

iCREATE LIMITED

FINANCIAL STATEMENTS

THE YEAR ENDED DECEMBER 31, 2021

iCREATE LIMITED
FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the members of iCreate Limited

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of iCreate Limited (the "Company"), which comprises the statement of financial position as at December 31, 2021, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Jamaican Companies Act (the "Act").

Basis for opinion

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

Cont. /2

Independent Auditor's Report (cont'd)

**To the members of
iCreate Limited****Key audit matters**

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

Going concern

The financial statements have been prepared on a going concern basis.

The Company has made losses since its inception in 2018 and has raised equity and borrowed funds to finance its operations. At December 31, 2021, accumulated losses shown in the Statement of Financial Position totalled \$122.1 million.

We included the going concern assumption as a key audit matter as it relies on future revenue growth generating sufficient cashflows to cover necessary expenditure.

In assessing the appropriateness of the going concern assumption used in preparing the financial statements, our procedures included, amongst others:

- Assessing the cash flow requirements of the Company over the twelve (12) months beginning January 1, 2022 based on budgets and forecasts;
- Understanding what forecast expenditure is committed and what could be considered discretionary;
- Considering the liquidity of existing assets on the Statement of Financial Position;
- Considering the terms of the bond and bank overdraft facility and the amount available for drawdown; and
- Considering potential downside scenarios and the resultant impact on available funds.

Independent Auditor's Report (cont'd)

**To the members of
iCreate Limited****Other information**

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

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

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

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

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Independent Auditor's Report (cont'd)

**To the members of
iCreate Limited**

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditor's report. This description, which is located at pages 5-6, forms part of our auditor's report.

Report on additional matters as required by the Act

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

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

Crichton Mullings & Assoc.
CrichtonMullings & Associates
Chartered Accountants

Kingston Jamaica
April 30, 2022

Independent Auditor's Report (cont'd)

**To the members of
iCreate Limited****Appendix to the independent auditor's report**

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Independent Auditor's Report (cont'd)

**To the members of
iCreate Limited**

Appendix to the independent auditor's report (cont'd)

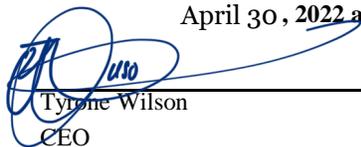
We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

iCREATE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	<u>Notes</u>	2021	2020
ASSETS		<u>\$</u>	<u>\$</u>
Non-current Assets			
Property, plant and equipment	5	5,792,764	13,532,267
Right-of-use asset	6	-	554,567
Intangible assets	7	7,806,822	7,554,241
Total non-current assets		<u>13,599,586</u>	<u>21,641,075</u>
Current Assets			
Trade and other receivables	8	7,376,515	7,458,337
Due from related party	9	7,465,091	6,547,098
Cash and bank balances	10	47,116,587	708,599
Total current assets		<u>61,958,193</u>	<u>14,714,034</u>
Total Assets		<u>75,557,779</u>	<u>36,355,109</u>
EQUITY AND LIABILITIES			
Equity			
Issued share capital	11	124,616,070	55,816,070
Revaluation surplus	12	7,070,947	7,070,947
Accumulated deficits		(122,125,142)	(89,862,844)
		<u>9,561,875</u>	<u>(26,975,827)</u>
Non-current Liability			
Deferred tax liability	13	289,215	289,215
Loans payable	14	28,190,218	25,344,478
Total non-current liabilities		<u>28,479,433</u>	<u>25,633,693</u>
Current Liabilities			
Current portion of lease liability	6	-	608,875
Current portion of loans payable	14	2,981,826	4,020,000
Due to related party	9	2,904,786	2,897,138
Trade and other payables	15	31,483,475	29,697,952
Bank overdraft	10	146,384	473,278
Total current liabilities		<u>37,516,471</u>	<u>37,697,243</u>
Total Equity and Liabilities		<u>75,557,779</u>	<u>36,355,109</u>

The financial statements on pages 7 to 32 were approved for issue by the Board of Directors on
 April 30, 2022 and signed on its behalf by:


