CrichtonMullings & ASSOCIATES

Certified Public Accountants | Chartered Accountants | Consultants

**ONE ON ONE EDUCATIONAL SERVICES LIMITED**

**FINANCIAL STATEMENTS**

**THE YEAR ENDED AUGUST 31, 2022**

CrichtonMullings & ASSOCIATES

Certified Public Accountants | Chartered Accountants | Consultants

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# INDEPENDENT AUDITOR'S REPORT

**To the members of**

**ONE ON ONE EDUCATIONAL SERVICES LIMITED**

## Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of One on One Educational Services Limited (the "Company"), which is comprised of the statement of financial position as at August 31, 2022, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at August 31, 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the 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' International 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.

## 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.

## Independent Auditor's Report (cont'd)

**To the members of**

**ONE ON ONE EDUCATIONAL SERVICES LIMITED**

## Key audit matters (cont'd)

| Key audit matters | How the matter was addressed in our audit |
|---|---|
| 1) Revenue from contracts with customers<br><br>The Company's revenue recognition policy does not generally require a high level of judgment, however, due to the contractual terms agreed with customers, there is a significant risk associated with certain components that have guided the focus of our audit effort. These contracts are often customised solutions and meet the definition for revenue recognition over time in accordance with IFRS 15.<br><br>Revenue recognition is considered a key audit matter in view of the risk that management may override controls to intentionally misstate revenue transactions in order to achieve financial targets, either through adjusting estimates at the period end or recording fictitious transactions in the business | Our audit procedures to address the key audit matter relating to the revenue from contracts with customers included the following:<br><br>• Evaluated and tested the applicable internal controls relevant to the revenue recognition of contracts.<br><br>• Performed cut-off tests by examining the supporting documents that management used to recognise the revenue before and after the reporting date, to assess whether the revenue had been recognised in the correct accounting period.<br><br>• Selected a number of contracts on a sample basis, performed contract reviews on major terms, and assessed the reasonableness of the basis adopted by management in relation to the revenue recognition method.<br><br>• Examined the supporting documents for the sample of contracts, such as bank receipts, to assess if revenue was recognised at a point in time upon the fulfillment of the relevant performance obligation.<br><br>Based on our work, we found that the revenue recognition of contracts made by management is supported by available evidence in accordance with IFRS 15 Revenue from Contracts with Customers. |

## Independent Auditor's Report (cont'd)

**To the members of**

**ONE ON ONE EDUCATIONAL SERVICES LIMITED**

### Key audit matters (cont'd)

| Key audit matters | How the matter was addressed in our audit |
| --- | --- |
| 2) Impairment assessment of intangible assets<br><br>The Company's ability to generate revenue is linked to capitalised intellectual property and content development costs. These are included in the Statement of Financial Position as intangible assets.<br><br>The total carrying value of intangible assets at August 31, 2022 is $202.7 million as shown in the Statement of Financial Position and note 5, of which $202.5 million relates to capitalised intellectual property and content development costs.<br><br>The carrying value of intangible assets is particularly judgemental given its dependency on forecasts of revenue growth and the required rate of return.<br><br>We included the impairment of intangible assets as a key audit matter, if in the event, the Company is unable to generate revenue growth and produce sustainable operating cashflows, this will affect the carrying value of its key intangible assets. | Our audit procedures to address the key audit matter relating to the impairment assessment of intangible assets included the following:<br><br>• Obtained the Company's impairment model and gaining an understanding of key assumptions and judgements underlying the model.<br><br>• Assessed the impairment model for consistency with the prior year and determining whether any significant changes to the model were appropriate.<br><br>• Challenged the reasonableness of the key assumptions including those driving the cash flows underpinning the analysis.<br><br>Based on the procedures performed, management's impairment assessment of intangible assets appears reasonable. |

## Independent Auditor's Report (cont'd)

**To the members of**
**ONE ON ONE EDUCATIONAL SERVICES LIMITED**

### Responsibilities of management and those charged with governance 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 Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

CrichtonMullings & Assoc.
**CrichtonMullings & Associates**
**Chartered Accountants**

Kingston, Jamaica
January 14, 2023

**Independent Auditor's Report (cont'd)**

**To the members of**
**ONE ON ONE EDUCATIONAL SERVICES IMITED**

**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**
**ONE ON ONE EDUCATIONAL SERVICES 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 to 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.

