



EduFocal
making learning FUN[!]

PROSPECTUS

EDUFOCAL LIMITED
REGISTERED OFFICE:
22B OLD HOPE ROAD, KINGSTON 10, JAMAICA
TELEPHONE: (876) 784-6717
WEBSITE: WWW.EDUFOCAL.COM



MAYBERRY
INVESTMENTS LIMITED

INVITATION FOR SUBSCRIPTION

Up to 129,689,219 Ordinary Shares:

80,499,272 Ordinary Shares (Non-Reserved Shares)
available for subscription by the General Public

49,189,947 Ordinary Shares (Reserved Shares) as
follows:

SHAREHOLDERS	SHARES
Key Strategic Partners Reserved Shares	35,947,717
Lender's Option Reserved Shares	13,242,230

at an Invitation price of J\$1.00 per Ordinary Share
payable in full on application
raising up to J\$129,689,219

**This Prospectus is dated
February 17, 2022**



A copy of this Prospectus was delivered to the Registrar of Companies for registration pursuant to sub-section 40(2) of the Companies Act, 2004 and was so registered on February 21, 2022. The Registrar of Companies accepts no responsibility whatsoever for the contents of this Prospectus. A copy of this Prospectus was also delivered to the Financial Services Commission (“FSC”) for the purpose of registration of the Company as an issuer pursuant to section 26 of the Securities Act, and the Company was so registered on February 23, 2022. The FSC has neither approved this Prospectus nor passed upon the accuracy or adequacy of this Prospectus.

This Prospectus is intended for use in Jamaica only and is not to be construed as an invitation to any person outside Jamaica to subscribe or apply for any of the Shares. No person is authorized to provide information or to make any representation whatsoever in connection with this Prospectus, which is not contained herein.

An Application Form for use by prospective investors in respect of the Ordinary Shares which are the subject of this invitation may be obtained by following the Application Guidelines at Appendix 1, together with notes on how to complete it. The Application List for the Shares will open at 9:00 a.m. on March 3, 2022 and will close at 4:30 p.m. on March 17, 2022 subject to the right of EduFocal Limited (the “Company”) to close the Application List at any time if subscriptions have been received for the full amount of the Ordinary Shares available for subscription and subject also to the right of the Company to extend the closing beyond that date subject to section 48 of the Companies Act, 2004. In the event of an early closing or an extension of the closing, notice will be posted on the website of the Jamaica Stock Exchange (www.jamstockex.com).

It is the intention of the Company to apply to the Board of the Jamaica Stock Exchange for the whole of the issued ordinary share capital of the Company to be listed on the Junior Market of the Jamaica Stock Exchange. The application to the JSE is dependent upon the

Company's ability to: (i) raise J\$100 million as a result of the Invitation; and (ii) meet the criteria for admission. This statement of the Company's intention is not a guarantee that the Shares will in fact be listed on the Junior Market. If the application to list is successful, it is anticipated such listing will take place within 21 days of the closing of the Application List and, the Shares subscribed for will be allotted and converted to stock units and dealings will commence immediately after such listing. If the Shares are not admitted to listing, the Company will not proceed with the allotment of Shares and will refund, without interest, all monies received from subscribers in pursuance of this Prospectus within ten (10) days of the Closing of the Application List (or the extended Closing, as the case may be) and in any event within forty (40) days after the issue of the Prospectus.

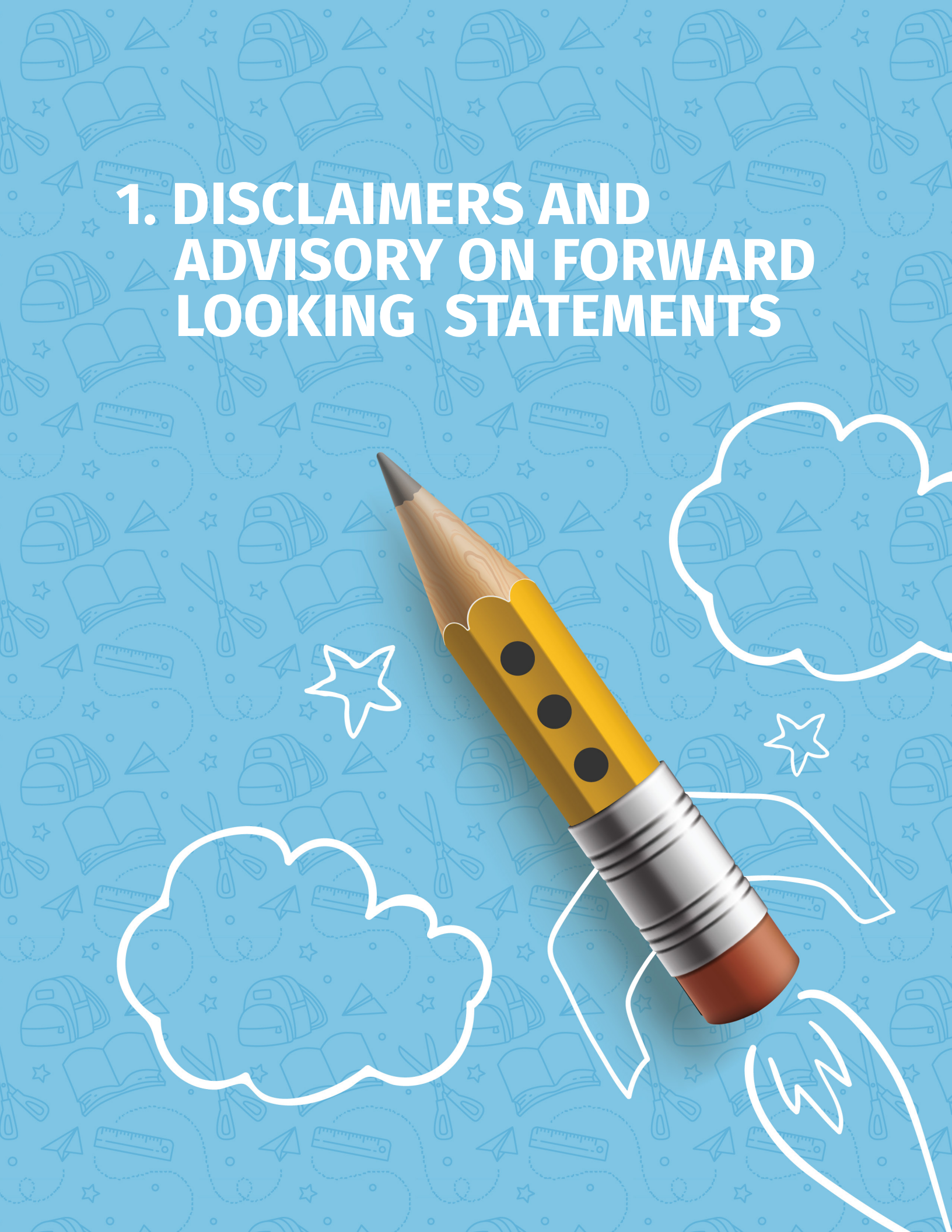
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1. DISCLAIMERS AND ADVISORY ON FORWARD LOOKING STATEMENTS



1.1 Invitation is made to Jamaican Residents in Jamaica

1.1.1 This Prospectus is intended for use in Jamaica only and is not to be construed as an invitation to any person outside Jamaica to subscribe or apply for any of the Shares. The distribution or publication of this Prospectus and the offering of Shares in certain jurisdictions may be restricted by law and, accordingly, persons into whose possession this Prospectus may come are required to inform themselves about, and to observe, such restrictions.

1.1.2 The Shares have not been nor will they be registered or qualified under the United States Securities Act, 1933, as amended or any applicable Blue Sky law or other security law of any State or political sub-division of the United States of America. The Shares may not be offered, sold, transferred, or delivered, directly or indirectly in the United States of America, its territories or possessions or any area subject to the jurisdiction of the United States or in any other country in which an invitation to subscribe for the Shares or the offering of the Shares is not permitted by applicable law.

1.2 Responsibility for Content of this Prospectus

1.2.1 The Directors of EduFocal Limited (the “Company”) whose names appear in Section 21 of this Prospectus, are the persons responsible for the information contained herein. To the best of the knowledge and belief of such Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to materially affect the import of such information. Each of such persons accepts responsibility accordingly.

- 1.2.2. No person is authorised to provide information or to make any representation whatsoever in connection with this Prospectus, which is not contained in this Prospectus.

1.3 Content of this Prospectus

1.3.1 This Prospectus contains important information for prospective investors in the Company. All prospective investors should read the Prospectus carefully in its entirety before submitting an Application in accordance with the Application Guidelines in Appendix 1.

1.3.2 If you are in doubt about the contents of this Prospectus, you should consult your stockbroker, securities dealer, investment adviser, bank manager, attorney-at-law, professional accountant or other professional adviser.

1.3.3 This Prospectus contains summaries of certain documents which the Board of Directors of the Company believes are accurate. Prospective investors may wish to inspect the actual documents that are summarized, copies of which will be available for inspection as described in Section 20 of this Prospectus. Any summaries of such documents appearing in this Prospectus are qualified in their entirety by reference to the complete document.

1.3.4 The publication of this Prospectus shall not imply that there has been no change in the business, results of operations, financial condition or prospects of the Company since the date of this Prospectus.

1.3.5 Neither the Financial Services Commission (“FSC”), nor the Office of the Registrar of Companies (“COJ”) or any other Government agency or regulatory authority in Jamaica has made any determination as to the accuracy or adequacy of the matters contained in this Prospectus.

1.4 Application to Subscribe for Shares

1.4.1 This Prospectus is not a recommendation by the Company that prospective investors should submit Application Forms to subscribe for Shares in the Company. Prospective investors in the Company are expected to make their own assessment of the Company, and the merits and risks of subscribing for Shares. Prospective investors are also expected to seek appropriate advice on the financial and legal implications of subscribing for Shares, including but not limited to any tax implications.

1.4.2 Each Applicant who submits an Application Form acknowledges and agrees that:

- (i) he/she has been afforded a meaningful opportunity to review the Prospectus (including in particular the terms and conditions in Sub-Section 8.3), and to gather and review all additional information considered by him/her to be necessary to verify the accuracy of the information contained in this Prospectus;
- (ii) He/she has not relied on the Company or any other person in connection with his/her investigation of the accuracy of such information or his/her investment decision; and

- (iii) no person connected with the Company has made any representation concerning the Company or this Prospectus not contained in this Prospectus, on which the Applicant has relied in submitting his/her Application Form.

1.5 **Advisory on Forward-Looking Statements**

- 1.5.1 This Prospectus contains forward-looking statements. These are statements that are not about historical facts and speak only as of the date they are made and include, without limitation, the discussions of future plans and financial projections. Although the Company believes that in making any such statements its expectations are based on reasonable assumptions, such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Prospective investors in the Company are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they have been made. Future events or circumstances could cause actual results to differ materially from historical or anticipated results.
- 1.5.2 Forward-looking statements may be identified by accompanying language such as “*expects*”, “*intends*”, “*anticipates*”, “*estimates*” and other cognate or analogous expressions or by qualifying language or assumptions. These forward-looking statements are subject to numerous risks and uncertainties. Once this Prospectus has been signed by or on behalf of the Company, the Company undertakes no obligation to update publicly or revise any of the forward-looking statements in light of new information or future events, including changes

in the Company’s financial or regulatory position, or to reflect the occurrence of unanticipated events (subject to any legal or regulatory requirements for such disclosure to be made). There are important factors that could cause actual results to differ materially from those in forward-looking statements, certain of which are beyond the Company’s control. These factors include, without limitation, the Risk Factors set out in Section 7 as well as the following:

- (i) general economic and business conditions prevailing both locally and internationally including: actual rates of growth of the Jamaican and regional economies, interest rates or exchange rate volatility;
- (ii) changes in the political, social and economic conditions impacting market conditions in general and the Company in particular;
- (iii) adverse climatic events and natural disasters;
- (iv) unfavourable market receptiveness to new products;
- (v) changes in any legislation or policy adversely affecting the revenues or expenses of the Company;
- (vi) any other factor negatively impacting on the realisation of the assumptions on which the Company’s financial projections are based; and
- (vii) other factors identified in this Prospectus.

2. Definitions

2.1 The following definitions apply throughout this Prospectus unless the context otherwise requires:

Convertible Preference Shares	The convertible preference shares due 2022 carrying a mandatory conversion to ordinary shares in the event of an IPO;
Convertible Preference Shareholder	The holder of Convertible Preference Shares;
Allotment	The allocation and issuance of Shares to successful Applicants;
Applicant	A person (being an individual or corporate body), whether a Reserved Share Applicant or a member of the general public, who submits an Application;
Application	A duly completed application for Shares made by an Applicant(s) in the required Application Form obtained in accordance with the Application Guidelines in Appendix 1, and submitted as contemplated in this Prospectus along with payment of the Price using an Approved Payment Method, with respect to the Shares, the subject of the Application;

Application Form or Subscription Form	The form of application to be used by all Applicants who wish to subscribe for Shares in the Invitation. The Application Guidelines in Appendix 1 sets out where an Application Form may be obtained and submitted;	Closing Date	The date on which the Application List in respect of this Invitation closes, being 4:30 p.m. on March 17, 2022, subject to the right of the Company to shorten or extend the subscription period in the circumstances set out in this Prospectus;
Application List	The application list in respect of the Invitation;	the Company	EduFocal Limited, a company incorporated under the laws of Jamaica with company number 81,198 with its registered office located at 22B Old Hope Road, Kingston 10, Jamaica;
Approved Payment Method	Any of the methods of payment described in Sub-Section 8.3.5 of this Prospectus required to be used by Applicants in effecting payment of the Price;	Companies Act	The Companies Act of Jamaica, 2004 as amended from time to time;
Articles	The Articles of Incorporation of the Company;	Dollars or J\$	Jamaican Dollars;
Auditors	Baker Tilly;	EduFocal Employees	A person that has been employed to EduFocal for at least six (6) months;
Auditors' Report	The report of Baker Tilly set out in pages 157 to 159 in Appendix 2 hereto;	EduFocal Contractors	An independent contractor to EduFocal that has provided their services to EduFocal within the last year;
The Board	The Board of Directors of the Company whose signatures appear in Section 21;	FSC	The Financial Services Commission of Jamaica;
Business Day	Any day (other than a Saturday, Sunday or public general holiday) on which banks are open for business in the Corporate Area of Kingston and Saint Andrew in Jamaica;	Government	The Government of Jamaica;

IPO or Invitation	This initial public offering whereby the public is invited to subscribe for Shares in the capital of the Company on the terms and conditions set out in this Prospectus;	Key Strategic Partners Reserved Shares	The 35,947,717 Shares in the IPO that are reserved for applications from Key Strategic Partners;
Invitation Price or Price	J\$1.00 per Share;	Lead Broker	Mayberry Investments Limited, who will act on behalf of EduFocal Limited in the execution of the Invitation;
JSE or the Exchange	The Jamaica Stock Exchange;	Lender	Roots Financial Group Limited, a company incorporated under the laws of Jamaica, being the lender under the Loan Agreement dated March 9, 2021
JSE Website	The website of the Jamaica Stock Exchange at www.jamstockex.com ;	Lender's Option Reserved Shares	The 13,242,230 Shares in the IPO that are reserved for an application from the Lender;
JCSD	The Jamaica Central Securities Depository Limited;	List	The Application List applicable to this Invitation;
Junior Market	The Junior Market of the JSE;	Mayberry	Mayberry Investments Limited, the Lead Broker for this Invitation;
Junior Market Rules	The rules made by the JSE from time to time to govern the Junior Market;	Opening Date	The date on which the Application List in respect of this Invitation opens, being 9:00 a.m. on March 3, 2022;
Key Strategic Partners	A person that EduFocal currently collaborates with (or will collaborate with in the future) that is likely to have an important role in EduFocal's future success; namely: (i) EduFocal Employees; (ii) EduFocal Contractors; (iii) the Lead Broker, Mayberry Investments Limited; and (iv) a person or entity that is (or will be in the future) a key collaborator or provider of a critical service to EduFocal;	Ordinary Shareholders	Holders of the Ordinary Shares and includes Ordinary Stockholders and <i>vice versa</i> ;

Non-Reserved Shares	The total number of Shares available for subscription in this Invitation, less the Reserved Shares;	Lender's Option	An option exercised by Roots Financial Group Limited to convert J\$13,242,230 in debt owed by EduFocal to the Lender into ordinary shares at the Invitation Price of J\$1.00 per share;
Non-Reserved Share Applicants	Applicants who are not Reserved Share Applicants;	Selling Agents	A stockbroker approved by the Lead Broker to assist with the implementation of the Invitation;
Registrar	the Jamaica Central Securities Depository Limited or the JCSD;	Shares	No par value ordinary shares in the capital of the Company and includes stock units and <i>vice versa</i> ;
Reserved Shares	Any of the following: (i) Key Strategic Partners Reserved Shares; (ii) Lender's Option Reserved Shares;	Subscriber	Subscribers in this Invitation;
Reserved Share Pool	The pool of Shares reserved for Reserved Share Applicants;		
Reserved Share Applicants	A person that is eligible to apply for: (i) Strategic Key Partners Reserved Shares; (ii) Lender's Option Reserved Shares; and who submits an Application;		

2.2 In this Prospectus, the singular includes the plural and vice versa, and references to one gender include all other genders. References to "person" include any individual, company or other corporate body or any firm or partnership.

