Cash at bank	4,013,319	495,216
Bank overdraft	(60,307)	-
	<u><u>3,953,012</u></u>	<u><u>495,216</u></u>

Edufocal Limited

Notes to the Financial Statements 31 December 2021

1. Identification and Principal Activities

Edufocal Limited is an education technology company incorporated in Jamaica under the Companies Act of Jamaica on the 19 November 2010. The registered office of the company is located at 22B Old Hope Road, Kingston 5.

The principal activity of the company is to provide innovative social learning platform that combines study with play.

These financial statements are presented in Jamaican dollars, which is its functional currency.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for all the years presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and their interpretations adopted by the International Accounting Standards Board and have been prepared under the historical cost convention, as modified by the valuation of certain items. They are also prepared in accordance with the provisions of the Jamaican Companies Act.

The financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes.

The preparation of financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the end of the reporting period and the total comprehensive income during the reporting period. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known. The areas involving a higher degree of judgement in complexity or areas where assumptions or estimates are significant to the financial statements are discussed in note 4.

Edufocal Limited

Notes to the Financial Statements 31 December 2021

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company

At the date of authorisation of these financial statements, certain new accounting standards, amendments and interpretation to existing standards have been issued which are not yet effective, and which the company has not early adopted. The company has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following may be relevant to its operations. Unless stated otherwise, the impact of the changes is still being assessed by management.

Reference to the Conceptual Framework – Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022). In March 2018, the IASB issued the 2018 Conceptual Framework and most references to the Framework included in IFRSs were updated to the 2018 Framework at that time. However, paragraph 11 of IFRS 3 Business Combinations, which continued to refer to the 1989 Framework, was not updated as this could have caused conflicts for entities applying IFRS 3. IASB identified three possible amendments to IFRS 3 that would update IFRS 3 without significantly changing its requirements. The changes in Reference to the Conceptual Framework (Amendments to IFRS 3):

- update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

IFRS 17, ‘Insurance Contracts’, (effective for annual periods beginning on or after 1 January 2021). In May 2017, the IASB issued IFRS 17 which replaces the current guidance in IFRS 4. Under IFRS 17, insurance liabilities are to be measured at a current fulfilment value. The standard also provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

Edufocal Limited**Notes to the Financial Statements
31 December 2021**

2. Summary of significant accounting policies (continued)**(a) Basis of preparation (continued)****Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (continued)**

The amendments in Classification of Liabilities as Current or Non-current - Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2023) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) (effective for annual periods beginning on or after 1 January 2022) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) (effective for annual periods beginning on or after 1 January 2022) specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Edufocal Limited

Notes to the Financial Statements 31 December 2021

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (continued)

Annual Improvements to IFRS Standards 2018–2020 are effective for annual reporting periods beginning on or after 1 January 2022. The IASB issued its Annual Improvements to IFRSs 2015-2017 cycle amending a number of standards:

- IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’ - **Subsidiary as a first-time adopter**. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.
- IFRS 9 ‘Financial Instruments’ - **Fees in the ‘10 per cent’ test for derecognition of financial liabilities**. The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.
- IFRS 16 ‘Leases’ - **Lease incentives**. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

Edufocal Limited

Notes to the Financial Statements 31 December 2021

2. Summary of significant accounting policies (continued)

(b) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rate prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the exchange rate prevailing at the date of the statement of financial position, that is, in the case of each currency, the Bank of Jamaica weighted average buying and selling rates at that date. Gains and losses arising from fluctuations in exchange rates are reflected in the statement of comprehensive income.

(c) Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis at rates to write off the carrying value of the assets over their expected useful lives. The rates used to write off the cost of assets are as follows:

Furniture and equipment	10%
Computers and accessories	25%

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income.

Repair and maintenance expenditure are charged to the statement of comprehensive income during the financial period in which they are incurred.

(d) Intangible assets

This represents the costs of software and educational content development, which includes costs incurred to bring to use the specific software, as well as certain acquired computer software licences. These intangible assets are identified separately and reported at cost less accumulated amortisation and accumulated impairment losses. The costs of these intangible assets are amortised over their estimated useful life of five years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Edufocal Limited

Notes to the Financial Statements 31 December 2021

2. Summary of significant accounting policies (continued)

(e) Fair value of financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial assets carried on the statement of financial position include cash and cash equivalents, receivables and directors' accounts. Financial liabilities consist of trade and other payables, long term loans and short term borrowings.

Generally financial instruments are recognized on the statement of financial position when the company becomes a party to the contractual provisions of the instruments. The particular recognition methods adopted are disclosed in the respective accounting policies associated with each item.

The fair values of the financial instruments are discussed in Note 3(d).

(f) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. For trade receivables impairment provisions, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

Under the simplified approach within IFRS 9, the impairment provision is assessed using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(g) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and bank overdraft.