**ONE ON ONE EDUCATIONAL SERVICES LIMITED**
**STATEMENT OF FINANCIAL POSITION**
**AS AT AUGUST 31, 2022**

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **ASSETS** | | **$** | $ |
| **Non-current Assets** | | | |
| Intangible assets | **5** | **202,692,546** | 139,822,005 |
| Property, plant and equipment | **6** | **5,728,815** | 5,674,409 |
| **Total non-current assets** | | **208,421,361** | 145,496,414 |
| **Current Assets** | | | |
| Due from directors | **7** | **17,758,190** | 14,514,654 |
| Inventories | **8** | **12,994,334** | 14,938,638 |
| Trade and other receivables | **9** | **88,258,387** | 114,215,062 |
| Cash and bank balances | **10** | **253,311,225** | 37,739,521 |
| **Total current assets** | | **372,322,136** | 181,407,875 |
| **Total Assets** | | **580,743,497** | 326,904,289 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Issued share capital | **11** | **413,838,628** | 84,600,000 |
| Accumulated surplus | | **28,004,424** | 15,741,149 |
| | | **441,843,052** | 100,341,149 |
| **Non-current Liability** | | | |
| Preference shares | **12** | **-** | 5,000,000 |
| Long-term loan and convertible promissory notes | **13** | **37,260,640** | 115,615,804 |
| Deferred tax liability | **14** | **12,870,160** | 12,490,434 |
| | | **50,130,800** | 133,106,238 |
| **Current Liabilities** | | | |
| Current portion of long-term loan | **13** | **33,758,135** | 4,151,607 |
| Due to directors | **7** | **-** | 17,721,247 |
| Deferred income | **15** | **8,800,641** | 8,319,829 |
| Trade and other payables | **16** | **46,210,869** | 63,174,543 |
| Bank overdraft | **10** | **-** | 89,676 |
| **Total current liabilities** | | **88,769,645** | 93,456,902 |
| **Total Equity and Liabilities** | | **580,743,497** | 326,904,289 |

**The financial statements on pages 7 to 29 were approved for issue by the Board of Directors on January 13, 2023 and signed on its behalf by:**

Director

Michael J. Bernard

Director

**The accompanying notes form an integral part of the financial statements**

**ONE ON ONE EDUCATIONAL SERVICES LIMITED**
**STATEMENT OF COMPREHENSIVE INCOME**
**THE YEAR ENDED AUGUST 31, 2022**

| | Notes | 2022<br>$ | 2021<br>$ | |
|---|---|---|---|---|
| **Revenues from contracts with customers** | **4** | **266,910,874** | 268,822,036 | |
| Direct cost | **17** | **(61,621,984)** | (74,361,188) | * |
| **Gross profit** | | **205,288,890** | 194,460,848 | |
| Other income | | **9,841,522** | 2,119,088 | |
| | | **215,130,412** | 196,579,936 | |
| Administrative expenses | **18** | **(149,093,143)** | (104,382,722) | * |
| Selling expenses | **19** | **(22,451,062)** | (9,896,360) | * |
| **Operating profit** | **20** | **43,586,207** | 82,300,854 | |
| Expected credit losses | | **(12,556,944)** | (383,715) | |
| Finance costs | **21** | **(15,166,823)** | (12,982,326) | * |
| **Profit before taxation** | | **15,862,440** | 68,934,813 | |
| **Taxation charge** | **22** | **(3,599,165)** | (1,481,829) | |
| **Net profit, being total comprehensive income for the year** | | **12,263,275** | 67,452,984 | |
| **Earnings per share for the profit attributable to the equity holders of the Company during the year** | **23** | **$ 0.01** | 0.06 | |