3. Chairman's Letter to Prospective Investors

Peter Levy
Chairman of the
Board of Directors



Dear Prospective Investor,

February 17, 2022

The Board of Directors is pleased to invite you to apply for up to 129,689,219 ordinary shares (“Shares”) in the capital of EduFocal Limited (the “Company” or “EduFocal”) on the terms and conditions set out in this Prospectus.

MY INVESTMENT IN EDUFOCAL

I joined the Board in 2012 and I assumed the role of Chairman shortly after my appointment.

In the nine years since my involvement with the Company, my first opportunity to invest in EduFocal came in 2020. Since that time, I have not sold any shares and have only chosen to add to that initial investment whenever the opportunity has arisen. At time of writing, I hold approximately 7.76% of the issued share capital of EduFocal.

My initial investment was based on the view that in an increasingly digitized world, it is inevitable that the traditional delivery of educational services would be disrupted by e-learning. In a globalised and competitive world where, according to the OECD the average income of the richest 10% of the population is about nine times that of the poorest 10%¹, statistical studies have shown that educational attainment is increasingly becoming the key determinant in the outcome of our children’s lives.

EduFocal is a democratising force that allows our children, wherever they live, to receive high quality tutelage and guidance. The co-founder and chief executive officer, Gordon Swaby, satarted EduFocal with the goal of becoming:

“The premier social learning platform in the Caribbean”.

¹<https://www.oecd.org/social/inequality.htm>

I believe EduFocal and Gordon have significant tailwinds at their back which support the achievement of this goal.

MY OUTLOOK FOR THE COMPANY

As the Chairman and a non-executive director with a significant minority shareholding in the Company, my interests will be aligned with the prospective investors that are being asked to invest as minority shareholders of this innovative Company.

EduFocal is led by a dynamic, brilliant chief executive officer who has both energy and foresight. Allied to that will be a competent and committed Board of Directors providing the appropriate balance between fostering innovation and prudent stewardship of shareholder capital, including my own capital.

In the lead up to this Invitation I requested that a formal service agreement be entered into between the Company and the Chief Executive Officer (“CEO”). The service agreement sets out clearly the CEO’s obligations and the Company’s expectations from its CEO. It also details the CEO’s compensation. The service agreement has been reviewed and approved by the Remuneration and Compensation Committee of the Board.

EduFocal is a young company which operates in a fast-developing space. I am confident that the total addressable market for the Company is growing and will continue to grow. That does not mean that stakeholders should expect performance to be a smooth straight-line up. There will inevitably be stops and starts and significant periods of volatility in terms of both financial performance and stock price movement.

All prospective investors should read this Prospectus carefully in its entirety before submitting an Application Form. The Application Form may be retrieved and submitted in accordance with the Application Guidelines in Appendix 1. Thank you for your interest in EduFocal. I.

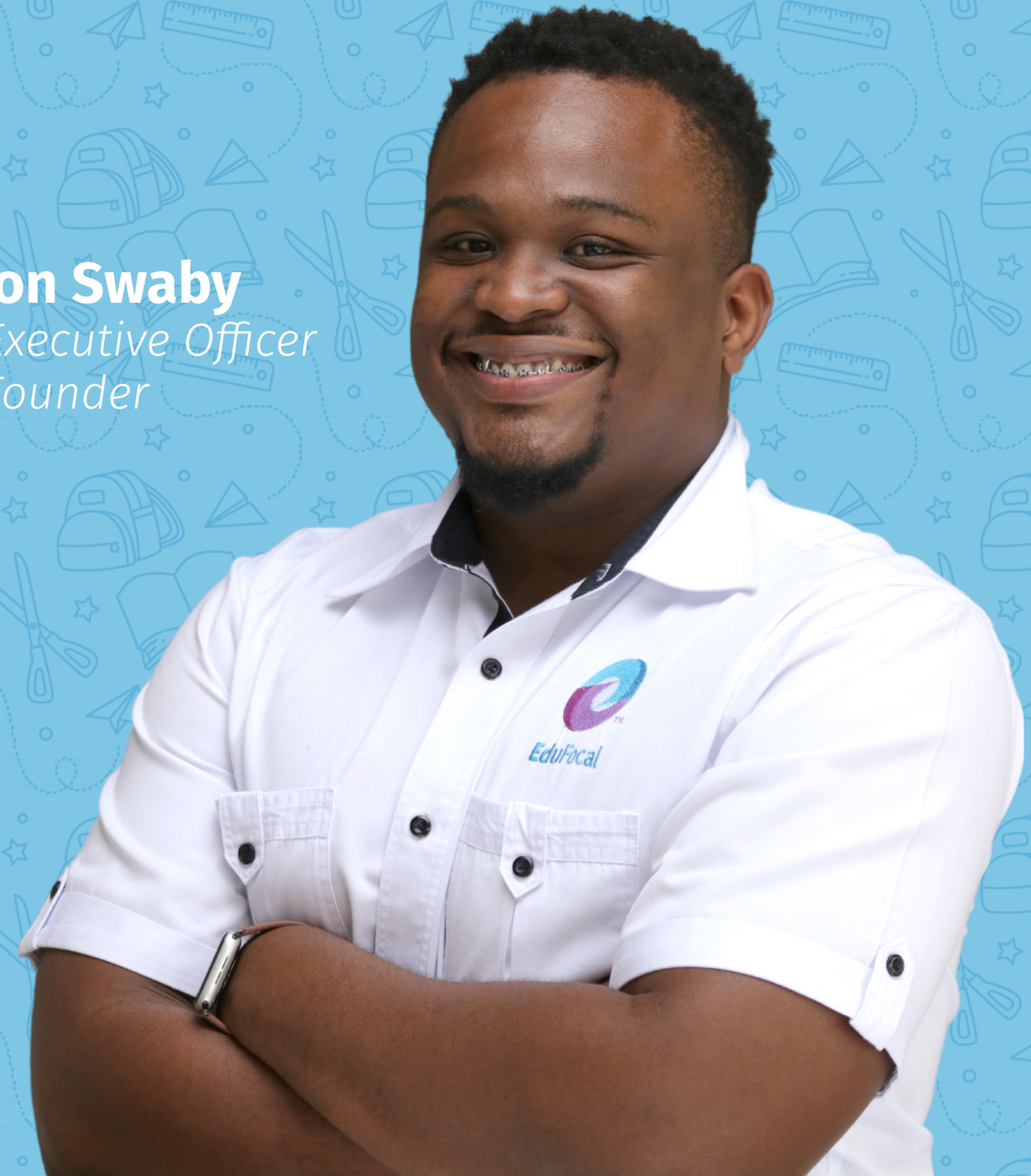


/s/ Peter Levy

Chairman of the Board of Directors

4. Chief Executive Officer’s Letter to Prospective Investors

Gordon Swaby
*Chief Executive Officer
& Co-Founder*





Dear Prospective Investor,

February 17, 2022

ABOUT US

EduFocal is a Jamaican education technology company. Since 2012, we have been powering schools and companies with our learning platform and e-courses. Over 100,000 parents have trusted EduFocal to prepare their students for the Grade Six Achievement Test (“GSAT”) and now its replacement; the Primary Exit Profile (“PEP”). The Company is focused on using technology to enrich the learning experience both inside and outside of the classroom as well as to help ideate and innovate the way in which Jamaica and eventually the rest of the region moves forward with technology in education.

Our drive, initiative and investments in technology has led us to becoming one of the Top 100 EdTech startup companies in the Latin America and Caribbean Region in 2021 as ranked by Holon IQ². This recognition means a lot to us, as does knowing that students of EduFocal have passed for some of Jamaica’s best high schools with our assistance.

THE PLATFORM

EduFocal provides an engaging and immersive learning experience for students undertaking the PEP in Jamaica and also corporate learning solutions for organisations.

Our platform is proprietary and was developed to function on all popular operating systems. It is full-service in providing options for:

- full-time online school;
- evening extra lessons;
- live-homework sessions;
- learning labs; and
- test preparation and practice questions

We also overlay the learning experience with social elements that encourage participation with points and prizes.

The courses are designed based on the Ministry of Education’s curriculum. The specific content on our platform was developed by qualified educators in the various subject areas. Included in our coverage are the core PEP subjects; namely: Language Arts, Mathematics (students can see worked solutions for hundreds of Math questions), Science, Social Studies & Mental Ability and Performance Tasks. We retain ownership of all content developed on the platform.

Our roots are in technology and innovation. We have consistently sought to grow our capabilities and product offerings. Among our most recent initiatives is the EduFocal Academy which was launched in September 2020. It entails a complete online school experience where we offer a full-day online learning programme, Monday through Friday from 8:15 a.m. to 2:30 p.m. In addition to full days of online classes, we also offer additional resources designed specifically to meet the developmental needs of our students, such as unlimited access to our homework centre where students and parents can connect live with teachers after classes for additional support with problem topics or just to check in on their child’s progress.

²See letter from Holon IQ exhibited at Appendix 5 hereto

BRIEF HISTORY

In 2010 when the idea for EduFocal came to me, I thought it was full of potential and immediately got to work on something that, when we launched two years later in March 2012, instantly started to show its suitability for the Jamaican market and also its growth potential. Our initial focus was on delivering a solid Test Preparation experience for students sitting the GSAT and Caribbean Secondary Education Certificate (“CSEC”) exams. We then saw the opportunity to bring much needed innovation to the local education space and very quickly the gamification of our content along with the ease-of-use and engaging nature of our platform became strong selling points with our students.

COVID-19 PANDEMIC

The past nineteen (19) months have been challenging. The team and I wish to extend our sympathies to all who have been negatively affected by the COVID-19 pandemic. We extend our thanks to persons who are or have been on the front-lines in the fight against the virus. Without your effort, Jamaica would be in a terrible position. Finally I would like to express my personal encouragement to the policymakers and administrators who in my personal view, have had to make extremely difficult choices that will inevitably impact certain persons and sectors unevenly.

Undoubtedly the COVID-19 Pandemic has accelerated the move towards digitisation. We have witnessed this first hand as the EduFocal platform has seen a 2,000% increase in engagement in 2020 as we delivered live classes to more than 60,000 students over 3 months starting in March 2020. As at December 2020, the EduFocal suite of products has had participation from over 300 schools and 86,000 students. This accordingly has fed through to our financial performance which shows that for the year ended December 31, 2020 our revenue increased to J\$102.6 million from J\$26.9 million over the prior year.

The COVID-19 Pandemic has also caused many legacy brick and mortar businesses that rely upon footfall to seek to revise their business models to focus more on delivery of services over the internet. Our business does not rely upon a heavy property footprint as the vast majority of our assets are intangible. The 2020 Financial Statements shows our intangible assets to be valued at J\$31.9 million versus J\$1.06 million in property, plant and equipment.

PARTNERSHIPS

Although EduFocal is a private entity, we are acutely aware of our important public function. Even though we operate a for-profit business model, we do recognize that our stakeholders include not only paying students and their parents but also the Caribbean society as a whole. The fourth UN Sustainable Development Goal for the 2030 Agenda is to:

“Ensure inclusive and equitable quality education and promot[ion] of lifelong learning opportunities for all.”

We believe in this goal and have engaged constructively with the Ministry of Education and other public institutions, and non-governmental interests that share our commitment to achieving this goal. We are currently part of the Ministry of Education’s Pilot Programme for the delivery of PEP content to students who will return to school in a “*blended learning*” environment, which sees students learning both in person and also from home. We hope to continue our collaboration with public entities in the near future.

We have also received significant support from private financial interests. In particular, we have conducted several rounds of financing. Each round was anchored and led by Mayberry Investments Limited, the Lead Broker for this Invitation. In Section 11 of this Prospectus, we set out the precise changes to our share capital.

Our final financing was conducted earlier this year and was in the form of the issuance

of convertible preference shares. Those convertible preference shares will be converted immediately before the IPO. EduFocal is thankful for the support it has received from its early investors that invested at a stage in the Company's development when capital was not easy to obtain.

GROWTH

EduFocal has over the last three (3) years developed at a rate much faster than in previous years. There are additional growth opportunities in the Ed-tech space (including by creating a more immersive virtual experience using computer generated environments). I also believe there are significant growth opportunities from a regional perspective as well as within the Business to Business (B2B) sector.

The proceeds from this Invitation will be used to repay debt and for growth capital expenditure. For more information on the use of proceeds see Section 10.

HOW TO APPLY

We hope that prospective investors will join us in this exciting new phase of development. Those investors who are interested in subscribing for Shares should read the Prospectus in its entirety and then complete and submit the Application Form in accordance with the Application Guidelines set out in Appendix 1.

Yours sincerely,

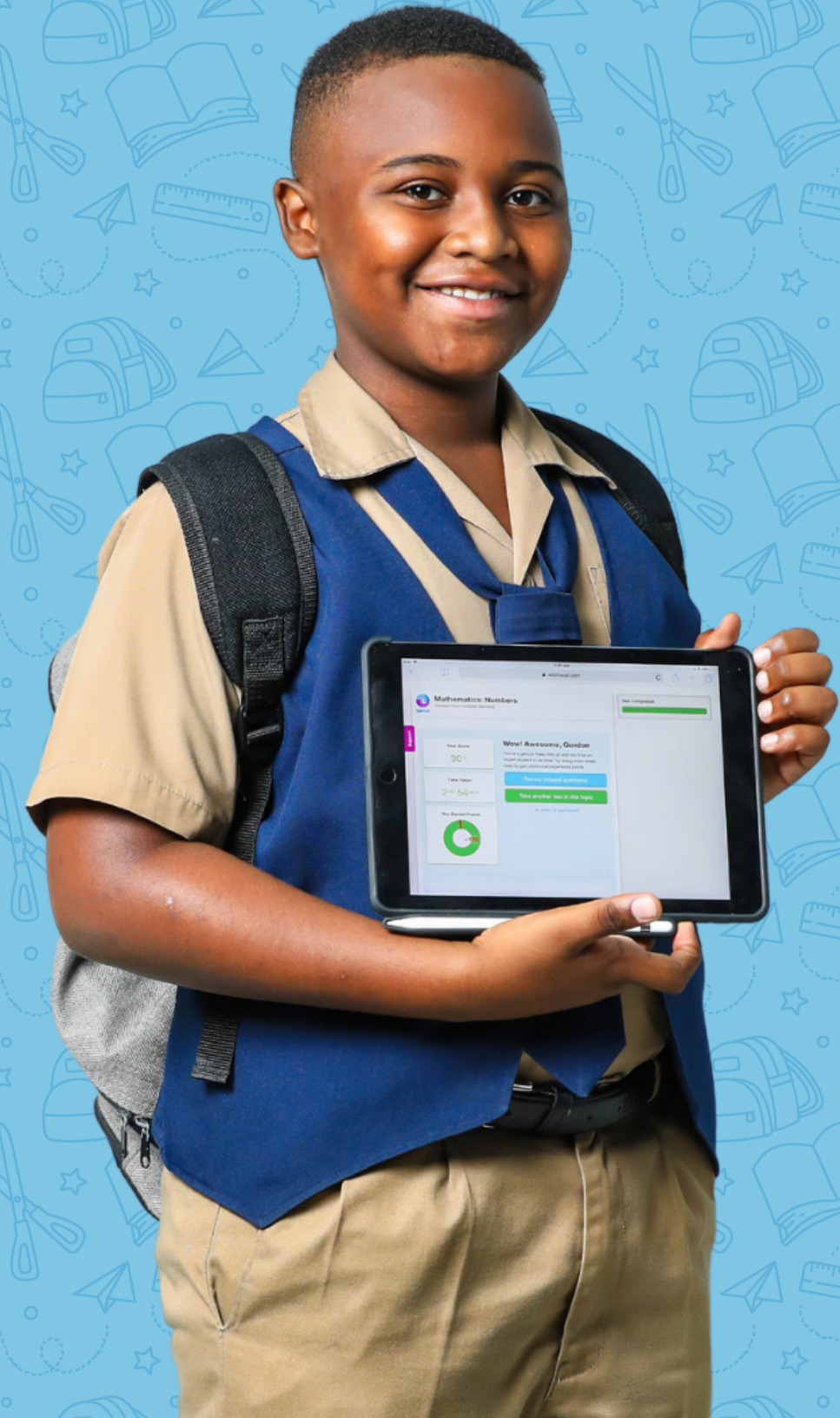
For and on behalf of the Company



/s/Gordon Swaby

Chief Executive Officer and Co-Founder

5. Summary of Invitation



The following summary information is derived from and should be read in conjunction with, and is qualified in its entirety by, the full text of this Prospectus, including the Appendices. Recipients are advised to read this entire Prospectus carefully before making an investment decision about the transactions herein. Each recipient's attention is specifically drawn to the Risk Factors in Section 7 of this Prospectus and the disclaimers at the beginning of this Prospectus. If you have any questions arising out of this Prospectus or if you require any explanations, you should consult your stockbroker, licensed investment advisor, attorney-at-law, accountant or other professional adviser.