Edufocal Limited

Notes to the Financial Statements 31 December 2021

2. Summary of significant accounting policies (continued)

(h) Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Where applicable, current and deferred taxes are recognized as income tax expense.

- i. Current tax is the expected tax payable on the income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.
- ii. Deferred tax liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognized for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realized or the liability will be settled based on enacted rates.

Current and deferred tax assets and liabilities are offset when the legal right of offset exists.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost.

(j) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be determined.

(k) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Edufocal Limited

Notes to the Financial Statements 31 December 2021

2. Summary of significant accounting policies (continued)

(l) Revenue recognition

Edufocal Limited provides online learning to different business segments of society, to include corporate contracts, partnerships with government agencies, schools and individual clients.

Revenue comprises the fair value of the consideration received or receivable, and represents amounts receivable for services supplied, stated net of discounts and General Consumption Tax.

The company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the company; and when specific criteria have been met for each of the entity's activities, as described below:

(i) Sales of services

For sales of services, revenue is recognized on the accrual basis, in the accounting period in which the related services are provided.

(a) School sales - This relates to the sale of online platform access to various schools across the island. Invoices are generated once the access cards are sold to the schools. Payment is sent by schools directly to Edufocal's bank account or planned cash collection is arranged by Edufocal.

(b) Online sales – This relates to paid access to the learning content platform. These are cash sales.

(c) Partnership and business sales – These are contractual arrangements.

(ii) Interest income and interest expense

Interest income and expense is recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective interest rate method on the actual purchase price.

(iii) Grant income

Grant income received is credited to profit or loss in the period to which they relate.

(m) Net finance costs

Net finance costs comprise interest payable borrowings calculated using the effective interest rate method, interest income on funds invested during the course of routine treasury transactions and foreign exchange gains and losses recognized in the income statement.

Edufocal Limited

Notes to the Financial Statements 31 December 2021

2. Summary of significant accounting policies (continued)

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Borrowing costs

General and specific 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Impairment of non-financial assets

At each statement of financial position date, the company reviews the carrying amounts of its 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Edufocal Limited**Notes to the Financial Statements
31 December 2021**

2. Summary of significant accounting policies (continued)**(o) Impairment of non-financial assets (continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

(p) Related party transactions

A party is related to the company, if:

- (i) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries); 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 venture;
- (iv) the party is a member of the key management personnel of the company or its parent
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is the company 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); or
- (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. The company has a related party relationship with its directors and key management personnel, representing certain senior officers of the company.

Edufocal Limited

Notes to the Financial Statements 31 December 2021

3. Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance.

The company's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The directors are ultimately responsible for the establishment and oversight of the company's risk management framework. They provide written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, due from related parties as well as outstanding receivables from credit sales.

Risk management

Management has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by management.

Management determines concentrations of credit risk by monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics. Customers that are graded as "high risk" are placed on a restricted customer list, and future credit sales are made only with approval.

Edufocal Limited

Notes to the Financial Statements 31 December 2021

3. Financial risk management (continued)

(a) Credit risk (continued)

Risk management (continued)

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Security

The company does not hold any collateral as security.

Impairment of financial assets

The company has one type of financial assets that are subject to the expected credit loss model:

- trade receivables for sales.

While cash and cash equivalents and related party balances are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2021 and 31 December 2020 and the corresponding credit losses experienced within these periods. Edufocal Limited does not have a significant history of losses relating to revenues. The management has estimated the loss rate by taking into consideration mostly forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the GDP, inflation and the unemployment rate of the countries in which it sells its services to be the most relevant factors, and will accordingly adjust the expected loss rates based on changes in these factors.

Edufocal Limited

Notes to the Financial Statements 31 December 2021

3. Financial risk management (continued)

(a) Credit risk (continued)

On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows for trade receivables:

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	More than 150 days past due	Total
	\$	\$	\$	\$	\$	\$	\$
31 December 2021							
Expected loss rate	0.50%	5.00%	0%	25.00%	35.00%	51.30%	16.87%
Gross carrying amount – trade receivables	70,407,766	4,700,000	-	50,000,000	4,400,000	20,998,325	150,506,091
Loss allowance	352,039	235,000	-	12,500,000	1,540,000	10,772,165	25,399,204
31 December 2020							
Expected loss rate	0%	0%	25.00%	34.93%	0%	0%	17.32%
Gross carrying amount – trade receivables	18,043,900	-	445,000	17,544,450	-	-	36,033,350
Loss allowance	-	-	111,250	6,129,008	-	-	6,240,258

The closing loss allowances for trade receivables as at 31 December 2021 and 31 December 2020 reconcile to the opening loss allowances is as follows:

	Trade Receivables 2021 \$	Trade Receivables 2020 \$
Opening Expected Credit Loss balance	6,240,258	-
Increase in loss allowance recognised in profit or loss during the year	19,158,946	6,240,258
Closing Expected Credit Loss balance	25,399,204	6,240,258

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the company, and a failure to make contractual payments for a period of greater than 90 days past due.