***-*Prior year balance restated to comform with current year presentation***

**The accompanying notes form an integral part of the financial statements**

**ONE ON ONE EDUCATIONAL SERVICES LIMITED**
**STATEMENT OF CHANGES IN EQUITY**
**THE YEAR ENDED AUGUST 31, 2022**

| | Share Capital<br>$ | Accumulated Surplus<br>$ | Total<br>$ |
|---|---|---|---|
| Balance at August 31, 2020 | 84,600,000 | (51,711,835) | 32,888,165 |
| Net profit, being total comprehensive income for the year | - | 67,452,984 | 67,452,984 |
| Balance at August 31, 2021 | 84,600,000 | 15,741,149 | 100,341,149 |
| Issue of share, net of transaction cost (note 11) | 329,238,628 | - | 329,238,628 |
| Net profit, being total comprehensive income for the period | - | 12,263,275 | 12,263,275 |
| **Balance at August 31, 2022** | **413,838,628** | **28,004,424** | **441,843,052** |

**The accompanying notes form an integral part of the financial statements**

**ONE ON ONE EDUCATIONAL SERVICES LIMITED**
**STATEMENT OF CASH FLOWS**
**THE YEAR ENDED AUGUST 31, 2022**

| | 2022 | 2021 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **$** | $ |
| Net profit for the year | **12,263,275** | 67,452,984 |
| Adjustment for items not affecting cash resources: | | |
| Amortisation | **55,215** | 33,878 |
| Depreciation | **924,892** | 791,454 |
| Expected credit loss provision | **(12,556,944)** | (383,715) |
| Depreciation right-of-use asset | **-** | 1,109,783 |
| (Gain) / Loss on disposal fixed assets | **(12,903)** | 206,264 |
| Taxation | **3,599,165** | 1,481,829 |
| Interest expense | **12,806,817** | 11,283,394 |
| | **17,079,517** | 81,975,871 |
| Decrease / (Increase) in operating assets: | | |
| Inventories | **1,944,304** | (7,842,993) |
| Trade and other receivables | **38,513,619** | (105,569,601) |
| Due from related parties | **(20,964,783)** | 8,843,270 |
| (Decrease) / Increase in operating liabilities: | | |
| Trade and other payables | **(20,183,112)** | 41,060,523 |
| Deferred income | **480,812** | 1,552,968 |
| Net cash provided by operating activities | **16,870,357** | 20,020,038 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Disposal of preference shares | **(5,000,000)** | - |
| Acquisition of intangible assets | **(62,925,756)** | (62,474,692) |
| Acquisition of property, plant and equipment | **(1,030,595)** | (2,536,734) |
| Proceeds from sale of assets | **64,200** | - |
| Net cash used in investing activities | **(68,892,151)** | (65,011,426) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Lease liability payments, net | **-** | (1,392,922) |
| Issued share capital, net | **329,238,628** | - |
| Proceeds from loan and convertible promissory note | **30,000,000** | 75,000,000 |
| Repayment of loans | **(78,748,637)** | (4,069,075) |
| Interest paid | **(12,806,817)** | (11,283,394) |
| Net cash provided financing activities | **267,683,174** | 58,254,609 |
| **NET INCREASE IN CASH AND BANK BALANCES** | **215,661,380** | 13,263,221 |
| **OPENING CASH AND BANK BALANCES** | **37,649,845** | 24,386,624 |
| **CLOSING CASH AND BANK BALANCES** | **253,311,225** | 37,649,845 |
| **REPRESENTED BY:** | | |
| Cash and bank deposits | **253,311,225** | 37,739,521 |
| Bank overdraft | **-** | (89,676) |
| | **253,311,225** | 37,649,845 |

**The accompanying notes form an integral part of the financial statements**

## 1. IDENTIFICATION

One on One Educational Services Limited is a limited liability Company incorporated in Jamaica under the Jamaican Companies Act (the "Act"). The registered office of the Company is 9th Floor, PanJam Building, 60 Knutsford Boulevard, Kingston 5.