Issuer: EduFocal Limited

Securities: Up to 129,689,219 Ordinary Shares

Invitation Price: J\$1.00 per Ordinary Share

Reserved Shares: 49,189,947 Ordinary Shares

Reserved Share Pool:

Reserved Share Pools:	Shares Available For Subscription
(a) Key Strategic Partners	35,947,717
(b) Lender's Option	13,242,230

Non-Reserved Shares: 80,499,272 Ordinary Shares

Key Dates:

- Registration of Prospectus with COJ: February 21, 2022
- Registration of Prospectus with FSC: February 23, 2022
- Publication of Prospectus: February 23, 2022
- Opening Date: 9:00 A.M. on March 3, 2022
- Closing Date*: 4:30 P.M. on March 17, 2022

*subject to the right of the Company to shorten or extend the subscription period in the circumstances set out in this Prospectus.

Application Guidelines: See Appendix 1 of this Prospectus

Application Procedures: See Sub-Section 8.3 of this Prospectus.

- Approved Payment Methods:**
- (i) Manager's cheque payable to the Applicant's stockbroker, Mayberry and/or any of the approved Selling Agents for amounts less than J\$1.0 million;
 - (ii) Cleared funds held in an equity/investment account in the Applicant's name at Mayberry supported by an authorization from the Applicant instructing Mayberry to transfer the payment to their JCSD account;
 - (iii) Transfer from the Applicant's account held with the Applicant's stockbroker;
 - (iv) Transfer in the Real Time Gross Settlement (RTGS) system to an account designated by Mayberry;
 - (v) Transfer via the Automated Clearing House (ACH) to an account designated by Mayberry.

Note that: A penalty of J\$5,000.00 is imposed by commercial banks in Jamaica in respect of cheques (including manager's cheques) tendered for payment in an amount greater than or equal to J\$1,000,000.00.

- Basis of Allotment:** Application Forms that meet the requirements set out in this Prospectus and the Application Guidelines in Appendix 1 will be accepted on a first come first served basis.
- Confirmation of Allotments:** All Applicants may refer to the confirmation instructions that will be posted on the JSE Website (www.jamstockex.com) within six (6) days of the Closing Date.
- Returned Applicants/Refunds:** Available for collection where originally submitted within 10 (ten) days of the Closing Date (or the extended Closing Date, as the case may be).
- Final Allotment and Admission of trading on JSE:** Within twenty-one (21) days of the Closing Date subject to the Ordinary Shares being admitted for listing by the Board of the JSE on the JSE.

*The Application List will close at 4:30 p.m. on the Closing Date of March 17, 2022, subject to the right of the Company to: (i) close the Application List at any time after 9:00 a.m. on the Opening Date of March 3, 2022 once the issue is fully sold and subscribed; and/or (ii) extend the Closing Date, subject to the provision of section 48 of the Companies Act. In either case, notice will be posted on the JSE Website (www.jamstockex.com).

**It is the intention of the Company to apply to the JSE for admission of the Shares to trading on the Junior Market of the JSE. The application for admission is dependent on the Company's ability to (i) raise at least J\$100,000,000 as a result of the Invitation made in the Prospectus and (ii) meet the criteria for admission set out in the Junior Market Rules. Please note that this statement of the Company's intention is not a guarantee that the Shares will in fact be admitted to trading on the Junior Market of the JSE.

6. Professional Advisers for the Invitation



Lead Broker

Mayberry Investments Limited
1½ Oxford Road
Kingston 5

Primary Contacts

Mr. Dan Theoc
(SVP-Investment Banking)
dan.theoc@mayberryinv.com
OR
Ms. Rachel Kirlew
(AVP-Investment Banking)
rachel.kirlew@mayberryinv.com

Mentor

Mrs. Tania Waldron-Gooden
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Baker Tilly
Chartered Accountants
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Kingston 10

Registrar and Transfer Agents

Jamaica Central Securities Depository
Limited
40 Harbour Street
Kingston

7. Risk Factors



7.1 In addition to other information set forth in this Prospectus, investors should consider carefully the risks described below before subscribing for Ordinary Shares in the Company. These risks are not the only ones facing investors. Additional risks, not presently known to the Directors, or that the Directors may presently consider immaterial, may also impair the Company's operations.

7.2 This Prospectus also contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated as a result of certain factors, including the risks faced by the Company described below and elsewhere in this Prospectus.

RISKS RELATING TO THE DATA PROTECTION ACT, 2020

7.3 The Data Protection Act, 2020 ("DPA") received the Royal Assent on July 10, 2020. In the ordinary course of business, we collect, process, store and use personal information and data supplied by students and/or their parents. Once the DPA comes into force, it will impose operational requirements for companies that receive and process personal data that are different from those previously in place. These changes are likely to result in increased compliance costs and could impact our business adversely. Additionally, the laws relating to data protection including the DPA are new and still being tested in the courts, and could be interpreted in ways which we may not have anticipated which could also harm our business.

7.4 The Company is confident that it will be able to adapt to any legal changes resulting from the DPA, and participates in periodic engagement with the stakeholders on the implementation of the DPA. The Company also has a Board member with legal expertise relating to the DPA.

RISKS RELATING TO INTELLECTUAL PROPERTY

- 7.5 Our most valuable assets are intangible intellectual property and our content, which are protected primarily by the laws on copyright. Jamaican copyright laws do not require registration thereunder for vesting of property rights, or prior to any enforcement action. The lack of use of a register creates a risk of unknown claims as no search of prior similar rights can be procured. Accordingly persons may (without merit) create problems for us by seeking to challenge our rights to use intellectual property owned or used by us, or may knowingly or unknowingly infringe or otherwise violate our intellectual property rights. We may be required to spend significant resources to monitor and protect our intellectual property rights, and the efforts we take to protect our intellectual property rights may not be sufficient to deter all infringement of these rights.
- 7.6 As part of this Invitation we have reviewed all of our intellectual property to ensure that it is either proprietary or we have an appropriate license which authorises our usage thereof. We also endeavor to monitor potential infringement of our intellectual property rights.

RISKS RELATING TO CYBERSECURITY

- 7.7 We collect and store certain personally identifiable information provided by our students and/or their parents. Although we take precautions to ensure the integrity of our platform and our network infrastructure, we may be susceptible to malicious cyber-attacks which result in interruptions in our service or loss of confidence in our ability to protect personal information.
- 7.8 Since its launch the launch, the Company has yet to suffer any cyber-security breaches. However we expect that, similar to most businesses that store personal

information, we will incur costs associated with the detection and prevention of cyber-security breaches and protecting the integrity of the platform. Even with those additional security costs we will not be able to prevent all cyber-attacks.

RISKS RELATING TO CHANGES IN TECHNOLOGY

- 7.9 Our future success depends on our ability to adapt and enhance our platform. To attract new learners and partners and increase revenue from existing learners and partners, we will need to continuously enhance and improve our offerings to meet student needs at prices that their parents are willing to pay. Such efforts will require adding new functionality and responding to technological advancements, which will increase our research and development costs.
- 7.10 Technology has thus far bolstered our business model. In particular our CEO and CTO keep abreast of technological developments and are members of key Edtech industry organisations that provide early visibility on the potential threat or benefit from technological advancements.

GENERAL RISKS RELATING TO CHANGES IN LAWS AND REGULATIONS

- 7.11 At present our business is not formally regulated. In future, legislation may be passed that provides for the business to be regulated, and this may require changes to the Company's current business model.

COVID-19 PANDEMIC

- 7.12 On March 11, 2020 the World Health Organisation declared that the novel coronavirus (SARS-COV-2), which causes the disease referred to as COVID-19 ("COVID-19"), had reached the status of a global pandemic (the "COVID-19 Pandemic"). The first instance of Covid-19 in Jamaica was detected in the same month.

- 7.13 The COVID-19 Pandemic and the measures adopted by the various governments (including the Jamaican government) to mitigate the spread of COVID-19 have had a material impact on Company's operating environment. Many educational institutions ceased in-person classes which resulted in increased reliance on E-learning.
- 7.14 The COVID-19 Pandemic has certainly increased the transition to delivery of digital services including educational services. We have experienced rapid revenue growth with revenues of J\$26.9 million in 2019 increasing to J\$102.6 million in 2020. Our results over the last nineteen (19) months may not be comparable to our prior historic years due to the effect of the COVID-19 Pandemic which has been a driver of adoption of our service. This growth may also not be sustained once there is a widespread return to in-person teaching.
- 7.15 At sub-section 14.2.14 we include a table showing the average revenue per user on the Company's platform.

OPERATIONAL RISKS

- 7.16 We are exposed to risk of loss resulting from inadequate or failed internal processes, people, or systems. Operational Risks also include:
- (a) systemic risk (including the risk of accounting errors, failure to procure appropriate controls and compliance failures);
 - (b) legal risk and reputation risk;
 - (c) employee errors, computer and manual systems failures, security failures, technological challenges; and
 - (d) fraud or other criminal activity.

TAX CONCESSION RISK

- 7.17 The Directors anticipate that the Company will benefit from a 10-year concessionary tax regime that starts from the date of listing. The remission of tax requires the Company to meet the ongoing Junior Market requirements for at least 15 years from the date of listing. Assuming that those conditions are met, in the Company's first 5 years on the Junior Market, the Company will not be liable to pay any corporate income tax. In years 6 to 10 on the Junior Market, the Company will be liable to pay corporate income tax at half of the usual rate. If the Company breaches the requirements, it may be liable to repay the tax that was remitted. The Company does not guarantee that the Shares will be listed or that the Company will meet the requirements associated with the concessionary tax regime.

RISKS RELATING TO MARKETABILITY OF THE SHARES

- 7.18 The Shares, if and when listed on the Jamaica Stock Exchange, may not be readily saleable and shareholders who may want to "cash-out" may not be able to do so or may only be able to do so at a discount.

RISKS RELATING TO USE OF LEVERAGE

- 7.19 At present the Company has used loan capital as the primary source of financing. As shown in the unaudited financial statements for the interim 9-month period ending September 30, 2021, Shareholders' Equity was J\$56.6 million, while Long Term loans were J\$23.6 million. Additionally, Current Liabilities amount to J\$100.4 million of which J\$63.1 million represents Short Term Loans.
- 7.20 The Company's ability to make payments on (or to refinance) indebtedness will depend upon its ability to generate cash from operations or to raise additional funding. The Company's operational performance is subject to general economic

conditions, financial, legislative and regulatory factors that are beyond its control. Consequently, there is a risk that the Company may not generate sufficient cash flow from operations, investment or financing to enable it to pay its indebtedness or to fund its other cash needs. In such a case the Company may need to sell assets, seek additional equity, reduce, restrict and/or delay the implementation of strategic business initiatives. There is also a chance that the Company may be declared bankrupt, become insolvent, liquidate or otherwise reorganise or restructure its indebtedness.

- 7.21 A significant portion of the proceeds from this Invitation will be used to repay indebtedness which will materially reduce the Company's leverage.

STOCK PRICE VOLATILITY

- 7.22 The trading price of the Shares may fluctuate significantly after the IPO and may continue to do so in the future. Some of the reasons for fluctuations in the price of the Shares include but are not limited to:
- (a) announcements of developments related to the Company's business;
 - (b) changes in interest rates;
 - (c) the issue of additional Shares or debt by the Company from time to time;
 - (d) general conditions in the economy, the local and/or international capital market(s);
 - (e) changes in the law regarding several matters including but not limited to taxation and the educational institutions; and
 - (f) changes in the Junior Market Rules.

- 7.23 In addition, prices on the Junior Market of the Jamaica Stock Exchange may be particularly subject to volatility. In many cases, the fluctuations may be unrelated to the operating performance of the affected companies. As a result, the price of the Shares could fluctuate in the future without regard to operating performance.

RISKS RELATING TO COMPETITION

- 7.24 Due to the COVID-19 Pandemic, the market for online delivery of services has accelerated. We are among the first movers in the local Edtech space. We also have strong partnerships with both public sector and private sector organisations. These factors give us a significant buffer from potential competition. Even so, other players may seek to enter this market. New entrants may be better funded than the Company, provide offerings similar to the Company's or have partnerships with public or private organisations that negatively impact the Company's growth.
- 7.25 Additionally, educational institutions, governments, and other organisations, may choose to develop their own online learning platforms and resources in-house. This could negatively impact the business. Over time we have confidence that our platform and its functionality can maintain current and potentially gain additional market share.
- #### **CHANGES IN ACCOUNTING RULES**
- 7.26 The Company may become subject to new accounting rules or standards that differ from those that are presently applicable. Such new accounting rules or standards could require significant changes in the way the Company currently reports its financial position, operating results or cash flows. Such changes could be applied retrospectively. This is a risk that is common to companies that apply International Financial Reporting Standards (IFRS), as required under the Jamaican Companies Act.

RISKS RELATING TO NEW COMPANIES

7.27 The Company was incorporated on November 19, 2010 as a limited liability company under the Jamaican Companies Act, 2004. The Company commenced operations on March 15, 2012. The Company is a relatively new company which is operated by a young team. As a result, we have a limited operating history and do not yet have in place the hardened bureaucracy and checks and balances which more mature companies have. Although that means that decision making is more streamlined and that the Company is nimbler, it also means that we may act too quickly without considering all risks or we may miss a step in carrying out the necessary formalities.

KEY PERSONNEL

7.28 It is very important that the Company retain appropriately skilled personnel, including Chief Executive Officer (CEO), Gordon Swaby and his Co-Founder and Chief Technical Officer (CTO) Paul Allen to manage the company which they both co-founded. The Company has entered into a Service Agreement with Mr. Swaby and Mr. Allen which ties them both to the Company.

7.29 In addition to Mr. Swaby and Mr. Allen, the Company will need to continue to attract qualified personnel. The competition for qualified personnel can be intense, as there are a limited number of people in Jamaica with the requisite knowledge and experience to meet the Company's requirements. The Company will need to attract and retain honest qualified personnel and failure to do so could have a material adverse impact on the development of its platform or its maintenance.

FOREIGN EXCHANGE RISK

7.30 The Company is exposed to foreign exchange risk arising from fluctuations in exchange rates on transactions and balances that are denominated in currencies

other than the Jamaican dollar.

7.31 The primary source of foreign exchange risk for the Company is in relation to US Dollars denominated cash and cash equivalents held in bank accounts, and certain payables also denominated in US Dollars.

CREDIT RISK

7.32 Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations to the Company. The Company's credit risk primarily arises from outstanding receivables from credit sales.

7.33 At this time, there are no specific concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

CONFLICT OF INTEREST

7.34. The Board of Directors is comprised of six members, two of whom (Gordon Swaby and Lloyd Swaby) are related to each other. There may be other conflicts of interest. Conflicts of interest have the potential to compromise customary internal controls and procedures.

7.35. The Company has a non-executive Chairman (the role is separate from the CEO), two (2) independent non-executive Directors, and Mrs. Tania Waldron-Gooden as a mentor. These governance arrangements should provide oversight and reduce the impact of some of the potential conflicts of interests.

8. The Invitation

8.1 General Information

8.1.1 The Company invites prospective investors to subscribe for up to 129,689,219 Ordinary Shares in the capital of the Company, subject to the terms and conditions of this Prospectus. The Ordinary Shares will, upon issue, rank *pari passu* in all respects with the Company's issued and fully paid ordinary shares.

8.1.2 The table below sets out the indicative allocation of the Invitation:

Description	Shares Available in the Invitation	Percentage of Invitation
Non-Reserved Shares/General Public	80,499,272	62%
Reserved Shares:		
(a) Key Strategic Partners	35,947,717	28%
(b) Lender's Option	13,242,230	10%
<u>Sub-Total of Reserved Shares:</u>	<u>49,189,947</u>	<u>38%</u>
Total:	129,689,219	100%

8.1.3 All the Shares are priced at the Invitation Price of J\$1.00 per Share payable in full on Application.

8.1.4 The Reserved Shares are initially reserved for applications from and subscription by Reserved Share Applicants. If any of the Reserved Shares comprising the Reserved Share Pool are not fully subscribed for by the Reserved Share Applicants within the respective pools, such Reserved Shares will be allocated, and made available, to the Non-Reserved Share Pool and form part of the Shares available for allotment to Non-Reserved Share Applicants.

8.2 Timing

8.2.1 The Subscription List will open at 9:00 a.m. on March 3, 2022 (the “Opening Date”) and will close on March 17, 2022 at 4:30 p.m. or such other date as may be fixed by the Board (the “Closing Date”), subject to the Company’s right to close the Subscription List at any time without notice if Applications have been received for the full amount of the Shares, the subject of the Invitation. Applications are due within the period commencing on the Opening Date and ending on the Closing Date.

8.2.2 The Invitation will close at 4:30 p.m. on the Closing Date subject to the right of the Company to: (a) close the Invitation at any time after it opens at 9:00 a.m. on the Opening Date once the Invitation is fully subscribed; or (b) extend the period during which the Invitation will remain open for any reason, provided that such period does not extend beyond the expiration of 40 days after the publication of this Prospectus for the purposes of section 48 of the Companies Act. In the case of the extension of such period or an early closing, notice will be posted on the JSE Website at www.jamstockex.com.

8.2.3 Subject to the provisions in this Prospectus, the Company reserves the right to extend the period during which the Invitation will remain open. An announcement will be made by the Company informing of the allocation of Shares to successful Applicants within six (6) days of the Closing Date.