Edufocal Limited

Notes to the Financial Statements 31 December 2021

3. Financial risk management (continued)

(a) Credit risk (continued)

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

As at 31 December 2021 and December 2020 there were no trade receivables with lifetime expected credit losses of the full value of the receivables.

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and directors accounts.

While the other financial assets at amortised cost are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Net impairment losses on financial and contract assets recognised in profit or loss

During the period, the following losses were recognised in profit or loss in relation to impaired financial assets:

	<u>2021</u>	<u>2020</u>
	\$	\$
Impairment losses		
- movement in loss allowance for trade receivables and contract assets	25,399,205	6,240,258
Net impairment losses on financial and contract assets	<u>25,399,205</u>	<u>6,240,258</u>

Edufocal Limited

Notes to the Financial Statements 31 December 2021

3. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The company's liquidity management process includes:

- (i) Monitoring future cash flows and liquidity on a daily basis;
- (ii) Maintaining marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Maintaining a committed line of credit.

Undiscounted cash flows of financial liabilities

The maturity profile of the company's financial liabilities at year end on contractual undiscounted payments was as follows:

	Within 1 month	1 to 3 months	3 to 12 months	Over 1 Year	Total	Carrying amount
	\$	\$	\$	\$	\$	\$
31 December 2021						
Payables	23,047,055	-	-	-	23,047,055	23,047,055
Short term loans	-	92,897,655	-	-	92,897,655	91,397,655
Due to related party	-	1,500,000	-	-	1,500,000	1,500,000
Shareholder's loan	-	7,418,117	-	-	7,418,117	7,392,609
Bank overdraft	60,307	-	-	-	60,307	60,307
Lease liability	235,000	470,000	2,213,700	1,508,700	4,427,400	4,159,254
Long term loans	440,987	1,322,963	3,527,901	32,602,153	37,894,003	26,546,292
	<u>23,783,349</u>	<u>103,167,747</u>	<u>5,741,601</u>	<u>34,110,853</u>	<u>167,244,537</u>	<u>154,103,172</u>
31 December 2020						
Payables	15,076,210	-	-	-	15,076,210	15,076,210
Short term loans	2,000,000	7,061,140	5,040,000	5,232,000	19,333,140	17,502,992
Shareholder's loans	-	7,220,400	-	-	7,220,400	7,132,465
Long term loans	7,936,792	881,975	3,968,888	36,785,047	49,572,702	36,247,923
	<u>25,013,002</u>	<u>15,163,515</u>	<u>9,008,888</u>	<u>42,017,047</u>	<u>91,202,452</u>	<u>75,959,590</u>

Assets available to meet all of the liabilities and to cover financial liabilities include cash and cash equivalents.

Edufocal Limited**Notes to the Financial Statements
31 December 2021**

3. Financial risk management (continued)**(c) Market risk**

The company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in interest rates (see Note 3 (c)(i)) and foreign currency exchange rates (see Note 3 (c)(ii)). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market risk exposures are measured using sensitivity analysis. There has been no significant change in exposure to market risks or the manner in which it manages and measures the risk.

(i) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

At the reporting date, financial liabilities subject to interest rates aggregated \$101,995,375 (2020 - \$60,883,380). The company contracts financial liability at a fixed interest rate, hence changes in the market interest rate will not affect the cash flow nor the carrying amount of the instruments.

The following table summarises the company's exposure to interest rate risk. It includes the company's financial instruments at carrying amounts, categorized by the contractual re-pricing or maturity dates.

Edufocal Limited

Notes to the Financial Statements 31 December 2021

3. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	Within 1 month	1 to 3 months	3 to 12 months	1 – 5 years	Non- interest bearing	Total
	\$	\$	\$	\$	\$	\$
31 December 2021						
Assets						
Receivables	-	-	-	-	126,537,140	126,537,140
Director's account	-	-	-	-	20,106,531	20,106,531
Cash and cash equivalent	4,013,318	-	-	-	-	4,013,318
Total financial assets	4,013,318	-	-	-	146,643,671	150,656,989
Liabilities						
Long term loans	440,987	881,975	3,413,113	21,072,443	-	26,546,292
Payables	-	-	-	-	23,047,055	23,047,055
Short term loans	-	91,397,655	-	-	-	91,397,655
Due to related party	-	1,500,000	-	-	-	1,500,000
Lease liability	206,173	416,901	2,054,719	1,481,461	-	4,159,254
Bank overdraft	60,307	-	-	-	-	60,307
Shareholder's loan	-	-	7,412,995	-	-	7,412,995
Total financial liabilities	707,467	94,196,531	12,880,827	22,553,904	23,047,055	153,385,784
Total interest re- pricing gap	3,305,851	(94,196,531)	(12,880,827)	(22,553,904)	123,596,616	(2,728,795)