The principal activities of the Company are the provision of personalized online learning solutions and off-the-shelf content.

## 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 the relevant requirements of the Act.

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

The preparation of financial statements in conformity with IFRS and the Act requires management 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.

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

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

**(b) Changes in accounting standards and interpretations:**

Certain new standards and interpretations of and amendments to existing standards have been published that became effective during the current financial period/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
- *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.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Intangible assets

This represents the costs of software and educational content development, which include costs incurred to bring to use the specific software, video content and 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 the computer software are amortised over their estimated useful life of five years. The costs of the intellectual property are determined to have an indefinite useful life and are assessed annually for impairment.

The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in the 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.

### (b) 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 profit and loss 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:

| | |
|---|---|
| Leasehold improvement | 10% |
| Furniture and fixtures | 10% |
| Office equipment | 10% |

### (c) Inventories

Inventories comprising past examination papers are valued at the lower of cost and net realizable value, determined principally using average cost. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

### (d) Trade and other receivables

Trade and other receivables are stated at amortized cost.

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

### (e) Cash and bank balances

Cash comprises of cash in hand and cash at bank.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (f) Revenues from contracts with customers

The Company provides online learning resources to different markets. Customers include corporate contracts, partnerships with government ministries 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.

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.

### (g) Taxation

Income tax expense represents the sum of current income tax and deferred tax.

(i) Current income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates in effect for the reporting period.

(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.

### (h) 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.

### (i) Provisions

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

### (j) Borrowing costs

Borrowing costs are recognized in the the statement of comprehensive income in the period in which they are incurred.

### (k) Trade and other payables

Trade and other payables are stated at amortized cost.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(l) 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 coting 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.

**(m) 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (m) 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 rate (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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (m) 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.

**ONE ON ONE EDUCATIONAL SERVICES LIMITED**
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## 4. REVENUES

Revenue comprises income from online learning solutions and off the shelf content which is stated net of discounts and allowances.

## 5. INTANGIBLE ASSETS

Intangible assets comprise of computer software, intellectual property and content development work-in-progress. Computer software has an estimated useful life of five years. Intellectual property is determined to have an indefinite useful life, which is assessed annually for impairment.

| | Computer Software | Intellectual Property | Content Development Work In Progress | Total |
|---|---|---|---|---|
| **At Cost** | | | | |
| Balance at August 31, 2021 | 7,827,310 | 133,866,733 | 5,734,703 | 147,428,746 |
| Additions | - | 57,744,399 | 5,181,357 | 62,925,756 |
| **Balance at August 31, 2022** | **7,827,310** | **191,611,132** | **10,916,060** | **210,354,502** |
| **Accumulated Amortisation** | | | | |
| Balance at August 31, 2021 | 7,606,741 | - | - | 7,606,741 |
| Charge for the period | 55,215 | - | - | 55,215 |
| **Balance at August 31, 2022** | **7,661,956** | **-** | **-** | **7,661,956** |
| **Carrying Value** | | | | |
| Balance at August 31, 2021 | 220,569 | 133,866,733 | 5,734,703 | 139,822,005 |
| **Balance at August 31, 2022** | **165,354** | **191,611,132** | **10,916,060** | **202,692,546** |