8.3 Application Procedures and Terms and Conditions of Invitation

8.3.1 Applications must be made in accordance with the Application Guidelines set out at Appendix 1 of this Prospectus

8.3.2 Each Applicant must have provided:

- (i) For all individual Applicants, a copy of: (i) valid identification (Driver’s Licence, Passport or National Identification (ID)); and (ii) in the case of Reserved Share Applicants, a Relevant ID (if applicable), or such other relevant information as may be required to confirm eligibility as a Reserved Share Applicant;
- (ii) Copy of Taxpayer Registration Number card for all Applicants resident in Jamaica; and
- (iii) Evidence of payment for the full amount of the Invitation Price payable for the Shares applied for, using an Approved Payment Method, along with the JCSD processing fee of J\$172.50.

8.3.3 Each Application for Shares must be for a minimum of 1,000 Shares and amounts above this shall be in multiples of 100 Shares.

8.3.4 Payment for the full amount of the Invitation Price for the Shares applied for must be remitted to the Lead Broker or Selling Agent, as the case may be, to which the

Application Form has been submitted.

8.3.5 An **Approved Payment Method** shall be any of the following:

- (i) Manager's cheque payable to the Applicant's stockbroker, Mayberry and/or any of the approved Selling Agents for amounts less than J\$1.0 million;
- (ii) Cleared funds held in an equity/investment account in the Applicant's name at Mayberry supported by an authorisation from the Applicant instructing Mayberry to transfer the payment to their JCSD account;
- (iii) Transfer from the Applicant's account held with the Applicant's stockbroker;
- (iv) Transfer in the Real Time Gross Settlement (RTGS) system to an account designated by Mayberry
- (v) Transfer via the Automated Clearing House (ACH) to an account designated by Mayberry.

A penalty of J\$5,000.00 is imposed by commercial banks in Jamaica in respect of cheques (including manager's cheques) tendered for payment in an amount greater than or equal to J\$1,000,000.00.

8.3.6 Each Applicant acknowledges and agrees that:

- (i) he/she has been afforded a meaningful opportunity to review the Prospectus (including the terms and conditions in this Section 8), and to gather and review all additional information considered by him/her to be necessary to verify the accuracy of the information contained in this Prospectus;
- (ii) he/she has not relied on the Company or any other persons in connection with his/her investigation of the accuracy of such information or his/her investment decision; and
- (iii) no person connected with the Company has made any representation concerning the Company or this Prospectus not contained in this Prospectus, on which the Applicant has relied on in submitting his/her Application Form.

8.3.7 Applicants will be deemed to have accepted the terms and conditions of this Invitation and any other terms and conditions set out in this Prospectus.

8.3.8 All Application Forms will be time stamped for processing in the order in which they were received. Application Forms that meet the requirements set out in this Prospectus will be accepted on a first come first served basis. Early Applications will be received, but not processed until the Opening Date. All early Applications will be treated as having been received at the same time, being 9:00 a.m. on the Opening Date.

8.3.9 For the purposes of paragraph 8.3.8 above, the Company in their sole discretion, may:

- (i) accept or reject any Application Form in whole or part without giving reasons, and neither they (nor any of them) nor the Company shall be liable to any Applicant or any other person for doing so;
 - (ii) allot Shares to Applicants on a pro rata or other basis if the Invitation is oversubscribed prior to the closing of the Subscription List; and
 - (iii) treat multiple applications by any person (whether in individual or joint names) as a single application.
- 8.3.10 Neither the submission of an Application Form by an Applicant nor its receipt by the Company will result in a binding contract between the Applicant and the Company. Only the allotment of Shares by the Company to an Applicant (whether such Shares represent all or part of those specified by the Applicant in his/her Application Form) will result in a binding contract under which the Applicant will be deemed to have agreed to subscribe for the number of allotted Shares at the Invitation Price, subject to these terms and conditions.
- 8.3.11 The Board, in their sole discretion, may accept (in whole or in part) or reject, in whole or in part, any Application to subscribe for Shares, even if the Application is received, validated and processed. Accordingly, the number of Shares allocated to you may be reduced.
- 8.3.12 Successful Applicants will be allotted Shares for allotment to their account in the JCSD specified in their Application Form. Applicants may refer to the confirmation instructions that will be posted on the JSE Website (www.jamstockex.com) after the Closing Date.

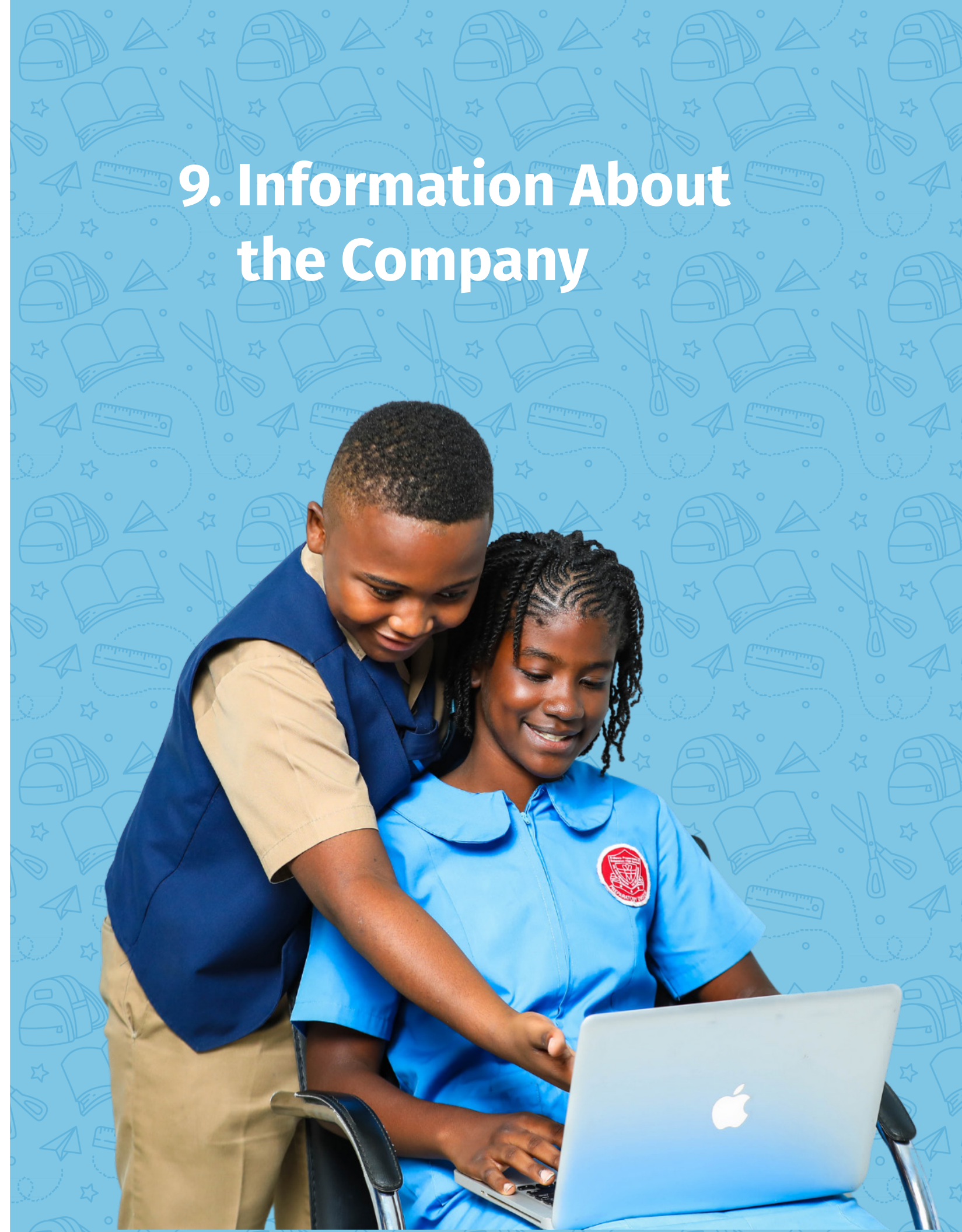
- 8.3.13 The Company will return cheques for the amounts refundable to Applicants whose Application Forms are not accepted, or whose Application Forms are only accepted in part, to the Applicant's address shown in the Application Form within ten (10) days after the Closing Date (or the extended Closing Date, as the case may be). If an Applicant so indicates on his Application Form, the refund cheque will be sent to Mayberry for collection by the Applicant (or the first-named joint Applicant) stated in the Application Form. Please note that the JCSD processing fee of J\$172.50 (inclusive of GCT) will not be refunded to an Applicant in the event that the Company refunds payments received for Shares.
- 8.3.14 If the Invitation is oversubscribed, it is likely that the Shares will be allocated on a *pro rata* basis, in which event Applicants may be allotted fewer Shares than were the subject of their Applications. However, the Company (in the event of oversubscription) reserves the right to allot Shares on an alternative basis to be determined in its sole discretion including allotting a minimum of Shares to each Applicant and then allocating the excess on a *pro rata* basis or on such alternative basis as seems justifiable having regard to fairness and efficacy.
- 8.3.15 Applicants must be at least 18 years old.

8.4 Additional Information on Reserved Share Pools

- 8.4.1 The Directors have created the following Reserved Share Pools:
- (a) Key Strategic Partners – 35,947,717 Ordinary Shares
 - (b) Lender's Option - 13,242,230 Ordinary Shares

- 8.4.2 All Reserved Shares are being offered at the Invitation Price of J\$1.00. Furthermore, if any of the Reserved Shares within any of the reserved pools are not fully subscribed for by the Reserved Share Applicants, such Reserved Shares will be allocated, and made available, to the Non-Reserved Applicants (this being the General Public).
- 8.4.3 In regards to the Key Strategic Partners Reserved Shares, the Directors believe that the 35,947,717 Ordinary Shares reserved for Key Strategic Partners will bring in potential investors that will adopt a longer-term perspective with regard to their shareholding in the Company. This in turn should assist with alignment of interests and more importantly with stabilising the Company's stock price in the sensitive period immediately after listing. This is among the reasons for the allocation to Key Strategic Partners including the Lead Broker, Mayberry.
- 8.4.4 In the case of the Lender's Option Reserved Shares, Roots Financial Group Limited have pursuant to a Loan Agreement dated March 9, 2021 exercised an option to convert J\$13,242,230 of the debt owed by EduFocal to ordinary shares in the Company at an Invitation Price of J\$1.00.

9. Information About the Company



9.1 Overview of the Company

9.1.1 EduFocal Limited (the “Company” or “EduFocal”) was incorporated on November 19, 2010 and commenced operations on March 15, 2012. Our operations are divided into 2 divisions, **Learn** and **Business**. Under the Learn division, the Company is one of Jamaica’s leading providers of educational technology in the Business to Consumer space (B2C) and more recently via our Business division, the Company offers Business to Business (B2B) solutions.

9.2 The Company’s Businesses

(a) EduFocal Learn

9.2.1 EduFocal Learn encompasses the Company’s core business offering which is focused on providing a social learning platform that combines study with play.

9.2.2 The Company’s primary offering is focused on test preparation for Jamaica’s Primary Exit Profile (PEP) exams, previously known as the Grade Six Achievement Test (GSAT).

9.2.3 In September 2020, the Company launched the EduFocal Academy product which entailed a full-day learning programme.

9.2.4 The Company’s content is delivered over its proprietary e-learning platform, for which it will charges a monthly subscription fee on a per member basis.

(b) EduFocal Business

9.2.5 This division was launched in 2020. It is focused on delivering organisation or

industry specific e-learning content using the Company’s platform architecture and know-how.

9.3. Litigation

9.3.1 As at the date of this Prospectus, there is no material litigation, arbitration, or similar proceedings pending or threatened against the Company as defendant nor is the Company a claimant to any material litigation.

9.4 Further Information

9.4.1 For more detailed information on the Company and its business see Section 14 Management Discussion & Analysis.

10. Use of Proceeds

- 10.1 The Company is conducting this Invitation which if successful will see all net proceeds going into the Company. If the Invitation is successful in raising the minimum J\$100 million and the Company's admission to the Junior Market is effected, net proceeds (after payment of transaction costs) will be used to repay short term loans and invest in product development, and for expansion. The current proposed initiatives for expansion including improving platform efficiency, developing a range of quality new products and features, and expansion into new markets including the North American market.
- 10.2 The Company estimates that:
- (a) the transaction costs will amount to J\$12,000,000 (inclusive of brokerage fees, legal fees, auditor's and accounting fees, registrar fees, listing fees and General Consumption Tax);
 - (b) approximately J\$42,000,000 will be used towards the repayment of short term debt; and
 - (c) approximately J\$62,446,989 will be used towards expansion in new markets including by way of acquisition opportunities.

11. Capital Structure

11.1 Authorised Share Capital

- 11.1.1 On November 19, 2010, the Company was incorporated with an authorised share capital of 3,000 ordinary shares.
- 11.1.2 On June 16, 2020, the Company increased its authorised share capital to 18,373,000 ordinary shares. In contemplation of this Invitation the Company further increased its authorised share capital to unlimited shares.

Date	Authorised Share Capital
November 19, 2010	3,000
June 16, 2020	18,373,000
January 1, 2021	Unlimited

11.2 Issued Ordinary Shares

(a) Initial Subscription

- 11.2.1 The initial subscriber at incorporation was Mr. Gordon Swaby, the chief executive officer and a co-founder of the Company who subscribed for 2,000 ordinary shares at a price per share of J\$1.00.

(b) 2020 Share Capital Re-organisation

- 11.3.1 On June 16, 2020, the Company sub-divided each of the issued ordinary shares into 4,187.5 ordinary shares. Accordingly, Mr. Gordon Swaby's shareholding went from 2,000 ordinary shares to 8,375,000 ordinary shares.

(c) 2020 Offer for Sale

11.3.2 On June 19, 2020 Mr. Gordon Swaby conducted an offer for sale of 1,300,000 ordinary shares at a price of J\$8.62 as follows:

Date	Purchaser	Shares Sold by Gordon Swaby	Value
June 19, 2020	Widebase Limited	1,300,000	J\$11,206,000

(d) 2020 Share Issuance

11.3.3 The Company also conducted a pre-IPO private placement sale of 1,625,000 newly-issued ordinary shares in June 17, 2020 as follows:

Subscriber	Purchase Price	Shares
Maxwell Jardim	US\$9,988.35	216,667
David Wallcott	US\$16,980.15	368,333
Andrew Pairman	US\$17,979	390,000
Peter Levy	US\$29,965	650,000
Total: US\$74,912.50		Total: 1,625,000

11.3.4 On January 1, 2021 the Company conducted an issuance of shares at a price per share of US\$0.909 per share as follows:

Purchaser	Shares Sold by Company
Paul Allen	1,250,000
Marc & Cheyenne-Kari Gayle	324,000
Kirk-Anthony Hamilton	120,000
Michael & Paulette Gayle	56,000
	1,750,000

11.3.5 Also on January 1, 2021, Gordon Swaby surrendered 1,750,000 ordinary shares that he held in the Company, reducing his holding to 5,325,000 ordinary shares in the Company.

(e) 2021 Share Capital Re-organisation

11.3.6 On September 1, 2021 the Company sub-divided each of the existing ordinary shares into 45 ordinary shares. Accordingly, the table below sets out the shareholdings after the sub-division:

	Shareholder	Pre-Split Shareholding	Post-Split Shareholding
1.	Gordon Swaby	5,325,000	239,625,000
2.	Widebase Limited	1,300,000	58,500,000
3.	Paul Allen	1,250,000	56,250,000
4.	Peter Levy	650,000	29,250,000
5.	Andrew Pairman	390,000	17,550,000
6.	David Walcott	368,333	16,574,985
7.	Marc & Cheyenne-Kari Gayle	324,000	14,580,000
8.	Max Jardim	216,667	9,750,015
9.	Kirk-Anthony Hamilton	120,000	5,400,000
10.	Michael & Paulette Gayle	56,000	2,520,000
	Total:	10,000,000	450,000,000

11.4 The Convertible Preference Shares

11.4.1 During the third quarter of 2021, the Company closed the Convertible Preference Share financing. The Convertible Preference Shares terms include mandatory conversion to ordinary shares in the event of an IPO.

11.4.2 The conversion will take place prior to the completion of the IPO. The conversion rate agreed is calculated by the following formula:

$$X = Y \div 0.90900000909$$

Where: "X" is the Number of ordinary shares Post Conversion, and "Y" is the Number of Convertible Preference Shares Held

11.4.3 The table below sets out the details of the conversion:

Issue Date	Convertible Preference Shareholder	Number of Convertible Preference Shares	Value of Convertible Preference Shares	Ordinary Shares Resulting from Conversion
1. June 28, 2021	Widebase Limited	25,000,000	J\$25,000,000	27,502,750
2. June 15, 2021	Peter Levy	10,000,000	J\$10,000,000	11,001,100
3. May 27, 2021	Randy Rowe	20,000,000	J\$20,000,000	22,002,200
	Total:	55,000,000	J\$55,000,000	60,506,050

11.5 Pre-Invitation Transactions

11.5.1 Prior to this Invitation on September 1, 2021 Mr. Gordon Swaby, transferred from his shareholding, 4,950,495 ordinary shares to Mr. Kirk-Anthony Hamilton and 1,650,165 ordinary shares to Dr. David Walcott in settlement of personal obligations. The effect of these transactions is to reduce Mr. Swaby's shareholding by 6,600,660 ordinary shares to 233,024,340 ordinary shares and to increase Mr. Kirk-Anthony Hamilton's to 10,350,495 ordinary shares and Dr. David Walcott's to 18,225,150 ordinary shares.