Edufocal Limited

Notes to the Financial Statements 31 December 2021

3. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	Within 1 month	1 to 3 months	3 to 12 months	1 – 5 years	Non- interest bearing	Total
	\$	\$	\$	\$	\$	\$
31 December 2020						
Assets						
Receivables	-	-	-	-	33,470,083	33,470,083
Director's account				-	14,338,230	14,338,230
Cash and short term deposits	495,216	-	-	-	-	495,216
Total financial assets	495,216	-	-	-	47,808,313	48,303,529
Liabilities						
Long term loans	7,722,000	457,695	2,149,902	25,918,326	-	36,247,923
Payables	-	-	-	-	15,076,210	15,076,210
Short term loans	2,000,000	11,861,140	3,641,852	-	-	17,502,992
Shareholder's loan	-	7,132,465	-	-	-	7,132,465
Total financial liabilities	9,722,000	19,451,300	5,791,754	25,918,326	15,076,210	75,959,590
Total interest re- pricing gap	(9,226,784)	(19,451,300)	(5,791,754)	(25,918,326)	32,732,103	(27,656,061)

The company has no significant sensitivity to interest rate risk as all borrowings are at fixed rates.

(ii) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to foreign exchange risk arising from currency exposure primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The company is primarily exposed to such risks arising from foreign currency translation in relation to cash at bank and payables.

Edufocal Limited**Notes to the Financial Statements
31 December 2021**

3. Financial risk management (continued)**(d) Fair value estimates**

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognized stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

The amount included in the financial statements for cash and bank balances, receivables, directors' current account, due from related companies, short term loans and payables reflect their approximate fair values because of the short-term maturity of these instruments. The amounts included in the financial statements for long term loans reflect the amortised cost.

Edufocal Limited

Notes to the Financial Statements 31 December 2021

4. Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates, assumptions and judgements that affect the reported amounts of, and disclosures relating to, assets, liabilities, income and expenses reported in these financial statements. Amounts and disclosures based on these estimates assumptions and judgements may be different from actual outcomes, and these differences may be reported in the financial statements of the next financial year. Estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated.

(i) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the Credit risk note.

(ii) Income taxes

Estimates and judgements are required in determining the provision for income taxes. The tax liability or asset arising from certain transactions or events may be uncertain in the ordinary course of business. In cases of such uncertainty, the Company recognises liabilities for possible additional taxes based on its judgement. Where, on the basis of a subsequent determination, the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

(iii) 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.

Edufocal Limited**Notes to the Financial Statements
31 December 2021****5. Property, plant and equipment**

	Furniture & equipment	Computers & accessories	Total
	\$	\$	\$
At Cost-			
1 January 2020	959,349	200,044	1,159,393
Additions	-	470,215	470,215
31 December 2020	959,349	670,259	1,629,608
Additions	1,010,665	2,275,829	3,286,494
31 December 2021	1,970,014	2,946,088	4,916,102
Depreciation-			
1 January 2020	248,991	140,445	389,436
Charge for the year	95,935	82,209	178,144
31 December 2020	344,926	222,654	567,580
Charge for the period	152,952	503,685	656,637
31 December 2021	497,878	726,339	1,224,217
Net book value-			
31 December 2021	1,472,136	2,219,749	3,691,885
31 December 2020	614,423	447,605	1,062,028

Edufocal Limited**Notes to the Financial Statements
31 December 2021****6. Intangible assets**

	Intellectual Property	Software	Total
	\$	\$	\$
Cost -			
1 January 2020	-	5,824,106	5,824,106
Additions	14,255,981	13,796,121	28,052,102
31 December 2020	14,255,981	19,620,227	33,876,208
Additions	22,769,587	22,688,330	45,457,917
31 December 2021	37,025,568	42,308,557	79,334,125
Amortization -			
1 January 2020	-	34,924	34,924
Charge for year	-	1,878,921	1,878,921
31 December 2020	-	1,913,845	1,913,845
Charge for year	3,372,736	7,322,077	10,694,813
31 December 2021	3,372,736	9,235,922	12,608,658
Net book value -			
31 December 2021	33,652,832	33,072,635	66,725,467
31 December 2020	14,255,981	17,706,382	31,962,363

Intangible assets comprise computer software and intellectual property developed by the company. Intellectual property is amortized over eight years. Amortization of the computer software is calculated based on an estimated useful live of five years.

The amortization of intangible assets is charged to the administration expenses in the statement of comprehensive income.

