



Dear Shareholders,

Our mission is to leverage technology to educate people wherever they are, whether at school, at home or in the workplace.

Financial Performance & Review

Income Statement

The financial year 2022, especially its concluding phase, presented acute challenges for the EduFocal Group. Revenue for every quarter in 2022 leading up to Q4 showed strong signs of growth year-over-year, and despite having a strong pipeline of new business expected to be closed in Q4, unfortunately due to increased stress in the economy impacting some of our customers, we have seen projects take longer to break ground than anticipated. As a result of that, many projects slated for closure in Q4 have been pushed back to H1 2023. Despite that disappointing revenue growth performance in Q4, our full year revenues closed marginally higher than 2022 coming in at \$187 million vs \$185 million in 2021.

In anticipation of the number of contracts in our Q4 pipeline, we undertook expenditure to build capacity to manage the increased expected revenue. The combined effect of lower than expected Q4 revenue and higher expenses resulted in lower operating profit for 2022 than anticipated, registering \$3.73 million. As a result of the capacity, we built in 2022 though, we are well positioned to take advantage of the many opportunities we plan to realize in 2023 without incurring significantly more expenses. In short, we are expecting that 2023 could be the most profitable year in the company's history.

Balance Sheet

We listed EduFocal Limited during the 1st quarter of 2023, on March 15, 2022, and during 2022, we focused on business development, governance, our business strategy and executing on an acquisition to further grow shareholder value. During 2022, in scaling the business and further laying the foundation, we incurred a disproportionate accumulation of receivables. As CEO, I take full responsibility for this issue. In my pursuit of growth, I underestimated the lack of capacity I had to undertake growing sales, growing our team to deliver on those sales and ensuring receivables are collected in a timely manner. Going into 2023, EduFocal Limited will be making significant changes to ensure that capacity is added so I get the support to manage both growth & the important administration of these matters.

Directors: Gordon Swaby | Peter Levy (**Chairman**) | Lloyd Swaby | Kevin Donaldson | Grace Lindo | Shauna-Gaye Fuller

As a result of the limited capacity and resulting neglect on receivables, they aged much longer than the company had intended and according to IFRS rules, impairment charges had to be taken on those receivables because of their age (anything over 90 days necessitates an expected credit loss (ECL) provision of 100%). This impairment charge in 2022 amounted to \$153 million. To be clear, this does not mean that 100% of all those receivables are uncollectible, rather it means that as a result of their age, we have to treat them as uncollectible from an accounting perspective and if we are able to collect any portion in the future, we will be able to reverse that portion in the future. Additionally, another non-cash expense we took in the year that contributed to higher administrative & operating expenses was 'Amortization of Intangible Assets.' This contributed \$22 million of our \$183 million of administrative & operating expenses for 2022. That \$22 million represented an \$11.33 million increase year-over-year. Of that \$11.33 million the acquisition of Clever School Teacher accounted for approximately \$7 million (or approximately 62%) of that charge.

Financing

Due to the constrained cash flows that the accumulated receivables created we used financing to bridge that gap. That additional financing resulted in higher finance related costs year-over-year coming in at \$28.69 million in 2022 vs \$19.62 million in 2021. Our long-term debt as at the close of 2022 was \$197.7 million. The debt of our company is primarily financed with a loan issued via Mayberry Investments that matures in 2029.

The resulting impact of this, primarily the receivables impairment, our increased finance costs, and lower operating profit, led to a net loss for 2022 of \$178.4 million.

Outlook

As the CEO, and single largest shareholder, I am just as disappointed in these results as I imagine you are. Rest assured though that I will be making the tough decisions needed to reduce the likelihood of this performance ever repeating itself.

In the 3rd quarter of 2022, we initiated a reorganization exercise of the Group that we concluded at year end 2022. Coming out of that reorganization was the identification of gaps in our organization that will be filled in 2023 that will give our Company the additional support and capacity to tighten up the operations of the Group.

Our acquisition in 2022, Clever School Teacher (EduFocal LLC) is performing above expectations, and this allows our company to be creative, and offer further products and services using this technology, where we deem fit, in the Jamaica, Caribbean and Emerging

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EduFocal Group: cleverschoolteacher.com (EduFocal, LLC)

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Markets. We will report further on Clever School Teacher's performance in the coming year and our growth plans for it.

To close, we have been listed now for approximately one (1) year on the JSE Junior Market, and we are looking forward to 2023, with you, our shareholders. Our prospects are positive, given the capacity that we have built, our pipeline for 2023, and our business development efforts. We fully expect to rebound profitably in 2023 and surpass our previous profit performances on record.

We thank our shareholders, and our stakeholders for continuing to support EduFocal, and our team members who make EduFocal happen.



Gordon Swaby
Chief Executive Officer

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