Date	Transferor	Transferee	Ordinary Shares Transferred
September 1, 2021	Gordon Swaby	Kirk-Anthony Hamilton	4,950,495
September 1, 2021	Gordon Swaby	David Walcott	1,650,165

11.5.2 On September 1, 2021 the Company issued 8,250,825 newly-issued ordinary shares to Dr. David Walcott in consideration for the settlement of all amounts outstanding under the loan extended by Dr. David Walcott to the Company for US\$50,000. Accordingly Dr. David Walcott's final pre-IPO shareholding is 26,475,975 ordinary shares.

Date	Subscriber	Ordinary Shares Issued
September 1, 2021	David Walcott	8,250,825

11.5.3 The overall effect of the pre-Invitation transactions is as follows:

Shareholder	Shareholding Prior to pre-Invitation Transactions (% of fully diluted pre-IPO issued share capital)	Shareholding Post pre-Invitation Transactions (% of fully diluted pre-IPO issued share capital)
Gordon Swaby	239,625,000 (46.19%)	233,024,340 (44.92%)
David Walcott	16,574,985 (3.20%)	26,475,975 (5.10%)
Kirk Anthony Hamilton	5,400,000 (1.04%)	10,350,495 (2.00%)

11.6 Fully-Diluted Pre-IPO Shareholdings

11.6.1 Including the impact of the Convertible Preference Share conversion, the fully diluted pre-IPO shareholding is as follows:

	Shareholder	Shareholding	Percentage
1.	Okgosh Limited ³	233,024,340	44.92%
2.	Widebase Limited ⁴	86,002,750	16.58%
3.	Matrix Ventures Limited ⁵	56,250,000	10.84%
4.	Peter Levy	40,251,100	7.76%
5.	David Walcott	26,475,975	5.10%
6.	Randy Rowe	22,002,200	4.24%
7.	Andrew Pairman	17,550,000	3.38%
8.	Marc & Cheyenne-Kari Gayle	14,580,000	2.81%
9.	Kirk-Anthony Hamilton	10,350,495	2.00%
10.	Max Jardim	9,750,015	1.88%
11.	Michael & Paulette Gayle	2,520,000	0.49%
	Total:	518,756,875	100.00%

11.6.2 As such, pre-IPO the Company has an unlimited authorized share capital, with a total of 518,756,875 ordinary shares in issue and 55,000,000 in Convertible Preference Shares.

11.7 Post-IPO Shareholdings

11.7.1 Assuming the IPO is fully subscribed and all Reserved Pools are taken up, the relative post-IPO categories of Shareholders will be as follows:

³Okgosh Limited is a company limited by shares incorporated under the laws of Jamaica that is controlled by Mr. Gordon Swaby, a co-founder of EduFocal and its Chief Executive Officer

⁴Widebase Limited is an associate of Mayberry Investments Limited.

⁵Matrix Ventures Limited is a company limited by shares incorporated under the laws of Jamaica that is controlled by Mr. Paul Allen, a co-found of EduFocal and its Chief Technology Officer.

Description	Ordinary Shares	Percentage of Invitation
Existing Ordinary Shareholders	518,756,875	80.0%
Non-Reserved Shares/General Public	80,499,272	12.4%
Reserved Shares	49,189,947	7.6%
Total:	648,446,094	100%

11.7.2 If this Invitation is fully subscribed the Shareholdings will be as follows:

Description	Ordinary Shares	Amount Paid in Capital (J\$)
Existing Ordinary Shareholders	518,756,875	10,345,452
Non-Reserved Shares/General Public	80,499,272	80,499,272
Reserved Shares:		
(a) Key Strategic Partners	35,947,717	35,947,717
(b) Lender's Option	13,242,230	13,242,230
Sub-Total of Reserved Shares:	49,189,947	49,189,947
Total:	648,446,094	J\$140,034,671

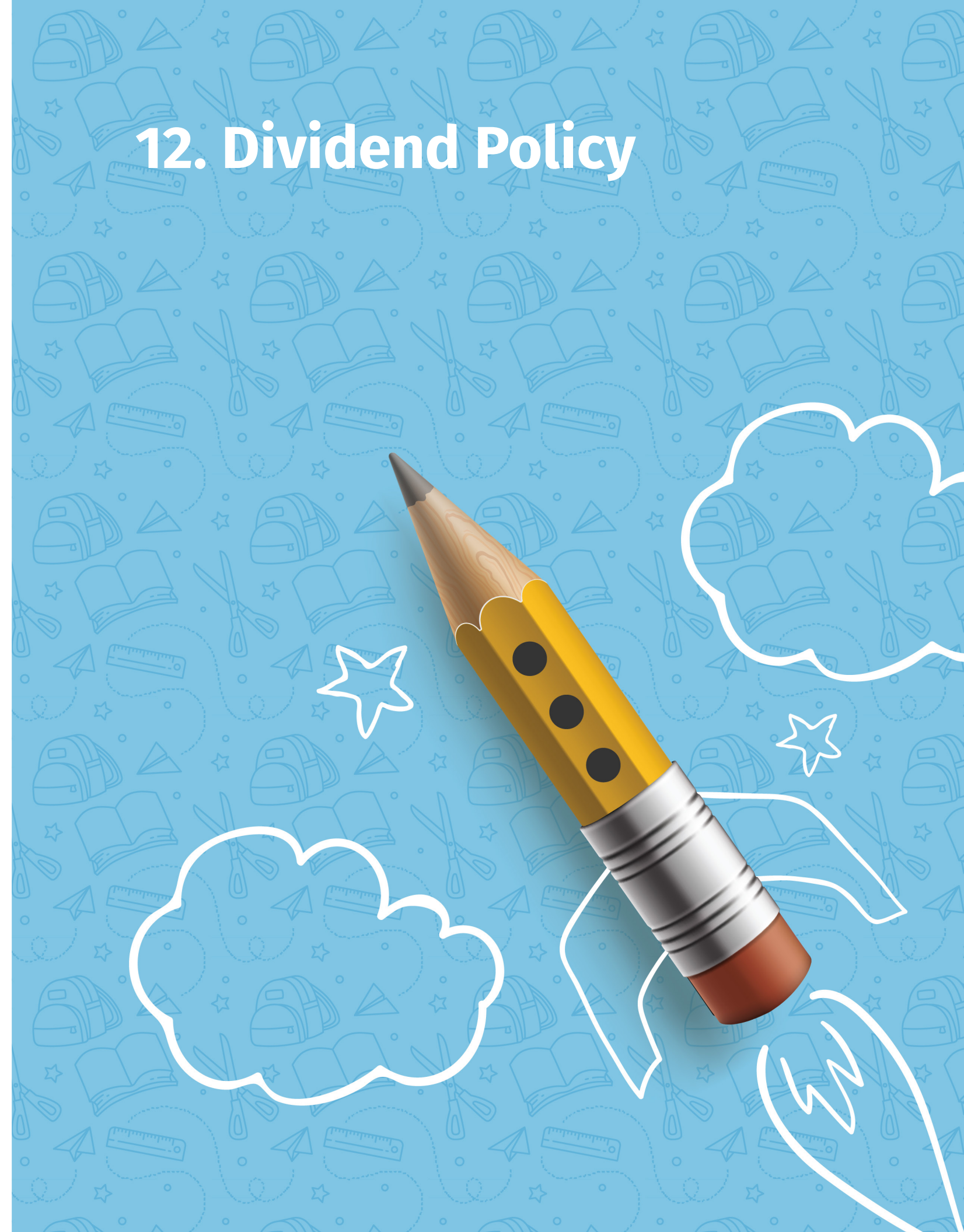
11.8 Material Indebtedness

11.8.1 As at September 30, 2021 the outstanding material indebtedness of the Company is as follows:

Lender	Principal Owning	Interest Rate	Form of Loan	Repayment Terms	Security	Maturity
Roots Financial Group Limited	J\$50,000,000	8.50% p.a.	Term Loan	Interest only; Principal due in twelve (12) months Lender has option on an IPO to convert part of the debt at the Invitation Price	Charge Over Shares and Assignment of Receivables	March 2022
National Commercial Bank Jamaica Limited	J\$801,488	10.00% p.a	Term Loan	Amortised loan payable monthly over 72 installments.	Mortgage over commercial property located in Christiana	June 2022
JMMB Bank (Jamaica) Limited	J\$25,567,129	9.00% p.a.	Demand Loan	Amortised loan payable monthly over 120 installments	Personal guarantees from: (i) Gordon Swaby (ii) Lloyd Swaby (iii) Olivene Swaby And Second Legal Guarantor's Mortgage over commercial property located in Christiana	August 2030

11.8.2 Roots Financial Group Limited exercised its option under the Loan Agreement dated March 9, 2021 to convert J\$13,242,230 of the debt owed by EduFocal into ordinary shares at the Invitation Price of J\$1.00 per share. This amount has been reserved for Roots Financial as to the Lender's Option Reserve Shares.

12. Dividend Policy



- 12.1 The Company is still in the growth stage as it continues to expand and develop its platform and services. However the Company's revenue streams are recurring in nature and the Board expects that the Company will perennially have excess profits over and above its reinvestment needs. Based on that expectation the Company has adopted a dividend policy targeting a pay-out not exceeding twenty-five per cent (25%) of net profits after tax. The Company's dividend policy is subject to the Company's reinvestment needs including investment its platform and the availability of sufficient distributable reserves for each financial year.
- 12.2 The Company reserves the right to revise its dividend policy as the need arises.

13. The Board of Directors, Senior Management and Their interests in the company



13.1 Board of Directors of the Company

13.1.1 Brief biographical details of the Directors of the Company are set out below. The Directors' addresses are set out in paragraph (c) of Sub-Section 18.1 hereto.



Peter Levy
Chairman, Non-Executive Director

Peter Levy is the Managing Director of British Caribbean Insurance Company Limited ("BCIC"). Through his strong leadership and customer-centric approach he has led BCIC to being the most profitable general insurance company in Jamaica in 2017 as well as in 2019. Peter is a Chartered Insurance Professional with over thirty (30) years of experience in Jamaica's general insurance industry.

In 2013, Peter was appointed Vice-President of the Insurance Association of Jamaica (IAJ) and chaired the IAJ's General Insurance Committee. From 2018-2020 he was the President of the IAJ and continues to serve on their Board of Directors.

Since 2012 Peter has served as the Chairman of the Board of Directors of EduFocal.



Gordon Swaby
Chief Executive Officer, Co-founder

Mr. Gordon Swaby co-founded EduFocal in 2010. Since incorporation and up to the present time he has acted as Chief Executive Officer of the Company. Gordon's work with EduFocal and in the education sector in Jamaica has received international acclaim. In 2016 the British Broadcasting Corporation (BBC) recognized EduFocal and Gordon as "Digital Disruptors" and created a short documentary which aired on BBC's networks.

Gordon's work in the education sector has also been recognised locally including as a recipient of the prestigious Governor General's Award. Gordon is a director of various public sector organisations including the Jamaica Library Service and E-Learning Jamaica Limited.



Grace Lindo
Independent, Non-Executive Director

Grace Lindo is a commercial and intellectual property lawyer who now practices at the law firm, Carter Lindo Her practice covers intellectual property, technology and technology transactions, e-commerce, trade, regulatory matters, cybersecurity, data protection, corporate governance and mergers & acquisitions. A Chevening Scholar, she attended the London School of Economics and Political Science (LSE) from which she obtained a Master

of Laws (LL.M) in Competition, Trade and Innovation with a focus on technology regulation. Grace holds a Bachelors of Arts in Media and Communications and a Bachelors of Laws from the University of the West Indies.

Since 2014 Grace has been consistently ranked as a leading trademark professional in the Caribbean by the World Trademark Review (WTR). She is a Certified Information Privacy Professional (CIPPE), and was an ICANN (Internet Corporation for Assigned Names and Numbers) Fellow for the years 2017-2019, an honour which has seen her contribute to global internet and technology policy through the ICANN network. She currently sits on the Legislation and Regulations Committee of the Jamaica Chamber of Commerce as well as the Commercial and Intellectual Property Committees of the Jamaican Bar Association.



Shauna Fuller Clarke
Independent, Non-Executive Director

Shauna is a seasoned senior executive both at a strategic and operational level. With 20 years' experience, she has a strong background in leadership development, organisational change and managing complex projects. Shauna not only works in the corporate arena, she has worked with NGOs and governments which has allowed her to engage on numerous global platforms, including holding an audience of the Female Parliamentarians of COPA, students at Stanford University and the Aspire Reimagination Conference.

Shauna is the Founder of Innovative CEO Academy. She is also the co-owner of Kingston Bookshop, a family business, where she serves as Director of Strategy and Innovation.

Shauna is a keynote speaker on leadership, strategic agility, innovation and organisational culture.

In the non-profit world, she holds the position of Founder and Executive Director of the B.A.S.E. Foundation which is focused on raising awareness and providing support to those affected by Endometriosis.

Shauna has a BSc in Economics and Politics (University of Bristol, UK), a Masters in Business Administration (University of New Orleans, USA) and a Sloan MSc in Leadership and Strategy (London Business School, UK).



Kevin Donaldson
Independent, Non-Executive Director

Kevin has over 17 years' experience in the financial industry, spanning several areas of the industry such as Insurance, Investment Banking, Treasury and Research at both the local and international level.

Kevin has an MBA (distinction) in Banking and Finance from Mona School of Business, and a BSc in Economics from the University of the West Indies. He is a Director of Elite Diagnostics Limited, Indies Pharma Jamaica Limited, WiPay Caribbean Ltd and Others.

Kevin is also a co-founder and director of Roots Financial Group Limited ("Roots Financial").

Roots Financial is a lender to EduFocal pursuant to a loan agreement dated March 9, 2021.

That loan agreement granted Roots Financial the option to convert part of its debt to ordinary shares at the Invitation Price of J\$1.00. See sub-section 11.8.2 for more details.



Lloyd Swaby, JP
Non-Executive Director

Mr. Lloyd Swaby is an entrepreneur with over thirty-five (35) years of experience, starting and managing businesses. He also has extensive knowledge and experience in retail and commercial real estate.

Lloyd is an active member of the Manchester community, spearheading various initiatives to “build up” Manchester and its environs.

He is a past President of the Rotary Club of Christiana and a Justice of Peace.

13.2 Company Secretary

The Company Secretary is Aspiresec Limited. Aspiresec Limited is a company incorporated under the laws of Jamaica with its registered office located at 8 Lady Musgrave Road, Saint Andrew Jamaica.

13.3 Corporate Governance

The Board has three (3) committees. The members of each committee of the Board are as follows:

Audit Committee	Remuneration Committee	Corporate Governance Committee
Kevin Donaldson (Chairman)	Peter Levy (Chairman)	Shauna Fuller Clarke (Chairman)
Grace Lindo	Kevin Donaldson	Grace Lindo
Shauna Fuller Clarke	Lloyd Swaby	Gordon Swaby

13.4 Senior Managers of the Company

13.4.1 Brief biographical details of the Senior Managers of the Company are set out below.



Paul Allen
*Chief Technology Officer and
Co-founder*

Paul Allen is the Chief Technology Officer (“CTO”) and a Co-Founder of EduFocal Limited. He is one of the primary individual contributors to the EduFocal technology platform. Today, he oversees Product and Engineering decisions and works closely with other managers and staff in running the Company day-to-day.

Paul has been a member of several technology startup teams in Jamaica and the USA over his fifteen-year career as a software engineer. He has developed expertise in private and public sector roles spanning e-commerce, banking, digital media, marketing, data warehousing and social services.

He has mentored many young engineers into thriving careers and is an active member of the local tech startup scene where he takes pride in working with new companies looking to break the mould in the industry.

Paul has a Bachelors of Science degree in Management Information Systems from Excelsior Community College and is actively learning Spanish, French, and German. He is also fond of reading math textbooks in his spare time.



Kayone Haynes-Burke
Chief Financial Officer (Consulting)

Kayone has over 10 years’ experience in accounting. She currently oversees the financial reporting and accounting operations for EduFocal Limited. Prior to joining EduFocal, she honed her accounting expertise as Group Financial Controller at Mayberry Investments Limited, Senior Analyst at Guardsman Group and Accountant – Financial Reporting at First Global Bank. Mrs. Burke joined EduFocal as consulting CFO on July 19, 2021.



Calais Hayden
Human Resources Director

Calais Hayden is a certified Human Resources Professional with over 13 years of progressive experience in the HR field. Her experience spans fast-moving consumer goods (FMCG), media and agricultural sectors. She holds a BSc in Human Resources Management from the University of the West Indies, Mona. She has proven experience in managing organisations through change, developing and streamlining policies and procedures.



Nicola Chambers
Program Director

Nicola Chambers is responsible for the creative conceptualization and operational strategy of our daily live programmes. She works closely with our Principal, teachers, content creators and engineering team to deliver successful learning projects. She previously served as the Content Manager, overseeing the curation and deployment of the content on our platform.