 Tyrone Wilson
 CEO


 Ivan Carter
 Director

The accompanying notes form an integral part of the financial statements

iCREATE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Notes</u>	2021 \$	2020 \$
Revenues	4	32,826,894	58,377,536
Direct Cost		<u>(8,340,284)</u>	<u>(22,132,816)</u>
Gross profit		24,486,610	36,244,720
Other income		5,326,929	34,985
Administrative and general expenses	16	(48,846,659)	(45,938,260)
Depreciation and amortisation		<u>(3,336,165)</u>	<u>(3,986,852)</u>
Operating loss		(22,369,285)	(13,645,407)
Finance costs	17	<u>(9,893,013)</u>	<u>(15,419,306)</u>
Loss for the year		<u>(32,262,298)</u>	<u>(29,064,713)</u>
Other comprehensive income <i>Items that will not be classified</i>			
Surplus from licence, other comprehensive income for the year		<u>-</u>	<u>7,070,947</u>
Total comprehensive expense for the year		<u>(32,262,298)</u>	<u>(21,993,766)</u>
LOSS PER STOCK UNIT	18	<u>(0.17)</u>	<u>(0.11)</u>

The accompanying notes form an integral part of the financial statements

iCREATE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Note</u>	Share Capital \$	Revaluation Surplus \$	Accumulated Deficits \$	Total \$
Allotted during the year		-	-	(14,848,055)	(14,848,055)
Issues of shares, net of transaction costs	11	55,816,070	-	-	55,816,070
Net loss, being total comprehensive expense for the period		-	-	(45,950,076)	(45,950,076)
Balance at December 31, 2019		55,816,070	-	(60,798,131)	(4,982,061)
Other comprehensive income	12	-	7,070,947	-	7,070,947
Net loss, being total comprehensive expense for the year		-	-	(29,064,713)	(29,064,713)
Balance at December 31, 2020		55,816,070	7,070,947	(89,862,844)	(26,975,827)
Paid-in-capital	21	68,800,000	-	-	68,800,000
Net loss, being total comprehensive expense for the period		-	-	(32,262,298)	(32,262,298)
Balance at December 31, 2021		<u>124,616,070</u>	<u>7,070,947</u>	<u>(122,125,142)</u>	<u>9,561,875</u>

The accompanying notes form an integral part of the financial statements

iCREATE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(32,262,298)	(29,064,713)
Adjustment for items not affecting cash resources:		
Depreciation and amortisation	3,336,165	3,986,852
Depreciation charge on right-of-use asset	554,568	6,943,644
Right of use interest expense	3,742	330,323
Derecognition of leasehold improvements	4,576,709	3,640,714
Expected credit loss provision	8,532,563	3,796,795
Surplus from licence	-	7,070,947
Interest expense	8,748,572	7,457,198
Amortization adjustment, net	(202,256)	-
	<u>(6,712,235)</u>	4,161,760
(Increase) / Decrease in operating assets:		
Trade and other receivables	(8,450,741)	(9,128,949)
Due from related party	(910,345)	1,911,556
Increase / (decrease) in operating liabilities:		
Trade and other payables	1,785,523	4,770,882
Customer deposits	-	(890,000)
Cash (used in) / provided by operating activities	<u>(14,287,798)</u>	825,249
Interest paid	<u>(8,748,572)</u>	<u>(5,768,818)</u>
Net cash used in operating activities	<u>(23,036,370)</u>	<u>(4,943,569)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-	(206,285)
Acquisition of intangible assets	<u>(223,696)</u>	<u>(7,155,547)</u>
Net cash used in investing activities	<u>(223,696)</u>	<u>(7,361,832)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease payments, net	(612,618)	(7,500,413)
Paid-in-capital	68,800,000	-
Loan proceeds	6,066,674	31,900,000
Loan repayments	<u>(4,259,108)</u>	<u>(2,535,522)</u>
Net cash provided by financing activities	<u>69,994,948</u>	<u>21,864,065</u>
NET INCREASE / (DECREASE) IN CASH		
AND BANK BALANCES	46,734,882	9,558,664
OPENING CASH AND BANK BALANCES	<u>235,321</u>	<u>(9,323,343)</u>
CLOSING CASH AND BANK BALANCES	<u>46,970,203</u>	<u>235,321</u>
REPRESENTED BY:		
Cash and bank deposits	47,116,587	708,599
Bank overdraft	<u>(146,384)</u>	<u>(473,278)</u>
	<u>46,970,203</u>	<u>235,321</u>

The accompanying notes form an integral part of the financial statements

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. IDENTIFICATION

iCreate Limited is a limited liability Company incorporated in Jamaica under the Jamaican Companies Act (the "Act"). The registered office of the Company is 34 Lady Musgrave Road, Kingston 6.