Edufocal Limited**Notes to the Financial Statements
31 December 2021****7. Right-of-use asset****(i) Amounts recognized in the statement of financial position**

The statement of financial position shows the following amounts relating to leases: -

Right-of-use asset

	<u>2021</u>	<u>2020</u>
	\$	\$
Balance as at beginning of the year	-	-
Additions	5,365,101	-
Amortization	<u>(1,341,276)</u>	-
Balance as at end of year	<u>4,023,825</u>	<u>-</u>

Lease liability

	<u>2021</u>	<u>2020</u>
	\$	\$
Current	2,642,543	-
Non-current	<u>1,481,460</u>	-
Balance as at end of year	<u>4,124,003</u>	<u>-</u>

(ii) Amounts recognized in the statement of comprehensive income

The statement of profit or loss shows the following amounts relating to leases:

	<u>2021</u>	<u>2020</u>
	\$	\$
Amortization charge of right-of-use assets (included in administrative expenses)	1,341,276	-
Interest expense (included in finance cost)	<u>204,152</u>	<u>-</u>

(iii) Amounts recognized in the statement of cash flows

	<u>31 December 2021</u>	<u>31 December 2020</u>
	\$	\$
Total cash outflows for leases	<u>1,445,250</u>	<u>-</u>

Edufocal Limited

Notes to the Financial Statements 31 December 2021

8. Deferred tax assets

Deferred income taxes are calculated in full on all temporary differences under the liability method using the applicable tax rate. Assets and liabilities recognised on the statement of financial position are as follows:

	<u>2021</u>	<u>2020</u>
	\$	\$
Deferred income tax assets	<u>1,267,438</u>	<u>353,160</u>

The movement on the net deferred income tax balance is as follows:

	<u>2021</u>	<u>2020</u>
	\$	\$
Net assets at beginning of year	353,160	2,381,401
Credited/(charged) to the statement of comprehensive income (Note 27)	<u>914,278</u>	<u>(2,028,241)</u>
Net assets at end of period	<u><u>1,267,438</u></u>	<u><u>353,160</u></u>

Deferred income tax assets and liabilities are attributable to the following items:

	<u>2021</u>	<u>2020</u>
	\$	\$
Deferred income tax (liabilities)/assets:		
Property, plant and equipment	(209,483)	8,278
Intangible assets	999,157	(240,365)
Lease Liability net of Right-of-use asset	25,045	-
Unrealised foreign exchange (loss)/gains	194,384	203,628
Interest payable	<u>258,335</u>	<u>381,619</u>
Net assets at end of period	<u><u>1,267,438</u></u>	<u><u>353,160</u></u>

The amounts shown in the statement of financial position include the following:

	<u>2021</u>	<u>2020</u>
	\$	\$
Deferred tax assets to be recovered:		
- after more than 12 months	<u><u>1,267,438</u></u>	<u><u>353,160</u></u>

Edufocal Limited**Notes to the Financial Statements
31 December 2021****9. Receivables**

	<u>2021</u>	<u>2020</u>
	\$	\$
Trade receivables	150,506,091	36,033,350
Less: Expected credit loss provision	<u>(25,399,204)</u>	<u>(6,240,258)</u>
	125,106,887	29,793,092
Prepaid expenses	438,066	537,878
Other receivables	<u>992,187</u>	<u>3,139,113</u>
	<u>126,537,140</u>	<u>33,470,083</u>

Movement of expected credit loss provision is as follows:

	<u>2021</u>	<u>2020</u>
	\$	\$
Balance at beginning of year	6,240,258	-
Provision during the year	<u>19,158,946</u>	<u>6,240,258</u>
Balance at end of year	<u>25,399,204</u>	<u>6,240,258</u>

10. Director's account

Director's account represents amounts due from a director. Effective June 1, 2021, this loan attracts interest of 5% per annum with principal and interest repayable quarterly. The loan is to be repaid by December 2022.

11. Cash and cash equivalent

	<u>2021</u>	<u>2020</u>
	\$	\$
Cash at bank	<u>4,013,319</u>	<u>495,216</u>
	<u>4,013,319</u>	<u>495,216</u>

Cash at bank substantially comprise savings and operating accounts at licensed commercial banks in Jamaica. The rate of interest earned on the company's foreign currency savings accounts ranges from 0.0% to 0.75%.

Edufocal Limited

Notes to the Financial Statements 31 December 2021

12. Share capital

	<u>2021</u>	<u>2020</u>
	No. of shares	No. of shares
Authorised		
Opening authorised ordinary shares of no par	18,373,000	2,000
Authorised ordinary share capital created during the year	(a) -	18,371,000
Closing authorised ordinary shares of no par value	<u>18,373,000</u>	<u>18,373,000</u>
Issued and fully paid		
Opening issued and fully paid ordinary shares	10,000,000	2,000
Issued during the year	(b) -	9,998,000
Closing issued and fully paid ordinary shares	<u>10,000,000</u>	<u>10,000,000</u>
	<u>2021</u>	<u>2020</u>
	\$	\$
Ordinary shares of no par value		
Balance at beginning of year	10,345,452	2,000
Issued during the year	-	10,343,452
Balance at end of year	<u>10,345,452</u>	<u>10,345,452</u>

On June 16, 2020, the Company held an Extraordinary General Meeting which resulted in the following resolutions being approved:

- (a) The authorized share capital of the Company was increased from 2,000 shares to 18,373,000 shares, by the creation of an additional 18,371,000 ordinary shares each ranking pari passu in all respects with the existing ordinary shares or stock units in the capital of the Company.
- (b) (i) Each one of the 2,000 existing issued ordinary shares in the capital of the Company was subdivided into 4,187.5 ordinary shares, resulting in the total issued shares in the capital of the Company being increased from 2,000 ordinary shares of no par value to 8,375,000 ordinary shares of no par value.
- (ii) To issue additional shares will result in the issued share capital increasing to 10,000,000 ordinary shares of no par value.