Ms. Chambers is a graduate of the University of the West Indies with a Bachelors Degree in English Literature. She is an avid reader and frequently enjoys more than one hundred novels per year.



Kristy Fernandez
Principal

Kristy Fernandez is the principal of EduFocal Academy and has been in the world of education officially since 2007 (unofficially a few years before that). Kristy's first degree is in Spanish and it has always been her first love. At both levels, she was introduced to the world of curriculum design and writing, developing her own Early Childhood Curriculum for Spanish.

From there, she pursued an Educational Specialist (EdS) degree in Curriculum, Instruction and Professional Development (CIPD). Kristy worked on an early childhood curriculum project at UWI, Reach Up and Learn, which focused on educational play and its use in developing countries where she was responsible for developing curriculum materials, training manuals and traveling to stakeholder countries, such as Brazil, to train health care workers to use the program.



Chelsea Taylor
Director of Operations

Chelsea Taylor is the Project and Operations Manager at EduFocal Limited. Despite being with us for just over a year, she plays a key role in assisting the CEO with the development and execution of business strategies, as well as the management of daily company operations and projects. She has over five (5) years international experience in the operations and project management field and comes prepared with a smile and a can-do attitude.

Chelsea holds a Master of Arts Degree from the University College of London in Educational Planning, Economics and International Development. Her research focused on the social, socio-economic and socio-political impact of academic underachievement of Jamaican males. Chelsea's passion for education and philanthropy has fueled her desire to start a charity that involves working alongside the prison system in Jamaica to facilitate rehabilitation through the education of inmates.



Sasha-Kae Hudson
Chief Instruction Director

Sasha-Kae Hudson has seven (7) years of experience in the Learning and Development industry, having started her journey in 2014, just one (1) year after completing her Bachelor of Laws at the University of Technology, Jamaica. She holds several certifications, ranging from Instructional Design, Talent Management and The Future of Workplace Learning, that she has used to build on her knowledge of applying advanced Learning Technologies to Corporate Learning and Development programmes.

Sasha-Kae joined EduFocal in October 2020 in the capacity of Chief Instructional Designer, where she leads the conceptualization of novel eLearning projects; and does significant research to ensure the Company operates in alignment with current global learning technology trends.

13.4.2 The Board of Directors and the Remuneration Committee of the Board, expect to appoint a permanent CFO by the end of Q2 2022. Mrs. Haynes-Burke, our consulting CFO, is among the candidates being considered for permanent CFO.

13.5 Shareholdings of Directors and Senior Managers

Prior to the Invitation the following directors have the following interest in shares in the Company:

Name	Number of Shares	Percentage of Issued Share Capital
1. Peter Levy	40,251,100	7.76%
2. Okgosh Limited	233,024,340	44.92%
Connected Party:		
(i) Gordon Swaby	0	0
(ii) Lloyd Swaby	0	0
Combined:	233,024,340	44.92%
3. Ms. Grace Lindo	0	0%
4. Shauna Fuller Clarke	0	0%
5. Lloyd Swaby	0	0
Connected Party:		
(i) Gordon Swaby	0	0
(ii) Okgosh Limited	233,024,340	44.92%
Combined:	233,024,340	44.92%
6. Kevin Donaldson ⁶	0	0%
7. Matrix Ventures Limited	56,250,000	10.84%
Connected Party:		
Paul Allen	0	0
Combined	56,250,000	10.84%
8. Kayone Haynes-Burke	0	0%
9. Calais Hayden	0	0%
10. Nicola Chambers	0	0%
11. Kristy Fernandez	0	0%
12. Chelsea Taylor	0	0%
13. Sasha-Kae Hudson	0	0%

13.5 Mentor

Mrs. Tania Waldron-Gooden was appointed Mentor to the Company on May 5, 2021.

Mrs. Waldron-Gooden has a wealth of knowledge and experience in capital markets and has acted as mentor and adviser to a myriad of entities listed on the Jamaica Stock Exchange including: (a) Main Event Entertainment Group Limited, (b) Express Catering Limited and (c) Derrimon Trading Company Limited.

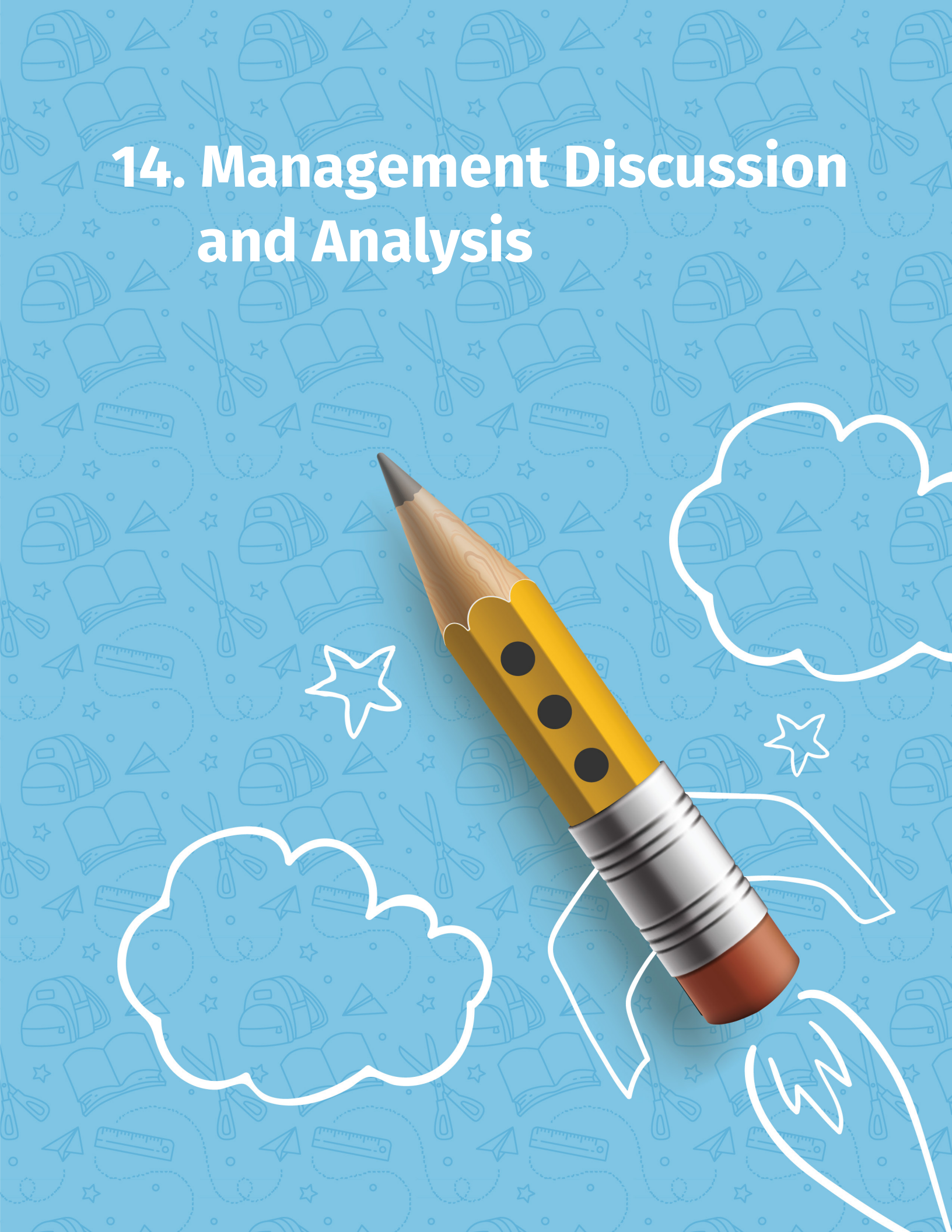
13.6 Directors' Fees and Management Remuneration

13.6.1 On the recommendation of the Remuneration Committee of the Board, the Board has resolved to compensate its Non-executive Directors for attendance at board meetings or committee meetings.

13.6.2 The Company's executive directors receive compensation for their executive services to the Company.

⁶Mr. Kevin Donaldson is a co-founder of Roots Financial Group Limited. Roots Financial is a lender to EduFocal pursuant to a loan agreement dated March 9, 2021. That loan agreement granted Roots Financial the option to convert part of its debt to ordinary shares at the Invitation Price.

14. Management Discussion and Analysis



14.1 Overview

14.1.1 The following Management Discussion and Analysis is provided to enable invitees and Applicants to assess the operations and financial performance of the Company in conjunction with the financial statements presented at Section 16.

14.1.2 EduFocal Limited (“We”, “Us” or the “Company”) was incorporated on November 19, 2010 and commenced operations on March 15, 2012. We are providers of educational technology solutions in both the Business to Consumer space (B2C) and Business to Business (B2B) sectors.

14.2. About EduFocal

(a) Our People

14.2.1 We believe that there is a direct correlation between the people on our team, and the growth we continue to experience. As we continue to expand and attract more quality talent, the effect will enhance efficiency and increase growth to our bottom line. The day-to-day management of the Company is headed by Mr. Gordon Swaby who is supported by a group of experienced senior managers.

(b) Our Platform

14.2.2 We have developed and continue to develop our proprietary web-based platform that provides learning content and a social experience for learners to participate and engage in effective learning experiences including

1. Self-study using video tutorials, practice quizzes with interactive feedback
2. Using social games with learning objectives and team activities

3. Live evening classes with experienced tutors several times a week
4. Live daily classes for a full time school programme for PEP students in Jamaica
5. Developing learning content for corporate clients

(c) Our Processes

14.2.3 We believe in being nimble. With the advent of Covid-19 in March 2020, because of our processes, our team responded quickly to provide solutions to the Ministry of Education which saw us delivering live classes to more than 30,000 students over three months.

14.2.4 We will continue to refine our processes which will allow us to expand quickly locally, regionally, and internationally.

14.2.5 Our operations are divided into 2 divisions, **Learn** and **Business**.

- **EduFocal Learn**

14.2.6 EduFocal Learn focuses on creating educational content for exit/milestone examinations with the content being distributed through our proprietary E-learning platform, for which we charge a monthly subscription fee to access on a per member basis.

14.2.7 We currently focus on Jamaica's Primary Exit Profile (PEP) exams, previously known as the Grade Six Achievement Test (GSAT).

14.2.8 EduFocal Learn introduced gamification with the general characteristics of individual subjects to create an immersive experience that enhances the learning process. This is done using visual and audio processes which allow for users to engage their minds in a way that is both visually appealing and fun. Through this form of education, students are able to cover more topics in a shorter time span, while being able to compete against other users on the platform.

- **EduFocal Business**

14.2.9 EduFocal Business is a newer division. This division focuses on creating E-learning content and leveraging our learning management system solution in both public and private sector organisations.

- *Commentary on the E-Learning Market*

14.2.10 In 2020, educational technology companies received more than US\$2.2 billion in investments. By 2025, the global E-Learning market is expected to grow to US\$325 billion in value, most of which is expected to come from developing countries. EduFocal is well positioned to benefit from this growth.

14.2.11 EduFocal represents a Jamaican business with untapped potential. We have developed and continue to develop our proprietary web platform. Already a key local player we have managed to distinguish ourselves from competitors in the local market through our creative offerings and reliability. We pride ourselves on being able to deliver quality solutions to our students and clients in a timely manner and have developed the capabilities to expand regionally (including in North America) in the short to medium term.

14.2.12 Our innovative approach to shifting the concept of learning within the last couple of years has demonstrated the many possibilities for e-learning. We have partnered with public and private sector organisations to ensure students are able to learn virtually with as little disruption as possible.

14.2.13 The global pandemic has undoubtedly propelled digital education a step forward by fundamentally changing the dynamic of the standard learning model. We saw a significant increase in active user access increasing by 515.9% in 2020 over 2019. While 2020 was an extraordinary year, with new user growth being driven by the exogenous shock of the COVID-19 Pandemic, the 2021 user access as at September 30, 2021 has increased by 109.0% over pre-COVID levels of 2019 and management believes that the pandemic has left a sustained accelerated growth rate

14.2.14 The table below shows the average revenue per user:

Average Revenue Per User (ARPU)

	2019	2020	2021 (As at September 30, 2021)
Total Revenue	J\$26,878,667.00	J\$102,618,593.00	J\$107,595,512
# of Paid Users	7,942	48,915	16,601
ARPU	J\$3,384.37	J\$2,097.90	J\$6,481.27

14.3 Financial Analysis of the 5 Year Historical Financial Performance

14.3.1 This section provides an analysis of the Company's financial performance over the 5-year period represented by the period from December 31, 2016 up to and including December 31, 2020. In the 5-year period represented by the audited Historical Financial Performance, being the period from 31st December 2016 up to and including 31st December 2020, the Company demonstrated annual growth in revenues. The Directors considered this period to be characterized by foundation building, as the Company took steps to organize its management team, assess and recruit employees, and to develop robust training programs and quality service offerings.

(a) Pre-tax profits

14.3.2 The overall pre-tax profits of the Company grew from a loss of J\$789 thousand in the financial year 2016, to a profit of J\$15.6 million in the financial year 2020. The Directors made a strategic decision in 2020 to grow the Company's business by developing software to increase the Company's penetration into its target markets. As a result of these initiatives, the administrative and operating expenses of the Company increased in the financial year 2020 by J\$38.7 million, or 110% over the previous financial year. The benefits from the higher administrative and operating expenses were realized in the increase in revenue. The Company will maintain its relationships with key stakeholders while continuing to seek opportunities for further expansion.

Statement of Financial Position	Audited Year End Results for the Last Five (5) Years				
	Dec-20 \$	Dec-19 \$	Dec-18 \$	Dec-17 \$	Dec-16 \$
ASSETS					
Non-Current Assets					
Property, plant and equipment	1,062,028	769,957	-	-	-
Intangible assets	31,962,363	5,789,182	4,570,218	4,381,351	3,995,446
Deferred Tax Asset	353,160	2,381,401	-	-	-
	33,377,551	8,940,540	4,570,218	4,381,351	3,995,446
Current Assets					
Receivables and prepayments	33,470,083	6,802,789	-	1,800,891	4,059,087
Due from director	14,338,230	6,947,416	-	-	-
Cash and cash equivalents	495,216	2,174,386	1,619,937	437,805	53,919
	48,303,529	15,924,591	1,619,937	2,238,696	4,113,006
TOTAL ASSETS	81,681,080	24,865,131	6,190,155	6,620,047	8,108,452
LIABILITIES					
Non-Current Liabilities					
Shareholder's loan	-	-	3,167,154	2,541,404	2,267,074
Long Term Borrowings	25,918,326	1,542,352	4,545,172	5,340,717	6,066,905
	25,918,326	1,542,352	7,712,326	7,882,121	8,333,979
Current Liabilities					
Accounts payable	15,076,210	6,085,653	2,885,119	873,126	436,054
Taxation payable	2,668,310	-	-	-	-
Short-Term Borrowings	34,965,054	35,444,055	6,681,750	-	-
	52,709,574	41,529,708	9,566,869	873,126	436,054
EQUITY					
Attributable to Shareholders					
Share capital	10,345,452	2,000	2,000	2,000	2,000
Retained Earnings	(7,292,272)	(18,208,929)	(11,091,040)	(2,137,200)	(663,581)
	3,053,180	(18,206,929)	(11,089,040)	(2,135,200)	(661,581)
TOTAL LIABILITIES AND EQUITY	81,681,080	24,865,131	6,190,155	6,620,047	8,108,452

Statement of Profit or Loss	Audited Year End Results for the Last Five (5) Years				
	Dec-20 \$	Dec-19 \$	Dec-18 \$	Dec-17 \$	Dec-16 \$
Revenue	102,618,593	26,878,667	9,215,792	8,835,408	6,754,797
Administrative & Operating Expenses	(74,024,954)	(35,313,957)	(18,170,437)	(10,279,906)	(7,543,998)
Gross Profit	28,593,639	(8,435,290)	(8,954,645)	(1,444,498)	(789,201)
Other income	1,683,114	-	805	-	-
Impairment loss on financial asset	(6,240,258)	-	-	-	-
Finance Cost	(8,423,287)	(1,064,000)	-	-	-
Profit/ (Loss) Before Taxation	15,613,208	(9,499,290)	(8,953,840)	(1,444,498)	(789,201)
Taxation	(4,696,551)	2,381,401	-	(29,122)	-
NET PROFIT/ (LOSS)	10,916,657	(7,117,889)	(8,953,840)	(1,473,620)	(789,201)