The principal activities of the Company are :

Educational Services -the provision of creative and digital training.

The Company offers professional diploma and certificate courses in the field of digital marketing, advertising design, graphic design, animation, digital photography, live television video production and mobile games.

Opportunity Ventures - the provision of multimedia content and events production.

iCreate Limited is a wholly owned subsidiary of eMedia Interactive Group Limited. The Company through partnership, is a creative institute at the University of the Commonwealth Caribbean (UCC).

On January 31, 2019, iCreate Limited became a public listed entity on the Jamaica Stock Exchange Junior Market. Consequently, the Company is entitled to full remission of income taxes for the first five (5) years and fifty percent (50%) remission for the following 5 years providing it complies with the requirements of the Jamaica Stock Exchange Junior Market.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of Compliance

The Company's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Stanadrds Board and the relevant requirements of the Act.

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

The preparation of financial statements in conformity with IFRS and the Act requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the year then ended. Actual results could differ from these estimates.

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

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

(b) Changes in accounting standards and interpretations

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

- *IFRS 9, IAS 39, IFRS 7 & IFRS 16 'Interest Rate Benchmark Reform Phase 2 - Amendment'*, issued August 2020
Effective for periods commencing on or after 1 January 2021
- *IFRS 16 'Covid-19-Related Rent Concessions - Amendment'*, issued March 2021
Effective for periods commencing on or after 1 April 2021

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

- *IAS 1 'Presentation of Financial Statements - Amendment'*, issued January 2020
Effective for periods commencing on or after 1 January 2023
- *IFRS 9 'Financial Instruments - Amendment'*, issued May 2020
Effective for periods commencing on or after 1 January 2022
- *IFRS 17 'Insurance Contracts - Amendments'*, issued June 2020
Effective for periods commencing on or after 1 January 2023
- *IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction- Amendment'*, issued May 2021
Effective for periods commencing on or after 1 January 2023
- *IAS 16 'Property, Plant and Equipment - Proceeds before Intended Use'*, issued May 2020
Effective for periods commencing on or after 1 January 2022
- Reference to the Conceptual Framework in IFRS - Amendments', issued May 2020
Effective for periods commencing on or after 1 January 2022

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

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

(c) Use of estimates and judgements

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

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

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

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

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

(a) Revenues

Certain contracts for the provision of educational services include performance obligations and determining the timing of the satisfaction of the performance obligations. In estimating the variable consideration, the Company is required to estimate the amount of consideration to which it will be entitled in exchange for transferring the promised services to the customer.

The Company determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of services.

Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

(b) 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.

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

(ii) Key assumptions and other sources of estimation uncertainty

(a) Allowance for expected credit losses

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for various ageing buckets and the related loss patterns. The provision matrix is initially based on the Company's historical observed default rates.

The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product, inflation and foreign exchange rates) are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 8.

(b) Leases - estimating the incremental borrowing rate

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

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as stand-alone credit rating).

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

All property, plant and equipment are recorded at historical or deemed cost, less any accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the Company's and its cost can be reliably measured.

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

Depreciation is calculated on the straight line basis over the estimated useful lives of such assets. The rates of depreciation in use are:

Computer	20%
Office equipment	20%
Leasehold improvement	10%
Furniture and fixtures	10%

(b) Intangible assets

Costs that are directly associated with acquiring identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs associated with maintaining computer software programs are recognised in profit or loss as incurred.

These assets are measured at cost less accumulated amortisation and, if any, impairment losses. The assets are amortised using the reducing balance method over their useful lives, estimated at five years. Amortisation methods, useful lives and residual values are reassessed at each reporting date.

Current annual amortisation rate is 33.3% and 20% for software.

(c) Cash and bank balances

Cash comprises of cash in hand and cash at bank.

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES

(e) Revenues

Revenue is recognised at a point in time in the amount of the price, before tax on sales, expected to be received by the Company for services supplied as a result of their ordinary activities, as contractual performance obligations are fulfilled. Revenue is decreased by any trade discounts granted to customers.

The Company does not expect to have any contracts where the period between the transfer of the promised service to the customers and payment by the customers exceed one year. Accordingly, the Company does not adjust any of the transaction prices for the time value of money.

(f) Taxation

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

(i) Current income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the reporting date.