## 6. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold Improvements $ | Furniture and Fixtures $ | Office Equipment $ | Total $ |
|---|---|---|---|---|
| **At Cost** | | | | |
| Balance at August 31, 2020 | 627,684 | 671,972 | 5,316,739 | 6,616,395 |
| Additions | - | 300,234 | 2,536,734 | 2,836,968 |
| Disposal | (327,450) | - | - | (327,450) |
| Transferred | (300,234) | - | - | (300,234) |
| Balance at August 31, 2021 | - | 972,206 | 7,853,473 | 8,825,679 |
| Additions | - | - | 1,030,595 | 1,030,595 |
| Disposal | - | - | (55,974) | (55,974) |
| **Balance at August 31, 2022** | **-** | **972,206** | **8,828,094** | **9,800,300** |
| **Accumulated Depreciation** | | | | |
| Balance at August 31, 2020 | 153,066 | 269,657 | 2,058,279 | 2,481,002 |
| Charge for the year | 21,830 | 97,221 | 672,403 | 791,454 |
| Disposal | (121,186) | - | - | (121,186) |
| Transferred | (53,710) | 53,710 | - | - |
| Balance at August 31, 2021 | - | 420,588 | 2,730,682 | 3,151,270 |
| Charge for the period | - | 97,221 | 827,671 | 924,892 |
| Disposal | - | - | (4,677) | (4,677) |
| **Balance at August 31, 2022** | **-** | **517,809** | **3,553,676** | **4,071,485** |
| **Net Book Value** | | | | |
| Balance at August 31, 2020 | 474,618 | 402,315 | 3,258,460 | 4,135,393 |
| Balance at August 31, 2021 | - | 551,618 | 5,122,791 | 5,674,409 |
| **Balance at August 31, 2022** | **-** | **454,397** | **5,274,418** | **5,728,815** |

**ONE ON ONE EDUCATIONAL SERVICES LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
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## 7. DUE FROM / (TO) DIRECTORS

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Due from directors | **17,758,190** | 14,514,654 |
| Due to directors | **-** | (17,721,247) |

The amounts due from / (to) the directors of the Company are unsecured, with a 5% interest per annum and have five (5) year repayment term.

## 8. INVENTORIES

Inventories comprise of Caribbean Examination Council (CXC) examination past papers and content license for professionals.

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Content licences | **12,994,334** | 14,563,657 |
| CXC examination past papers | **-** | 374,981 |
| | **12,994,334** | 14,938,638 |

## 9. TRADE AND OTHER RECEIVABLES

| | 2022 | 2021 | |
|---|---|---|---|
| | $ | $ | |
| Trade receivables | **83,206,635** | 113,915,815 | |
| **Less:** Expected credit losses | **(13,366,498)** | (809,554) | |
| Net trade receivables | **69,840,137** | 113,106,261 | |
| Salary advance | **66,667** | - | |
| Withholding tax receivable | **159,748** | 61,735 | |
| Prepayments | **2,749,870** | 352,616 | |
| Other receivables | **15,441,965** | - | * |
| Revenue share | **-** | 694,450 | |
| | **88,258,387** | 114,215,062 | |

**** Content licences not yet received at August 31, 2022***

**ONE ON ONE EDUCATIONAL SERVICES LIMITED**
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## 10. CASH AND BANK BALANCES

| | 2022 $ | 2021 $ |
|---|---|---|
| Certificate of deposits | **31,958,364** | 21,953,353 |
| Sagicor Bank (Jamaica) Limited (USD) | **7,552,739** | 103,925 |
| Sagicor Bank (Jamaica) Limited (JMD) | **205,027,442** | 617,176 |
| National Commercial Bank (Jamaica) Limited (USD) | **899,383** | 579 |
| National Commercial Bank (Jamaica) Limited (JMD) | **7,710,868** | 184,292 |
| Scotiabank (Jamaica) Limited (USD) | **136,864** | 13,818,476 |
| Scotiabank (Jamaica) Limited (JMD) | **25,565** | 1,030,364 |
| Cash on hand | **-** | 31,356 |
| | **253,311,225** | 37,739,521 |
| **Bank Overdraft** | | |
| National Commercial Bank (Jamaica) Limited (JMD) | **-** | 89,676 |
| | **-** | 89,676 |

## 11. ISSUED SHARE CAPITAL

| | 2022 $ | 2021 $ |
|---|---|---|
| Authorized share capital: | | |
| 100,000,000,000 (2021 - 50,000,000) | | |
| Issued and fully paid: | | |
| 1,900,000,000 (2021 - 36,000,000) | **413,838,628** | 84,600,000 |

(a) On April 13, 2022, at an extraordinary general meeting of the Company, by an ordinary resolution, the authorized share capital of the Company was increased from 50,000,000 to 100,000,000,000.