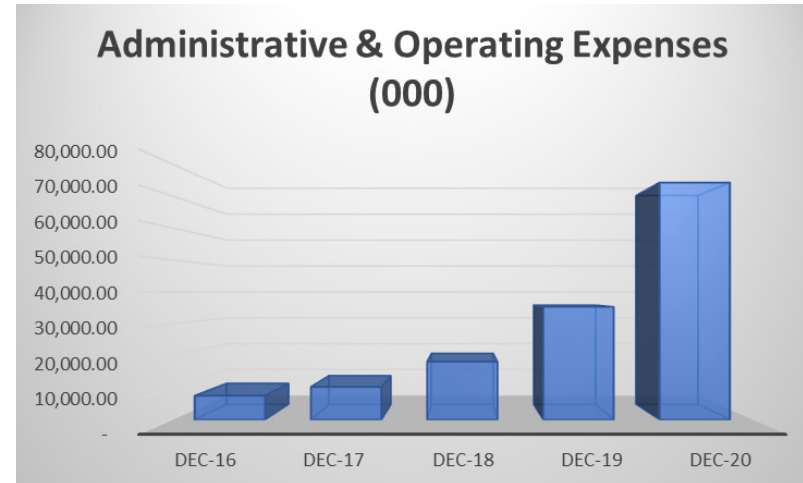
Statement of Cash Flow	Audited Year End Results for the Last Five (5) Years				
	Dec-20 \$	Dec-19 \$	Dec-18 \$	Dec-17 \$	Dec-16 \$
Cashflows from Operating Activities					
Net Profit/(Loss) before Taxation	15,613,208	(9,499,290)	(8,953,840)	(1,473,619)	(789,201)
Adjustments to reconcile net profit to net cash used in operating activities	(20,925,409)	(13,520,793)	3,934,398	2,777,826	(3,640,906)
Net cash provided/(used) by operating activities	(5,312,201)	(23,020,083)	(5,019,442)	1,304,207	(4,430,107)
Cashflows from Investing Activities					
Acquisition of property, plant and equipment	(470,215)	(352,575)	(310,384)	(468,462)	(1,459,667)
Acquisition of intangible asset - computer software	(28,052,102)	(1,808,633)	-	-	2,000,000
Net cash used in investing activities	(28,522,317)	(2,161,208)	(310,384)	(468,462)	540,333
Cashflows from Financing Activities					
Proceeds from long term loans	12,894,232	11,445,068	6,511,955	(451,858)	3,815,014
Proceeds from short term loans	1,946,722	13,776,947	-	-	-
Shareholder's loan	7,132,465	-	-	-	-
Issue of ordinary shares	10,343,452	-	-	-	-
Net cash provided by financing activities	32,316,871	25,222,015	6,511,955	(451,858)	3,815,014
Net Increase/(decrease) in cash and cash equivalents	(1,517,647)	40,724	1,182,129	383,887	(74,760)
Net effect of exchange rate changes on cash and cash equivalent	(161,523)	513,726	-	-	-
Cash and cash equivalent at beginning of period	2,174,386	1,619,936	437,806	53,919	128,679
Cash and cash equivalent at end of period	495,216	2,174,386	1,619,935	437,806	53,919

(b) Revenue Analysis

- 14.3.3 The Company's revenue increased significantly by J\$95.8 million during the 5-year period. There was a J\$75.7 million increase in revenues as at December 2020 when compared to 2019 even as the Company made a strategic decision to not increase prices. We saw a significant increase in active user access increasing by 515.9% in 2020 over 2019.
- 14.3.4 While 2020 was an extraordinary year, with new user growth being driven by the exogenous shock of the COVID-19 Pandemic, the 2021 active user access as at September 30, 2021 has increased by 109.0% over pre-COVID levels of 2019 and management believes that the pandemic has left a sustained accelerated growth rate. This along with our marketing efforts, demonstrated our effectiveness in scaling our core operations as well as our clients' increasing satisfaction with our services.

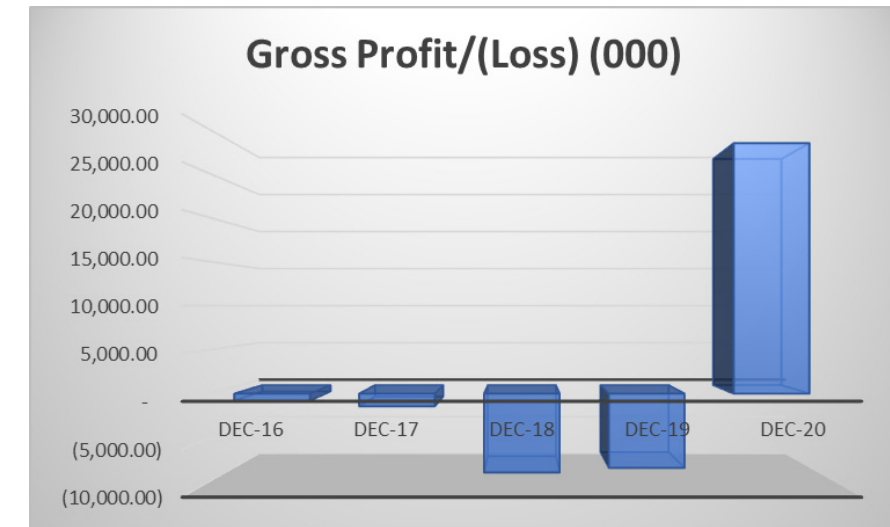
(c) Expense Analysis

- 14.3.5 The Company saw a proportional increase in expenses over the 5-year period, from J\$7.5 million in financial year 2016 to J\$74 million in financial year 2020 with a J\$38.7 million increase in 2020 over 2019. As the Company is in an expansionary phase, the increasing operating expense was mainly attributable to consulting fees, staff costs and advertising costs to facilitate the expansion of our robust training programs and quality service offerings.



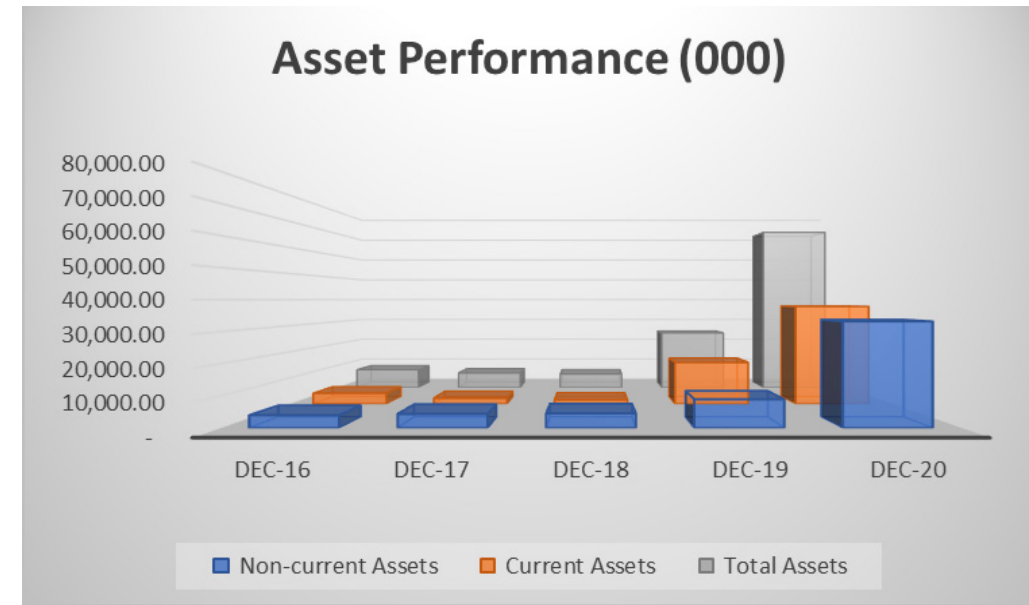
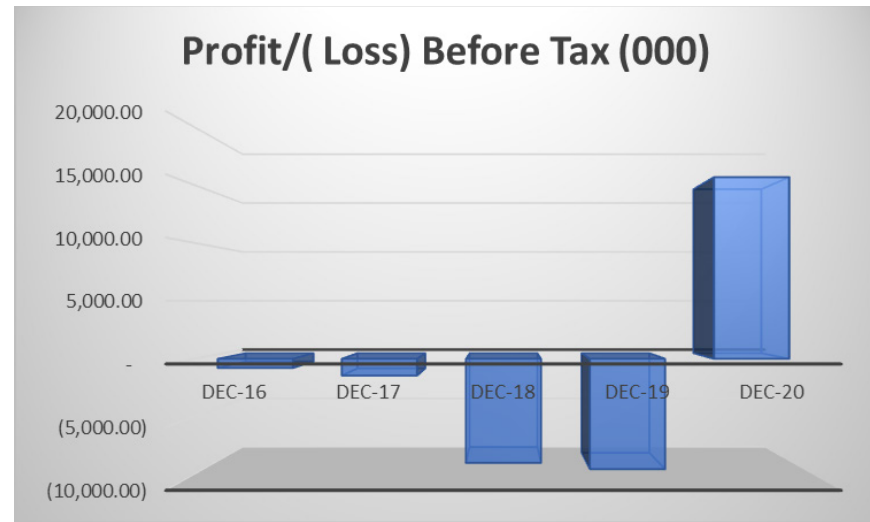
(d) Gross Profit Analysis

- 14.3.6 During the twelve month financial periods ended December 31, 2016 to December 31, 2019 the Company's gross profit was negative. This was due to the Company's significant investments in developing its platform and recruiting talented personnel. Additionally, the Company made the strategic decision not to increase prices for its services.
- 14.3.7 For the twelve month financial period ended December 31, 2020 the Company's gross profit increased materially, primarily driven by increased revenue as the Company saw a significant increase in active user access. Furthermore the rate of increase in revenue during that period was significantly above the rate of increase in administrative and operating expenses.



(e) Pre-Tax Profit Analysis

- 14.3.8 The Company's pre-tax profits grew from a loss of J\$789 thousand in financial year 2016 to a profit of J\$10.9 Million in financial year 2020, with a J\$25.1 million increase in 2020 over 2019. Over the first four years, there were significant expenses as the Company developed its services and recruited personnel. Accordingly, there were losses incurred in these periods.
- 14.3.9 This profile of growth is not dissimilar from other early-stage technology companies and should be viewed within this context, largely due to research and development (R&D) costs, high levels of tech related reinvestment and the acquisition cost of new customers for a novel technological solution. Also of note, inflationary pressures over the period stoked expense growth, while our prices did not rise as quickly for a while as per management's decision.



(f) Total Assets

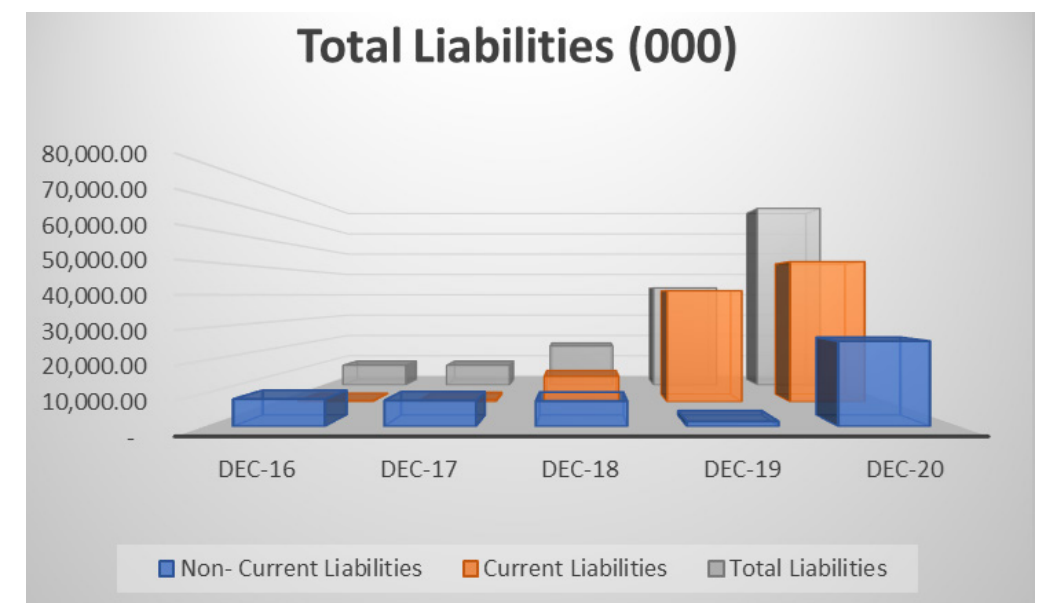
14.3.10 There was a significant increase of J\$73.5 million in total assets over the 5-year period. This resulted primarily from the increases in intangible assets relating to software and content development and an increase in accounts receivables.

14.3.11 The receivables balance grew by J\$26.6 million in 2020 over 2019 as a result of the scheduled closure of partner schools, which impacted our collection efforts in a timely manner.

14.3.12 The balance represents the net amount after accounting for the impairment provision as required by IFRS 9.

(g) Total Liabilities

14.3.13 Total liabilities rose from J\$8.77 million as at December 31, 2016 to J\$78.60 million as December 31, 2020, the majority of which represents borrowings used to catapult the Company in 2020 to accommodate the increasing demand for our services. This was a strategic decision, as it facilitated the aggressive build-out of our platform and attracting the necessary talent needed to grow the Company.



14.4 Unaudited Interim Financial Statements for 9 month period ended September 30, 2021

Unaudited Statement of Financial Position 30 September 2021		
	Unaudited Sep-21 \$	Unaudited Sep-20 \$
ASSETS		
Non- Current Assets		
Property, plant and equipment	3,712,976	802,077
Intangible assets	61,014,734	26,200,819
Right-of-Use Asset	4,694,463	-
Deferred Tax Asset	1,097,053	-
	70,519,226	27,002,896
Current Assets		
Receivables and prepayments	77,296,017	23,611,547
Due from director	26,910,932	8,061,598
Cash and Cash equivalents	8,026,832	5,769,672
	112,233,781	37,442,817
TOTAL ASSETS	182,753,007	64,445,713
LIABILITIES		
Non- Current Liabilities		
Lease Liability	4,768,796	-
Long Term Borrowings	23,608,379	27,681,618
	28,377,174	27,681,618
Current Liabilities		
Accounts payable	20,500,634	18,782,866
Taxation payable	3,697,476	1,492,182
Shareholder's loan	7,392,609	-
Current portion of Long Term loans	3,155,590	7,956,485
Short- Term Loans	63,070,000	10,772,763
	97,816,309	39,004,296
EQUITY		
Attributable to Shareholders		
Share capital	65,345,451	10,000,000
Accumulated Income/(deficit)	(8,785,927)	(12,240,201)
	56,559,524	(2,240,201)
TOTAL LIABILITIES AND EQUITY	182,753,007	64,445,713

Unaudited Statement of Profit or Loss Nine Months Ended 30 -September -2021		
	Unaudited Sep-21 \$	Unaudited Sep-20 \$
Revenue	107,595,512	77,501,806
Administrative & Operating Expenses	(89,570,408)	(62,108,583)
Gross Profit	18,025,104	15,393,223
Other income	8,362	953,257
Impairment loss on financial asset	(5,349,470)	(3,891,470)
Finance Cost	(13,392,378)	(4,994,100)
Profit/ (Loss) Before Taxation	(708,383)	7,460,910
Taxation	(785,272)	(1,492,182)
NET PROFIT/ (LOSS)	(1,493,655)	5,968,728

Unaudited Statement of Cash Flow 30 September 2021		
	Unaudited Sep-21 \$	Unaudited Sep-20 \$
Cashflows from Operating Activities		
Net Profit/(Loss) before Taxation	(708,384)	7,460,910
Adjustments for:		
Bad Debt	-	4,021,079
Depreciation	405,058	181,493
Amortization	7,606,147	978,921
Amortization - ROU	670,638	-
Impairment losses on financial assets	5,349,470	3,891,470
Foreign exchange losses/(gains)	1,244,184	610,021
Interest income	(377,524)	(2,367)
Interest on ROU	108,695	-
Interest expense	8,866,953	4,343,600
	23,165,237	21,485,128
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(49,175,404)	(21,208,272)
Decrease/(increase) in director's account	(12,195,403)	(1,114,182)
Increase/(decrease) in payables	5,138,128	12,197,213
Cash provided by/(used in) operating activities	(33,067,442)	11,359,887
Interest received	225	-
Interest paid	(8,606,808)	(3,142,350)
Tax paid	(500,000)	-
Net cash provided/(used) by operating activities	(42,174,025)	8,217,537
Cashflows from Investing Activities		
Acquisition of property, plant and equipment	(3,056,006)	(32,120)
Acquisition of intangible asset - computer software	(36,658,517)	(23,911,637)
Net cash used in investing activities	(39,714,523)	(23,943,757)
Cashflows from Financing Activities		
Long term loan, net	(10,183,938)	12,966,113
Short term loan, net	45,567,008	(3,541,654)
Lease Payments	(705,000)	-
Issue of preference shares	54,999,999	-
Proceeds from issue of share capital	-	9,998,000
Net cash provided by financing activities	89,678,069	19,422,459
Net Increase/(decrease) in cash and cash equivalents	7,789,521	3,696,239
Net effect of exchange rate changes on cash and cash equivalent	(257,906)	(100,952)
Cash and cash equivalent at beginning of period	495,216	2,174,385
Cash and cash equivalent at end of period	8,026,831	5,769,672

(a) *Balance Sheet Analysis*

14.4.1 The Company recorded a J\$118.3 million or 184% increase in its total assets for the nine month period ended September 30, 2021 compared to the comparative period for 2020. This is mainly attributable to a J\$34.8 million increase in intangibles net of impairment loss and amortization as the Company continues to build out its platform and develop content, as well as an increase of J\$53.6 million in receivables and prepayments relating to an expansion of revenue streams into key private and public sector partnerships. The mandatory work from home orders have affected collections from some key partners, however, we anticipate improved collections in subsequent quarters.