Edufocal Limited**Notes to the Financial Statements
31 December 2021**

13. Preference shares

	<u>2021</u>	<u>2020</u>
	\$	\$
Authorized:-		
Redeemable cumulative convertible preference shares, par value	<u>55,000,000</u>	<u>-</u>
	<u>2021</u>	<u>2020</u>
	\$	\$
Issued and fully paid:-		
Redeemable cumulative convertible preference shares, par value	<u>54,999,999</u>	<u>-</u>

On May 13, 2021, the directors passed a resolution authorising the issue of up to Fifty-Five Million Dollars (\$55,000,000.00) redeemable cumulative convertible preference shares.

In June 2021 and July 2021 the company issued preference shares valued at \$29,991,999 and \$25,008,000, respectively, which has a maturity date of twelve (12) months after the issued date. Redemption shall be at the company's option and if done before the maturity date, there is an early redemption premium of 10%.

The terms of the preference shares issued includes the mandatory conversion of all outstanding preference shares to ordinary shares once the company provides a written notice that it intends to offer its ordinary shares to the public by way of an Initial Public Offer (IPO) prior to the maturity date. In the event of an IPO, the face value of the preference shares shall be converted to ordinary shares at a discounted price of 10% of the IPO price.

Edufocal Limited

Notes to the Financial Statements 31 December 2021

14. Long term loans

		<u>2021</u>	<u>2020</u>
		\$	\$
JMMB Bank (Jamaica) Limited	(a)	25,252,744	26,925,140
Mayberry Investments Limited	(b)	-	7,495,805
National Commercial Bank Jamaica Limited	(c)	<u>540,739</u>	<u>1,542,353</u>
		25,793,483	35,963,298
Interest payable		<u>752,809</u>	<u>284,625</u>
		26,546,292	36,247,923
Less: Current portion		<u>(2,205,534)</u>	<u>(10,329,597)</u>
		<u>24,340,758</u>	<u>25,918,326</u>

- (a) This loan, which is denominated in Jamaican dollars was received in August 2020 for J\$27,500,000. The loan attracts interest at the rate of 9% per annum and is repayable in one hundred and twenty (120) monthly instalments of \$348,358.38. The loan represents a non-revolving demand loan and is secured by personal guarantees and assets of Gordon, Lloyd and Olivene Swaby, including a Second Legal Guarantor's Mortgage over commercial property, located in Christiana Manchester, registered at Volume 1450 Folio 447 in the names of Lloyd and Olivene Swaby.
- (b) This loan, which was denominated in United States dollars, was received in July 2020 for US\$52,500. The loan represents a bridge loan and attracts interest at the rate of 8% per annum and have no fixed repayment term. The loan was repaid during the period.
- (c) This loan, which is denominated in Jamaican dollars was received in June 2016 for J\$5,000,000. The loan attracts interest at the rate of 10% per annum and is repayable in seventy-two (72) monthly instalments of \$92,629.16. The loan is secured by promissory note and a Mortgage over commercial property, located in Christiana Manchester, registered at Volume 1450 Folio 447 in the names of Lloyd and Olivene Swaby.

Edufocal Limited

Notes to the Financial Statements 31 December 2021

15. Payables

	<u>2021</u>	<u>2020</u>
	\$	\$
Trade payables	696,318	697,999
Accruals	4,291,784	1,585,971
Statutory liabilities	16,166,310	7,515,143
Other payables	<u>1,892,642</u>	<u>5,277,097</u>
	<u>23,047,054</u>	<u>15,076,210</u>

16. Short term loans

		<u>2021</u>	<u>2020</u>
		\$	\$
Carbyne Capital Investment Limited	(a)	-	2,400,000
Carbyne Capital Investment Limited	(b)	3,120,000	-
Dolla Financial Services Limited	(c)	-	4,800,000
Dolla Financial Services Limited	(d)	8,595,000	-
Dolla Financial Services Limited	(e)	8,457,775	-
Kirk-Anthony Hamilton	(f)	-	2,143,639
Kirk-Anthony Hamilton	(g)	-	4,917,500
Kemal Brown	(h)	-	2,000,000
Mayberry Investments Limited	(i)	15,311,886	-
Roots Financial Group Limited	(j)	<u>50,000,000</u>	-
		85,484,661	16,261,139
Interest payable		<u>-</u>	<u>1,241,853</u>
		<u>85,484,661</u>	<u>17,502,992</u>