(b) On July 18, 2022, at an extraordinary general meeting of the Company, by an ordinary resolution, amounts due and owing by the Company were converted to ordinary shares totalling 5,890,949, resulting in the issued shares increasing to 41,890,949.

(c ) On July 18, 2022, at an extraordinary general meeting of the Company, by an ordinary resolution, issued and fully paid shares of 41,890,949 were subdivided into 26.5 shares for every existing share, resulting in the issued shares increasing to 1,110,110,149.

(d ) On July 18, 2022, at an extraordinary general meeting of the Company, by an ordinary resolution, 409,889,851 were alloted to key partners, resulting in the issued shares increasing to 1,520,000,000 prior to the initial public offering ("IPO").

(e ) On August 19, 2022, 380,000,000 new shares were offered to the general public in the IPO, resulting in the issued shares increasing to 1,900,000,000.

(f ) The proceeds from the issuance of shares amounted to $358,250,000 less transaction costs of $41,517,095.

(g ) The conversion of debts and share alloment carrying amount is $12, 505,724.

## 12. PREFERNCE SHARES

The series 'A' preference shares were initially convertible at 1:1 to common stock. Each share of series 'A' preference shares was automatically converted into 26.5 common stock at the then applicable conversion rate prior to the Initial Public Offering (IPO).

| | **2022** | 2021 |
|---|---|---|
| | **$** | $ |
| 5,000,000 Preference shares of $1 each | - | 5,000,000 |

## 13. LONG TERM LOAN AND CONVERTIBLE PROMISSORY NOTES

| | | **2022** | 2021 |
|---|---|---|---|
| | | **$** | $ |
| (i) | Sagicor Bank (Jamaica) Limited | **71,018,775** | 44,767,411 |
| (ii) | PanJam Investment Limited | - | 50,000,000 |
| (iii) | Sagicor Investments Limited | - | 25,000,000 |
| | | **71,018,775** | 119,767,411 |
| | Less: Current portion of long-term loan | **(33,758,135)** | (4,151,607) |
| | Non-current portion of long term loan | **37,260,640** | 115,615,804 |

(i) The loan is scheduled to be repaid over a period of seventy-two (72) months beginning April 2020. Interest is charged at the rate of 10% per annum.

(ii) This is a 8% convertible promissory note. The note was converted to ordinary shares without par value.

(iii) This is a 8% convertible promissory note. The note was converted to ordinary shares without par value.

## 14. DEFERRED TAX LIABILITY

Certain deferred tax liabilties and assets have been offset in accordance with the Company's accounting policy. The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

| | **2022** | 2021 |
|---|---|---|
| | **$** | $ |
| Deferred tax liability | **(12,870,160)** | (12,490,434) |

Deferred tax liabilities are attributable to the following:

| | **2022** | 2021 |
|---|---|---|
| | **$** | $ |
| Property, plant and equipment | **(16,296,585)** | (13,273,191) |
| Trade and other receivables | **3,139,236** | 95,930 |
| Right-of-use asset | - | 227,930 |
| Cash and cash equivalents | **287,189** | 458,897 |
| | **(12,870,160)** | (12,490,434) |

**ONE ON ONE EDUCATIONAL SERVICES LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
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## 14. DEFERRED TAX LIABILITY (CONT'D)

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

| | 2022 | 2021 |
|---|---|---|
| | **$** | $ |
| Balance at the beginning of the year | **(12,490,434)** | (11,008,605) |
| Movement during the year | **(379,726)** | (1,481,829) |
| Balance at the end of the year | **(12,870,160)** | (12,490,434) |

## 15. DEFERRED INCOME

| | 2022 | 2021 |
|---|---|---|
| | **$** | $ |
| Deferred income | **8,800,641** | 8,319,829 |

This represents monies advanced for services to be delivered in subsequent periods. Upon recognition of the service, the amounts will be transferred to the relevant revenue account.