(ii) Deferred income tax

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

(g) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short term leases and leases of low value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying assets is available for use). The right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the initial lease liabilities recognized, initial direct costs incurred, and lease payments made on or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES

(g) Leases(cont'd)

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(h) Trade and other payables

Trade and other payables are stated at amortized cost.

(i) Trade and other receivables

Trade and other receivables are stated at amortized cost.

(j) Impairment of non-financial assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset, or Company of operating assets, exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Related party identification

A party is related to the Company if:

- (i) directly or indirectly the party:
 - controls, is controlled by, or is under common control with the Company;
 - has an interest in the Company that gives it significant influence over the Company; or
 - has joint control over the Company.
- (ii) the party is an associate of the Company individual referred to in (iv) or (v) above.
- (iii) the party is a joint venture in which the Company is a venturer;
- (iv) the party is a member of the key management personnel of the Company
- (v) the party is a close member of the family of an individual referred to in (i) or (iv) above
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v) above
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any Company that is a related party of the Company.

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

(l) Financial instruments

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

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

In these financial statements, financial assets comprise cash and cash equivalents, trade receivables, other receivables, deposits and related party receivables. Financial liabilities comprise accounts payable, customer deposits, related party payables and notes payable.

Financial assets

Initial recognition and measurement

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

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(I) Financial instruments (cont'd)

Financial assets (cont'd)

Initial recognition and measurement (cont'd)

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

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

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

Subsequent measurement

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

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

Derecognition

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(I) Financial instruments (cont'd)

Financial assets (cont'd)

Impairment

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

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a life time expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles for services provided over a period of twelve (12) months and the corresponding historical credit losses experienced within this period. The Company has identified the GDP and the inflation rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

Financial liabilities

Initial recognition and measurement

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

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

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

4. REVENUES

Revenues represent the invoiced value of tuition fees less discounts and events production.

5. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Furniture and Fixtures	Computers	Office Equipment	Total
	\$	\$	\$	\$	\$
At Cost					
Balance at December 31, 2019	11,059,073	1,577,639	7,001,195	4,490,080	24,127,987
Additions	115,000	83,067	-	8,218	206,285
Derecognition	(4,205,810)	-	-	-	(4,205,810)
Balance at December 31, 2020	6,968,263	1,660,706	7,001,195	4,498,298	20,128,462
Derecognition	(6,968,263)	-	-	-	(6,968,263)
Balance at December 31, 2021	-	1,660,706	7,001,195	4,498,298	13,160,199
Accumulated Depreciation					
Balance at December 31, 2019	1,148,375	179,847	1,565,008	691,472	3,584,702
Charge for the year	1,111,449	165,378	1,400,239	899,523	3,576,589
Derecognition	(565,096)	-	-	-	(565,096)
Balance at December 31, 2020	1,694,728	345,225	2,965,247	1,590,995	6,596,195
Charge for the year	696,826	166,070	1,400,239	899,659	3,162,794
Derecognition	(2,391,554)	-	-	-	(2,391,554)
Balance at December 31, 2021	-	511,295	4,365,486	2,490,654	7,367,435
Net Book Value					
Balance at December 31, 2019	9,910,698	1,397,792	5,436,187	3,798,608	20,543,284
Balance at December 31, 2020	5,273,535	1,315,481	4,035,948	2,907,303	13,532,267
Balance at December 31, 2021	-	1,149,411	2,635,709	2,007,644	5,792,764

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

6. RIGHT-OF-USE ASSET

	2021	2020
	\$	\$
Buildings	<u>17,618,998</u>	<u>17,618,998</u>
	<u>17,618,998</u>	<u>17,618,998</u>
Depreciation charge of right-of use asset		
Buildings	<u>17,618,998</u>	<u>17,064,431</u>
	<u>17,618,998</u>	<u>17,064,431</u>
	<u>-</u>	<u>554,567</u>
Lease Liability		
	2021	2020
	\$	\$
Current	<u>-</u>	<u>608,875</u>

7. INTANGIBLE ASSETS

Intangible assets represent licensing rights granted to the Company for the duration of three years and a student recruiting software with an estimated useful life of five (5) years.

During the year the Company acquired a licence to deliver coding and software development courses in Jamaica. The agreement has indefinite life and as such will be assessed annually for impairment loss.