- (a) This loan, which was denominated in Jamaican dollars was received in November 2020 for J\$2,400,000. The loan attracted interest at the rate of 10% per month and was repayable in twelve (12) months. The loan was a factor financing agreement and is guaranteed by Ministry of Education, Youth & Information Contract GOJ-66-2020/2021. The loan was repaid during the year.
- (b) This loan, which was denominated in Jamaican dollars was received in January 2021 for J\$3,120,000. The loan attracts interest at the rate of 10% per month and is repayable in twelve (12) months. The loan is a factor financing agreement and is guaranteed by Ministry of Education, Youth & Information Contract GOJ-66-2020/2021.

Edufocal Limited**Notes to the Financial Statements
31 December 2021**

16. Short term loans (continued)

- (c) This loan, which was denominated in Jamaican dollars, was received in November 2020 for J\$4,800,000. The loan was unsecured, attracted interest of 13.5% per annum and was repayable in three (3) months. The loan was repaid during the year.
- (d) This loan, which is denominated in Jamaican dollars, was received in October 2021 for J\$9,550,000. The loan is unsecured, attracts interest at the rate of 5% per month and is repayable in three (3) months.
- (e) This loan which is denominated in Jamaican Dollars was received in December 2021 for \$8,457,775. This loan attracts interest at the rate of 5% per month and is repayable in three (3) months.
- (f) This loan, which was denominated in United States dollars, was received in August 2020 for US\$25,000. The loan attracted interest of 32.87% per month and was repayable in seven (7) months. The loan was secured by a promissory note and was repaid during the year.
- (g) This loan, which was denominated in United States dollars, was received in September 2020 for US\$35,000. The loan attracted interest of 32.87% per month and was repayable in six (6) months. The loan was secured by a promissory note and was repaid during the year.
- (h) This loan, which was denominated in Jamaican dollars, was received in December 2020 for J\$2,000,000. The loan attracted interest at the rate of 10% per annum, was unsecured and repayable in one (1) month. The loan was repaid during the year.
- (i) This loan, which is denominated in United States dollars, was received in December 2021 for US\$100,000. The loan represents a bridge loan and attracts interest at the rate of 3% compounded monthly. The loan is secured by legal assignment of receivables and is repayable at a maturity date in February 2022.
- (j) This loan, which is denominated in Jamaican dollars was received in March 2021 for J\$50,000,000. The loan attracts interest of 8.5% per annum and is repayable in twelve (12) months. The loan is secured by charge over shares and assignment of receivables.

Edufocal Limited**Notes to the Financial Statements
31 December 2021**

17. Due to related party

This is due to a family member of a director. The balance is unsecured, interest free and has no fixed repayment terms and conditions.

	<u>2021</u>	<u>2020</u>
	\$	\$
Due to related party: -		
Andre Swaby	<u>1,500,000</u>	<u>-</u>

18. Shareholder's loan

This represents amount due to a shareholder of the company. This loan, which is denominated in United States dollars, was received in September 2020 for US\$50,000. The balance is unsecured, attracted interest at the rate of 5% per month and was repayable in six (6) months.

In March 2021, the terms of the loan was changed, where it was agreed to convert the principal and interest in the event of an Initial Public Offer (IPO) of its shares by the company. The amount outstanding would be converted to ordinary shares at a discounted price of 10% of the IPO price.

19. Bank overdraft

Bank overdraft represents transfers facilitated by the bank.

20. Revenue

Revenue comprises income from online, educational services to companies and schools and is stated net of discounts, allowances and General Consumption Tax.

Edufocal Limited

Notes to the Financial Statements 31 December 2021

21. Expenses by nature

	2021	2020
	\$	\$
Advertising and promotion	2,647,228	9,180,310
Amortization of intangible assets	10,694,813	1,878,921
Amortization of right-of-use asset	1,341,276	-
Audit fee	967,000	800,000
Bad debt written off	8,960,325	5,162,349
Bank charges	847,827	1,477,502
Cleaning and sanitation	-	28,400
Consulting fees	14,974,773	3,632,206
Content labour	7,986,240	9,115,561
Depreciation	656,637	178,144
Dues and subscriptions	8,247,780	3,417,106
GCT expense	1,093,206	-
Insurance expense	311,263	554,400
Legal & professional fees	5,872,880	-
Office rental	1,190,419	1,102,752
Other expenses	1,072,548	1,076,311
Repairs and maintenance	42,583	58,451
Staff costs (Note 25)	56,697,374	36,035,419
Travel expense	3,484,810	-
Utilities	1,726,730	327,122
	<u>128,815,712</u>	<u>74,024,954</u>
Impairment losses on financial assets	19,158,946	6,240,258
Finance costs, net (Note 26)	19,629,755	8,423,287
	<u><u>167,604,413</u></u>	<u><u>88,688,499</u></u>

Edufocal Limited**Notes to the Financial Statements
31 December 2021****22. Other operating income**

Other operating income comprises the following:

	<u>2021</u>	<u>2020</u>
	\$	\$
Grant income from Development Bank of Jamaica	-	1,456,648
Other income	<u>7,905</u>	<u>226,466</u>
	<u>7,905</u>	<u>1,683,114</u>

23. Impairment losses on financial assets

This amount represents the increase in the expected credit loss provision.