## 16. TRADE AND OTHER PAYABLES

| | 2022 | 2021 |
|---|---|---|
| | **$** | $ |
| Trade payables | **29,156,370** | 46,368,534 |
| Accruals | **13,552,705** | 13,157,165 |
| Payroll tax liabilities | **3,501,794** | 3,648,844 |
| | **46,210,869** | 63,174,543 |

## 17. DIRECT COST

| | 2022 | 2021 | |
|---|---|---|---|
| | **$** | $ | |
| Hosting fees | **33,306,114** | 30,845,247 | * |
| Project implementation | **12,201,260** | 2,996,994 | |
| Content development | **5,572,564** | 1,555,845 | |
| Cost of inventories sold | **1,754,472** | 38,454,289 | |
| Other direct costs | **8,787,574** | 508,813 | |
| | **61,621,984** | 74,361,188 | |

***Prior year balance restated to comform with current year presentation***

**ONE ON ONE EDUCATIONAL SERVICES LIMITED**
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## 18. ADMINISTRATIVE EXPENSES

| | 2022 | 2021 | |
|---|---|---|---|
| | $ | $ | |
| Salaries and related charges | **92,523,179** | 42,661,647 | * |
| Contracted workers | **32,888,522** | 38,054,228 | |
| Subscriptions and donations | **324,065** | 275,010 | |
| Licence fees | **8,036,030** | 6,056,559 | * |
| Legal and professional fees | **4,352,350** | 5,915,500 | |
| Office expense | **485,843** | 314,956 | |
| Office rental | **659,893** | 586,414 | |
| General insurance | **390,006** | - | * |
| Courier services | **147,069** | 464,652 | |
| Telephone and internet | **1,215,328** | 1,261,811 | |
| Utilities | **-** | 68,306 | |
| Audit fees | **1,500,000** | 850,000 | |
| Amortisation | **55,215** | 33,878 | |
| Depreciation | **924,892** | 791,454 | |
| Depreciation on right-of-use asset | **-** | 1,109,783 | |
| Penalties and interest | **855,606** | 299,734 | |
| Travel and accommodation | **1,666,291** | 2,845,072 | |
| Repairs and maintenance | **117,788** | 675,831 | |
| (Gain) / Loss on disposal of fixed assets | **(12,903)** | 206,264 | |
| Group life and health insurance | **832,602** | 971,370 | * |
| Staff training and welfare | **1,160,200** | 643,637 | * |
| Bank charges | **949,118** | 288,431 | * |
| Security expense | **22,049** | 8,185 | |
| | **149,093,143** | 104,382,722 | |

***Prior year balance restated to comform with current year presentation**

**ONE ON ONE EDUCATIONAL SERVICES LIMITED**
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## 19. SELLING EXPENSES

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Salaries and related charges | **9,394,573** | 5,061,356 |
| Meal and entertainment | **1,243,382** | 334,140 |
| Advertising and promotion | **11,813,107** | 4,500,864 |
| | **22,451,062** | 9,896,360 |

## 20. OPERATING PROFIT

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Operating profit | **43,586,207** | 82,300,854 |

Stated after charging the following:

| | 2022 | 2021 |
|---|---|---|
| Auditor's remuneration | **1,500,000** | 850,000 |
| Amortisation | **55,215** | 33,878 |
| Depreciation | **924,892** | 791,454 |

## 21. FINANCE COSTS

| | 2022 | 2021 | |
|---|---|---|---|
| | $ | $ | |
| Foreign exchange loss | **1,148,756** | 1,204,247 | |
| Commitment fees | **1,211,250** | - | |
| Right of use interest expense | **-** | 40,907 | |
| Loan interest | **12,806,817** | 11,737,172 | * |
| | **15,166,823** | 12,982,326 | |