Intangible assets in the statement of financial position was determined as follows:

	2021	2020
	\$	\$
Balance at the beginning of the year	8,602,261	1,446,714
Additions	<u>223,696</u>	<u>7,155,547</u>
	<u>8,825,957</u>	<u>8,602,261</u>
Accumulated Amortisation		
Balance at the beginning of the year	1,048,020	637,758
Amortization adjustment	(202,256)	-
Current year	<u>173,371</u>	<u>410,262</u>
	<u>1,019,135</u>	<u>1,048,020</u>
Closing balance, net of amortisation	<u>7,806,822</u>	<u>7,554,241</u>

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

8. TRADE AND OTHER RECEIVABLES

	2021	2020
	\$	\$
Trade receivables	27,792,997	19,055,305
Less: Expected credit losses (note 22 (i))	<u>(21,329,779)</u>	<u>(12,797,216)</u>
Net trade receivables	6,463,218	6,258,089
Withholding taxes	28,530	28,530
Amortizable bond costs	<u>884,767</u>	<u>1,171,718</u>
	<u>913,297</u>	<u>1,200,248</u>
	<u>7,376,515</u>	<u>7,458,337</u>

9. DUE FROM / (TO) RELATED PARTY

	2021	2020
	\$	\$
Due from:		
eMedia Interactive Group Limited	<u>2,919,045</u>	<u>2,919,045</u>
	2,919,045	2,919,045
Less:		
Expected credit losses (note 22 (i))	<u>(707,747)</u>	<u>(707,747)</u>
	2,211,298	2,211,298
Director	<u>5,253,793</u>	<u>4,335,800</u>
	<u>7,465,091</u>	<u>6,547,098</u>
Due to:		
eMedia Interactive Group Limited	<u>(2,897,139)</u>	<u>(2,897,138)</u>
Kintyre Holdings Limited	<u>(7,647)</u>	<u>-</u>
	<u>(2,904,786)</u>	<u>(2,897,138)</u>

10. CASH AND BANK BALANCES

	2021	2020
	\$	\$
Certificate of deposit	1,568,484	704,503
Cash in hand	<u>45,548,103</u>	<u>4,096</u>
	<u>47,116,587</u>	<u>708,599</u>
Bank overdraft:		
Current accounts	<u>146,384</u>	<u>473,278</u>

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

11. ISSUED SHARE CAPITAL

	2021	2020
	\$	\$
<u>Authorized share capital:</u>		
No maximum share capital		
<u>Issued and fully paid:</u>		
123,530,000 ordinary shares of no par value	500,000	500,000
74,062,500 ordinary shares of no par value	69,750,000	69,750,000
Less: transaction costs of share issue	(14,433,930)	(14,433,930)
Paid-in-capital	68,800,000	-
	124,616,070	55,816,070

On November 30, 2018, the Company passed a resolution that the authorised share capital of the Company to be deemed to have no maximum share capital.

On November 30, 2018, 100,000,000 ordinary shares were issued to eMedia Interactive Group Limited without par value. Additionally on the same date, 23,530,000 ordinary shares were issued to Sagicor Investments Limited.

On January 31, 2019, the Company raised additional capital of \$69.7 million from its initial public offering of 74,062,500 shares for its enlistment on the Jamaica Stock Exchange Junior Market. Transaction costs of \$14.4 million were incurred for the initial public offering. All ordinary shares carry the same voting rights.

12. REVALUATION SURPLUS

This represents the revalued cost of the Code Fellows Holdings Incorporation, licence. The licence has an indefinite useful life.

13. DEFERRED TAX LIABILITY

Certain deferred tax assets and liabilities have been offset in accordance with the Company's

	2021	2020
	\$	\$
Deferred tax liability	(289,215)	(289,215)

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

14. LOANS PAYABALE

	2021	2020
	\$	\$
Sagicor Investments Limited (i)	24,000,000	24,000,000
Dolla Financial Services Limited (ii)	1,834,892	2,320,000
Wilco Finance Limited (iii)	3,555,326	3,044,478
Short-term loans	1,781,826	-
	<hr/>	<hr/>
Total at year end	31,172,044	29,364,478
Less current portion of loans payable	(2,981,826)	(4,020,000)
	<hr/>	<hr/>
Non-current portion	28,190,218	25,344,478
	<hr/> <hr/>	<hr/> <hr/>

- (i) This represents a medium-term fixed rate secured bond of \$24,000,000. The loan duration is five (5) years at an interest rate of 12.5%.
The loan is secured over the present and future assets and property of the Company.
- (ii) This represents an unsecured short-term loan of \$4,000, 000. The loan duration is three (3) months at an interest rate of 4% per month.
- (iii) This represents an unsecured short-term loan of \$3,900, 000. The loan duration is twenty-one (21) months at an interest rate of 36%.