24. Operating profit

In arriving at the operating profit for the period, the following have been charged: -

	<u>2021</u>	<u>2020</u>
	\$	\$
Audit fee	967,000	800,000
Depreciation	656,637	178,144
Amortization of intangible assets	10,694,813	1,878,921
Amortization of right-of-use asset	1,341,276	-
Director's emolument:		
Management remuneration (included in staff costs)	3,403,100	5,283,400
Staff costs (Note 25)	<u>56,697,374</u>	<u>36,035,419</u>

Edufocal Limited**Notes to the Financial Statements
31 December 2021****25. Staff costs**

	<u>2021</u>	<u>2020</u>
	\$	\$
Wages and salaries	54,054,741	33,934,712
Staff welfare	2,642,633	86,500
Contract labour	-	2,014,207
	<u>56,697,374</u>	<u>36,035,419</u>

26. Finance costs, net

	<u>2021</u>	<u>2020</u>
	\$	\$
Loans interest expense	12,335,022	7,233,647
Lease interest expense	204,152	-
Financing fees	6,152,185	249,710
Foreign exchange losses	1,516,901	976,034
Interest income	(578,505)	(36,104)
	<u>19,629,755</u>	<u>8,423,287</u>

Edufocal Limited**Notes to the Financial Statements
31 December 2021****27. Taxation**

- (a) Taxation is computed on the operating profit/(loss) for the period adjusted for taxation purposes and comprises income tax at the applicable rate:-

	<u>2021</u>	<u>2020</u>
	\$	\$
Income tax at 25%	9,724,419	2,668,310
Deferred income taxes (Note 8)	(914,278)	2,028,241
	<u>8,810,141</u>	<u>4,696,551</u>

For 2020 the company utilized tax losses of approximately \$10,358,314 during the year.

- (b) The taxation charged in the statement of comprehensive income differs from the theoretical amount that would arise using the applicable tax rate, as follows:

	<u>2021</u>	<u>2020</u>
	\$	\$
Profit before taxation	<u>17,554,526</u>	<u>15,613,208</u>
Tax calculated at a tax rate of 25%	4,388,631	3,903,302
Adjusted for the effects of:-		
Expense not allowed for tax purposes	4,789,737	1,560,064
Corporate Tax Credit	(375,000)	(375,000)
Other charges and allowances	6,773	(391,815)
	<u>8,810,141</u>	<u>4,696,551</u>

Edufocal Limited

Notes to the Financial Statements 31 December 2021

28. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related party transactions and balances are recognised and disclosed below for the following:

- (a) Enterprises over which a substantial interest in the voting power is owned by key management personnel, including directors and officers and close members of families or;
- (b) Enterprises over which such a person, in (a) above, is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the company.

As at the statement of financial position date the following balances were outstanding: -

	<u>2021</u>	<u>2020</u>
	\$	\$
Director's account	20,106,531	3,994,778
Due to related party	(1,500,000)	-
Shareholder's loan	(7,412,995)	(7,132,465)
	<u>11,193,536</u>	<u>3,137,687</u>

The following was (credited)/charged to the statement of comprehensive income:

	<u>2021</u>	<u>2020</u>
	\$	\$
Sales to Edufocal Limited	23,000,000	-
Interest income	(578,135)	-
Interest expense	677,539	-
Director's remuneration	<u>3,403,100</u>	<u>5,283,400</u>

Edufocal Limited

Notes to the Financial Statements 31 December 2021

29. Subsequent events

As part of the Company's Financial Management Strategy, the Board of Directors approved an Initial Public Offer; as per its Prospectus, which was approved and registered on February 17, 2022 by the Financial Services Commission and the Jamaica Stock Exchange. The Initial Public Offer was closed on March 3, 2022.

The Company invited prospective investors to subscribe for up to 129,689,219 ordinary shares in the capital of the Company. The ordinary shares will, upon issue, rank pari passu in all respects with the Company's issued and fully paid ordinary shares.

The Invitation which was oversubscribed generated gross proceeds of approximately J\$116 million, after J\$12 million in transaction costs would result in net proceeds of J\$104 million.

The Company will use the proceeds for main purposes as follows: -

- Repayment of short term debt.
- Expansion in new markets, including by way of acquisitions.