***Prior year balance restated to comform with current year presentation**

**ONE ON ONE EDUCATIONAL SERVICES LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
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## 22. TAXATION CHARGE

a) Income tax is computed at 25% of the profit for the period, as adjusted for taxation purposes. Deferred tax is computed at 25% for the period based on the applicable income tax rate for unregulated companies.
The taxation charge is made up as follows:

| | **2022** | 2021 |
|---|---|---|
| | **$** | $ |
| Current: | | |
| Provision for charge on current profit | **3,219,439** | - |
| Deferred: | | |
| Origination and reversal of temporary differences | **379,726** | 1,481,829 |
| | **3,599,165** | 1,481,829 |

b) Reconciliation of effective tax rate and charge:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **$** | % | $ | % |
| Profit before taxation | **15,862,440** | | 68,934,813 | |
| Computed tax charge | **3,965,610** | **25%** | 17,233,703 | 25% |
| Taxation differences between profit for financial statements and tax reporting purposes on: | | | | |
| Depreciation and capital allowances | **(46,184)** | **0%** | 700,544 | 1% |
| Unrealized exchange losses | **458,897** | **3%** | (374,300) | -1% |
| Right of use | **227,930** | **6%** | 55,085 | 0% |
| Tax allowance claimed | **(1,103,017)** | **-7%** | (15,886,130) | -23% |
| Items not allowable for tax purposes | **95,929** | **1%** | (247,073) | 0% |
| Actual tax and rate | **3,599,165** | **27%** | 1,481,829 | 2% |

## 23. EARNINGS PER SHARE

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

| | **2022** | 2021 |
|---|---|---|
| | **$** | $ |
| Net profit attributable to stockholders | **12,263,275** | 67,452,984 |
| Weighted average number of ordinary stock units | **1,044,602,740** | 1,044,602,740 |
| Basic profit per stock unit (¢ per share) | **0.01** | 0.06 |

## 24. RELATED PARTIES TRANSCTIONS

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

| | **2022** | 2021 |
|---|---|---|
| | **$** | $ |
| Transactions with key management personnel: | | |
| Directors' remuneration | **39,318,250** | 20,959,084 |

## 25. 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.

## 25. 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).

#### (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 liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company.

## 25. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT (CONT'D)

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

#### (ii) Liquidity risk (cont'd)

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 $ |
|---|---|---|---|---|
| **August 31, 2022:** | | | | |
| Current portion of long term loan | 33,758,135 | 33,758,135 | 33,758,135 | |
| Trade and other payables | 46,210,869 | 46,210,869 | 46,210,869 | - |
| Deferred income | 8,800,641 | 8,800,641 | 8,800,641 | - |
| | **88,769,645** | **88,769,645** | **88,769,645** | **-** |

| | Carrying value $ | Contractual cash flows $ | Within 3-12 months $ | Over 12 months $ |
|---|---|---|---|---|
| August 31, 2021: | | | | |
| Current portion of long term loan | 4,151,607 | 4,151,607 | 4,151,607 | |
| Trade and other payables | 63,174,543 | 63,174,543 | 63,174,543 | - |
| Deferred income | 8,319,829 | 8,319,829 | 8,319,829 | - |
| Bank overdraft | 89,676 | 89,676 | 89,676 | - |
| | 75,735,655 | 75,735,655 | 75,735,655 | - |

#### (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 markets are to manage and control market risk exposures within acceptable parameters, while optimising the return.

*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 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 August 31, 2022, 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.

## 25. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT (CONT'D)

### (b) Financial risk management (cont’d):

#### (iii) Market risk (cont'd)

*Fair value sensitivity analysis for fixed rate instruments:*

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

*Foreign currency risk:*

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

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.

## 25. SUBSEQUENT EVENT

The Company was listed on the Junior Market of the Jamaica Stock Exchange on September 1, 2022. 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 five (5) years providing it complies with the requirements of the Jamaica Stock Exchange Junior Market.