15. TRADE AND OTHER PAYABLES

	2021	2020
	\$	\$
Trade payables	7,123,053	15,943,090
Accruals	8,090,669	1,359,306
Accrued salaries	8,603,602	2,952,538
Accrued loan interest	1,200,000	1,688,380
Statutory deductions	6,466,151	7,634,206
Other payables	-	120,432
	<hr/>	<hr/>
	31,483,475	29,697,952
	<hr/> <hr/>	<hr/> <hr/>

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

16. ADMINISTRATIVE AND GENERAL EXPENSES

	2021	2020
	\$	\$
Salaries and related charges	22,829,952	19,300,153
Dues and subscription	728,522	1,104,013
Legal and professional fees	3,162,751	3,088,101
Meal and entertainment	10,812	65,925
Office expense	510,042	654,013
Rent	2,582,374	1,675,735
Advertising and promotion	685,033	192,988
Security expense	-	71,521
Telephone and internet	215,932	5,214,984
Utilities	401,319	1,583,307
Audit fees	1,100,000	900,000
Repairs and maintenance	-	480,000
Expected credit losses provision	8,532,563	3,796,795
Bad debt written off	-	2,218,803
JSE annual listing fees	1,186,260	769,234
JCSD trustee fee	619,850	690,000
Derecognition of leasehold improvements	4,576,709	3,388,469
Amortization adjustment	(202,256)	-
General expenses	1,906,797	744,221
	<u>48,846,659</u>	<u>45,938,260</u>

17. FINANCE COSTS

	2021	2020
	\$	\$
Bank charges	657,743	515,733
Interest expense	8,748,572	7,457,198
Depreciation on right-of-use asset	554,568	6,943,644
Foreign exchange (gain) / loss	(71,612)	172,408
Right of use interest expense	3,742	330,323
	<u>9,893,013</u>	<u>15,419,306</u>

18. LOSS PER STOCK UNIT:

Basic loss per stock unit is calculated by dividing the net loss attributable to stockholders by the weighted average number of ordinary stock units in issue at year end.

	2021	2020
	\$	\$
Net loss attributable to stockholders (\$'000)	(32,262,298)	(21,993,766)
Weighted average number of ordinary stocks units ('000)	<u>191,505,171</u>	<u>191,505,171</u>
Basic loss per stock unit (¢ per share)	<u>(0.17)</u>	<u>(0.11)</u>

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

19. RELATED PARTY TRANSACTIONS

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

	2021	2020
	\$	\$
Amounts due from related parties	<u>2,211,298</u>	<u>2,211,298</u>
Amounts due to related party	<u>2,904,786</u>	<u>2,897,138</u>
Amounts due to directors	<u>5,253,793</u>	<u>4,335,800</u>

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

	2021	2020
	\$	\$
Key management personnel compensation	<u>9,160,000</u>	<u>8,800,000</u>

20. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT

(a) Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognized stock exchange) exists, is the best evidence of the fair value of a financial instrument. Market prices are not available for some of the financial assets and liabilities of the Company. Fair values in the financial statements have therefore been presented using various estimation techniques based on market conditions existing at the statement of financial position date.

Generally, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the Company would realise in a current market exchange.

The amounts included in the financial statements for cash and cash equivalents, receivable, payables, and due to / from related companies reflect the approximate fair values because of short-term maturity of these instruments.

(b) Financial risk management

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

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk
- (iv) Cash flow risk

The Board of Directors, together with senior management has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company in order to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

20. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management (cont'd)

(i) Credit risk

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

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

Cash and bank balances:

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

Trade receivables:

The Company uses a provision matrix to measure expected credit losses (ECLs) of trade receivables. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates, determined by a probability weighted approach.

Loss rates are calculated based on the probability of a receivable progressing through successive stages of delinquency to write-off, current conditions, the economic conditions over the expected lives of the receivables and other macro-economic factors such as foreign currency exchange rates, interest rates and Gross Domestic Products (GDP).

The following table provides information about the exposure to credit risk and ECLs for trade receivable as at December 31, 2021 and 2020:

	2021		
	Weighted average loss rate	Gross carrying amount	Loss allowance
		\$	\$
Current (not past due)	0%	152,000	-
31-60 days past due	1.0%	-	-
61-90 days past due	65%	150,000	97,500
More than 91 days past due	70%	27,490,997	21,232,279
		27,792,997	21,329,779

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

20. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd):

Trade receivables (cont'd):

	2020		
	Weighted average loss rate	Gross carrying amount	Loss allowance
		\$	\$
Current (not past due)	0%	-	-
31-60 days past due	1.0%	534,623	5,346
61-90 days past due	65%	421,000	273,650
More than 91 days past due	70%	18,099,682	12,518,220
		<u>19,055,305</u>	<u>12,797,216</u>

Related party balances:

The Company assesses each related party ability to pay if payment is demanded as at the reporting date. Management reviews recovery scenarios considering given economic conditions and the borrowers liquidity over the expected life of the recoverable. The expected credit losses are calculated on this basis as follows:

	2021		
	Weighted average loss rate	Gross carrying amount	Loss allowance
		\$	\$
1-30 days past due	1.0%	-	-
61-90 days past due	1.0%	-	-
More than 91 days past due	14%	2,919,045	707,747
		<u>2,919,045</u>	<u>707,747</u>

	2020		
	Weighted average loss rate	Gross carrying amount	Loss allowance
		\$	\$
1-30 days past due	1.0%	-	-
61-90 days past due	1.0%	-	-
More than 91 days past due	14%	2,919,045	707,747
		<u>2,919,045</u>	<u>707,747</u>

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

20. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management (cont'd):

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liability when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company.

Management aims at maintaining sufficient cash and the availability of funding through an amount of committed facilities. The management maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

	Carrying value \$	Contractual cash flows \$	Within 3-12 months \$	Over 12 months \$
December 31, 2021:				
Current portion of loans payable	2,981,826	2,981,826	2,981,826	-
Trade and other payables	31,483,475	31,483,475	31,483,475	-
Bank overdraft	146,384	146,384	146,384	-
	34,611,684	34,611,684	34,611,684	-
December 31, 2020:				
Trade and other payables	4,020,000	4,020,000	4,020,000	-
Bank overdraft	29,697,952	29,697,952	29,697,952	-
Customer deposits	473,278	473,278	473,278	-
	34,191,230	34,191,230	34,191,230	-

(iii) Market risk

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

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

20. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management (cont'd):

(iii) Market risk (cont'd)

Interest rate risk:

-

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

The Company materially contracts financial liabilities at fixed interest rates for the duration of the term. When utilized, bank overdrafts are subject to fixed interest rates which may be varied by appropriate notice by the lender. At December 31, 2021, there were no financial liabilities subject to variable interest rate risk.

Interest-bearing financial assets comprises of bank deposits, which have been contracted at fixed interest rates for the duration of their terms.

Fair value sensitivity analysis for fixed rate instruments:

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

Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The Company is exposed to foreign currency risk on transactions that it undertakes in foreign currencies. The main foreign currencies giving rise to this risk is the United States dollar.

(iv) Cash flow risk

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

iCREATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

21. OPERATION

The Company, which is still in a developmental phase, reported a loss for the year ended December 31, 2021 of \$32,262,298 (2020, a loss of \$29,064,173) and had an accumulated deficit of \$122,125,142 (2020: \$89,862,844). During the year, the Company received capital injection of \$50.5 million and \$18.3 million respectively. These are convertible loans, which are repayable in full, by way of cash or conversion to ordinary shares, subject to the approval of shareholders and regulatory bodies. The Company has not to date been able to realize its projected revenues.

Additionally, the ongoing COVID-19 pandemic has placed an added burden on the Company's growth trajectory with revenue fall out due to the nature of its business.

The Company has embarked on the following strategies to achieve sustainability and minimize the fall-out from the ongoing COVID-19 pandemic:

Cost Reduction

- A complete migration of classes online
- Reduction in staff count at its Kingston's office
- Reduction of other operational costs

Revenue Growth in response to COVID-19 Pandemic

- Migrate of classes online
- Introduce new income streams through revenue diversification

Based on the plans and strategies being pursued and implemented, the directors and management believe that the Company will generate adequate cash flows and profitability which would allow it to continue in operational existence for the foreseeable future. On this basis, the directors have maintained the going concern assumption in the preparation of these financial statements. This basis of preparation presumes that the Company will be able to realize its assets and discharge its liabilities in the ordinary course of business.