(b) *Receivable Assets*

14.4.2 Generally speaking, our large receivables are usually attributable to 1 or 2 of our key partners. Occasionally it is a private sector partner, but generally it is the Government of Jamaica. For the nine months ending September 30, 2021, almost 70% of our receivables are attributable to one key partner who would have been carrying the receivable with us for less than 3 months. We are confident that we will be able to collect receivables in full from this partner and our other partners and we are employing strategies that we believe can significantly decrease our receivables collection window in subsequent quarters.

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

grouped based on similar credit risk and aging. Please see our accounting policy note on accounts receivables for further details per the audit reviewed interim financial statements for the nine month period ended September 30, 2021.

(c) *Intangible Assets*

- 14.4.4 This represents the costs of our software and educational content development, which includes costs incurred to bring them to use. A manufacturing company that is experiencing massive expansion would possibly expend capital on equipment that is crucial to their growth. For us, facilitating our exponential growth involves investing in quality educational content and continuously developing our proprietary learning software.
- 14.4.5 From building out powerful and innovative scheduling features that handles the automatic placement of students in our daily live classes or engaging audio or visual content that keeps our subscribers coming back; our growing intangible assets represented on our balance sheet is a clear marker of our growth, both now and into the future. As we continue to expand and explore new and creative ways of leveraging our innovative technology, we will continue to invest in our software which we believe will redound to the benefit of our shareholders. When we started the company in 2012, we never anticipated that a potential use case for our software would be in the corporate learning space where organizations would be utilizing the features we have developed to train their staff remotely. We also never anticipated that we would need to build out features to support thousands of students on a daily basis in live sessions in the middle of a pandemic.

14.4.6 According to our accounting policies, intangible assets are identified separately and reported at cost less accumulated amortisation and accumulated impairment losses. The costs of these intangible assets are amortised over their estimated useful life of five years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

14.4.7 For more information on our intangibles, please see note 2(d) and note 6 of our Auditor reviewed Interim Financial Statements for the Nine Month Period Ended September 30, 2021.

14.4.8 Liabilities increased to J\$126.1 million as at September 30, 2021, up J\$66.6 million over the 2020 comparative period. This mainly reflects J\$52.2 million growth in short-term loans to facilitate the expansionary activities of the Company and a J\$7.3 million increase in shareholder's loan. Despite our early growth stage, optimizing our capital structure and liability management form a part of how we intend to create shareholder value. Please see note 16 of our Auditor reviewed Interim Financial Statements for the 9-Months Period Ended September 30, 2021 (Appendix 4) for more information on our short term loans.

14.4.9 Equity increased by J\$58.7 million as at September 30, 2021 over 2020, primarily due to issue of preference share capital.

(d) Income Statement Analysis

14.4.10 Growth from our Partnership and Business sales streams led to the improved performance in revenues. Total income of J\$107.5 million at September 2021

represents an increase of 39% or J\$30 million over the comparative period in 2020 while being tempered by a J\$27.4 million or 44% increase in total expenses.

14.4.11 The J\$27.4 million increase in total expenses is driven primarily by an approximately 60% upswing in staff costs and an approximately 80% increase in amortization of intangibles. These increases relate to the expansion of business operations in 2020 compared to 2019.

14.4.12 The Company recorded a net loss of J\$1.4 million for the nine month period ending September 30, 2021 largely due to increased finance charges of J\$8.3 million, moving from J\$4.9 million in 2020 to J\$13.3 million in 2021. Proceeds from the IPO will be used to reduce debt, and this will aid in the management of these charges.

14.5. Preliminary Financial Statements for 12 month period ended December 31, 2021

14.5.1 The comparison of financial performance that follows is based on the audited financial statements for the year ended December 31, 2020, compared to the preliminary statements for the year-ended December 31, 2021. The full year 2021 financial statements are based on the unaudited management accounts for the interim financial statements for the nine-month period ended September 30, 2021 (as presented previously) plus the preliminary financial performance for the fourth quarter ended December 31, 2021.

Unaudited Statement of Financial Position			
31 December 2021			
	Unaudited Sep-21 \$	Preliminary Dec-21 \$	Audited 2020 \$
ASSETS			
Non- Current Assets			
Property, plant and equipment	3,712,976	3,706,050	1,062,028
Intangible assets	61,014,734	67,415,636	31,962,363
Right-of-Use Asset	4,694,463	4,023,825	-
Deferred Tax Asset	1,097,053	107,053	353,160
	70,519,226	75,252,565	33,377,551
Current Assets			
Receivables and prepayments	77,296,017	114,077,927	33,470,083
Due from director	26,910,932	7,331,688	14,338,230
Cash and Cash equivalents	8,026,832	16,679,235	495,216
	112,233,781	138,088,850	48,303,529
TOTAL ASSETS	182,753,007	213,341,414	81,681,080
LIABILITIES			
Non- Current Liabilities			
Lease Liability	4,768,796	4,159,253	
Long Term Borrowings	23,608,379	23,529,053	25,918,326
	28,377,174	27,688,306	25,918,326
Current Liabilities			
Accounts payable	20,500,634	23,619,813	15,076,210
Taxation payable	3,697,476	3,197,476	2,668,310
Shareholder's loan	7,392,609	7,412,995	7,132,465
Current portion of Long Term loans	3,155,590	3,017,239	10,329,597
Short- Term Loans	63,070,000	77,195,251	17,502,992
	97,816,309	114,442,774	52,709,574
EQUITY			
Attributable to Shareholders			
Share capital	65,345,451	65,345,451	10,345,452
Accumulated Income/(deficit)	(8,785,927)	5,864,883	(7,292,272)
	56,559,524	71,210,335	3,053,180
TOTAL LIABILITIES AND EQUITY	182,753,007	213,341,414	81,681,080

Unaudited Statement of Profit or Loss				
Year Ended 31-December -2021				
	9 months to 30/09/2021	Preliminary 3 months to 31/12/2021	Preliminary 2021	Audited 2020
Revenue	107,595,512	60,996,022	168,591,534	102,618,593
Administrative & Operating Expenses	(89,570,408)	(42,336,244)	(131,906,652)	(74,024,954)
Gross Profit	18,025,104	18,659,779	36,684,882	28,593,639
Other income	8,362	(456)	7,905	1,683,114
Impairment loss on financial asset	(5,349,470)	-	(5,349,470)	(6,240,258)
Finance Cost	(13,392,378)	(3,018,512)	(16,410,890)	(8,423,287)
Profit/ (Loss) Before Taxation	(708,383)	15,640,810	14,932,427	15,613,208
Taxation	(785,272)	(990,000)	(1,775,272)	(4,696,551)
NET PROFIT/ (LOSS)	(1,493,655)	14,650,810	13,157,155	10,916,657

(a) Balance Sheet Analysis

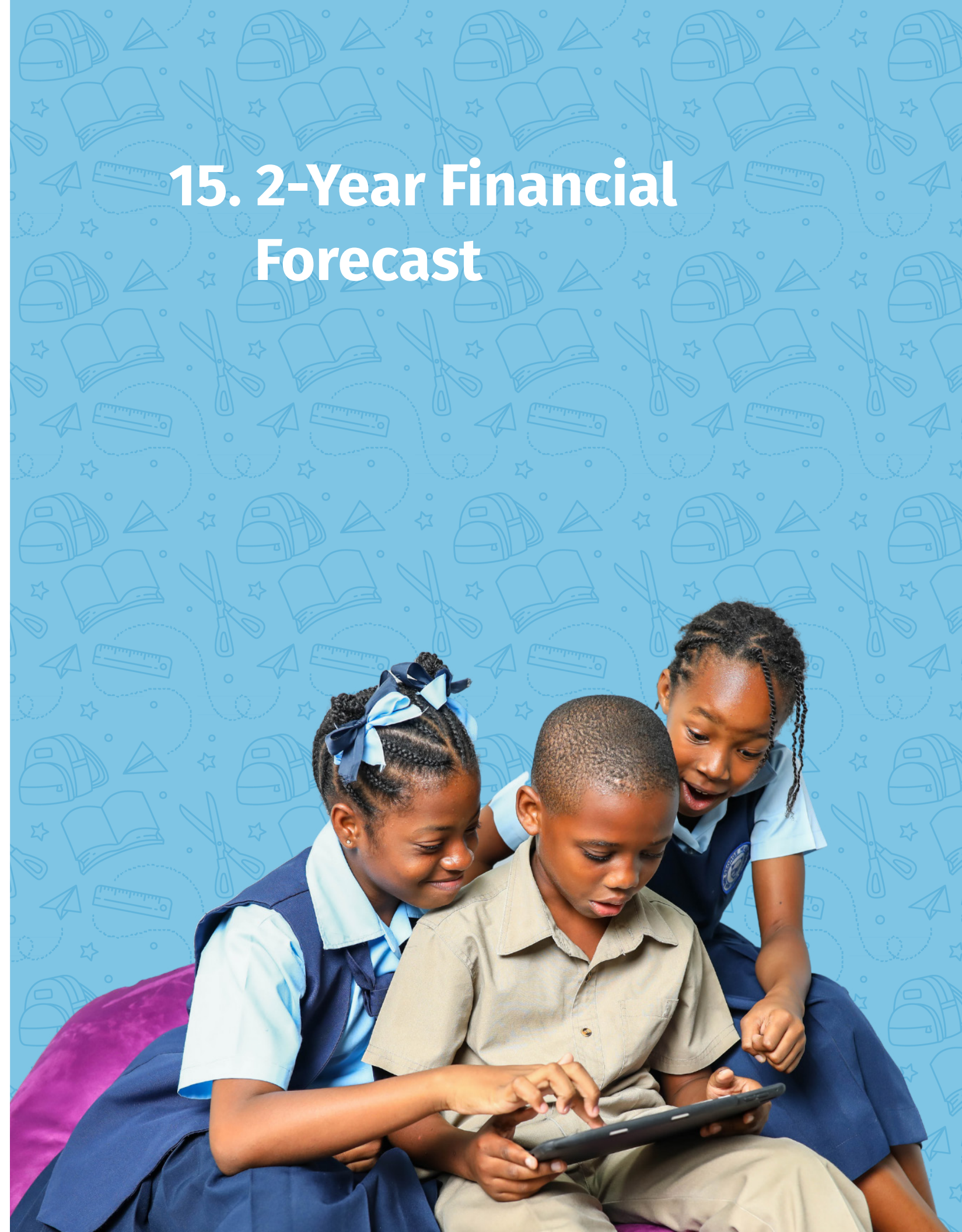
14.5.2 Total Assets as at December 31, 2021 was J\$213.3 million compared to J\$81.7 million for the corresponding period ended December 31, 2020. The increase of J\$131.6 million is primarily due to an increase of J\$80.6 million in receivables, J\$35.4 million in intangible assets and J\$16 million in cash & cash equivalents. Receivables and prepayments moved from J\$77.2M in the third quarter to J\$114M in the last quarter, an increase of 47.5%. This is due primarily to public and private sector business development efforts bearing fruit. Conversations with these partners would have started in Q2 and Q3 of the year.

14.5.3 Current Liabilities of \$114.4 million as at December 31, 2021 is J\$61.7 million higher than 2020, driven mainly by the increase in short-term loans of J\$59.7 million. Shareholders' Equity increased by J\$68.1 million over the 2020-year end period as the result of the J\$55 million increase in share capital and the preliminary Profit after tax for the year of J\$13 million.

(b) Income Statement Analysis

- 14.5.4 Revenue for 2021 grew to J\$168.6 million, which represents a J\$66 million increase over 2020. The improved performance in revenue is explained by the continued growth in our partnership sales and expansion of our offerings.
- 14.5.5 Administrative & operating expenses amounted to J\$131.9 million for 2021, up by J\$59.9 million over 2020. As a result of the above, the Gross Profit for 2021 was J\$36.7 million, an improvement of J\$8.1 million over the prior year. For the 4th quarter of 2021 in particular, administrative and operating expenses increased to J\$131.9 million primarily because of the onboarding of new talent and increased marketing efforts. The Company was effectively positioning itself to take advantage of the many opportunities expected in 2022 and we believe that our efforts in the last quarter of 2021 in particular will reap strong results for Q1 2022 and beyond.
- 14.5.6 Based on the nature of trade receivables booked in the previous quarter and the pace of collections, no impairment loss was booked for Q4 2021.
- 14.5.7 Finally, as a result of the above factors, the Net Profit was J\$13.1 million for 2021 compared to J\$10.9 million for 2020.

15. 2-Year Financial Forecast



15.1 2-Year Financial Forecast

15.1.1 The forecasted financial results are based on management's opinion of the market and its targeted growth strategies for the next two years, through strategic partnerships and collaborations. These projections leverage the experience of existing management and expertise from its Board of Directors to continue building on the solid base on which EduFocal has been established. .

15.1.2. The following assumptions were considered in developing the projections set out above:

1. No additional ordinary shares will be issued by the Company during the projected period.
2. Single digit increases in inflation annually.
3. Periodic salary increases proportionate to the cost of living are included.
4. Periodic increases in administrative expenses proportionate to the anticipated increase in the rate of inflation are included.
5. Anticipation of 100% corporate income tax reduction as per Junior Market of the Jamaica Stock Exchange Rules for the period 2022-2027 thereafter 50% of the corporate profit for tax charged for the next 5 years.
6. Lease rental charges remain in line with the Lease Agreement.
7. There will be no significant changes in the operating environment that may materially affect the operations of the Company.

15.2. Commentary on 2-Year Financial Projections

15.2.1 TThe projected net profit is expected to increase by a CAGR of 32% moving from J\$13.1 million in 2021 to J\$69.4 million by 2023. This is primarily due to the projected growth in revenues of 15% (CAGR) during the period, as the Company executes its strategies, which are expected to be driven mainly by an increase in ecommerce.

EduFocal is also positioned to execute on its strategic plans for expansion in the local market as Jamaicans have become increasingly more tech savvy and show signs of moving towards a larger scale online learning society. More specifically, we see opportunities to leverage sales through key physical distribution points across the island for our current offerings, diversify the use of our proprietary learning management system in tertiary environments, developing non-traditional educational content for sale (for e.g, financial literacy or interactive content for financial compliance) and other initiatives that will significantly add to our bottom line without material impact on our operating expenses.

15.2.2 The reduction of operating expense ratio is due to management's strategy of streamlining the current operations to maximise shareholder value by re-examining current processes and restructuring them.

15.2.3 The current ratio is expected to increase from 6.83 to 16.91, which indicates that the Company will be able to meet its short-term obligations and be able to grow by executing on its long-term strategies.

15.2.4 The growth in receivables over the forecast period is primarily driven by the growth in sales as the receivables of J\$58.4 million for 2023 represents a collection period of 60 days on average. We expect to expand aggressively the number of public sector clients that we serve, and the receivables carry is a reflection of that. Management will work assiduously to keep receivables under 90 days.

15.2.5 The growth in intangibles over the forecast period will largely be driven by the diversification of educational content that we offer to our customers and additional developments to our platform that will drive both top and bottom line growth while maintaining our margins.

15.2.6 The debt-to-equity ratio will be lowered as the Company will use some of the proceeds of the sale of the IPO to liquidate its existing short-term debt obligations, and these projections do not contemplate any specific plans which would result in any increases in short-term liabilities during the projected period.

Edufocal Limited
Two Year Financial Projections
January 2022 - December 2023

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To the Director of
Edufocal Limited
22B Old Hope Road
Kingston 5

Dear Sirs:

Re: Auditors' Report on the Projected Financial information that will be included in the Prospectus to be Issues by Edufocal Limited

Baker Tilly has been engaged by Edufocal Limited to prepare this report for inclusion in the Prospectus issued by Edufocal Limited, dated 30 September 2021 in respect of proposed offer by subscription of the ordinary shares under Section 40(2) of the Companies Act.

Expressions defined in the Prospectus have the same meaning in this report.

Projected financial information

Baker Tilly has been requested to prepare a report covering the prospective financial information described below and disclosed in the Prospectus.

The directors' prospective financial information is set out in section 9 and 11 of the Prospectus and comprises the projected statement of comprehensive income, projected statement of financial position, projected statement of changes in shareholders' equity, projected statement of cash flows and the accompanying notes of Edufocal Limited for the years ending 1 January 2022 to 31 December 2023.

The directors of Edufocal Limited are responsible for the presentation of the directors' prospective information, including the assumption on which the directors' projection is based.

The directors' prospective information has been prepared by the directors to provide Applicants with a guide to Edufocal Limited's potential future financial performance based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. The directors' assumption underlying the directors' projection are set out in section 11 of the Prospectus.

ADVISORY • ASSURANCE • TAX

PARTNERS: Wayne Strachan; FCA,FCCA,MBA Emile Lafayette; FCA,FCCA,MBA PRINCIPAL: Roxiana Malcolm-Tyrell; FCA,FCCA,MBA

Baker Tilly Strachan Lafayette trading as BakerTilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.



To the Members of
Edufocal Limited
22B Old Hope Road
Kingston 5

Projected financial information (continued)

There is a considerable degree of judgement involved in the preparation of any prospective information. Consequently, the actual results of Edufocal Limited during the projected period may vary materially from the directors' projections, and that variation may be materially positive or negative.

The directors' projection is sensitive to changes in key assumption set out in section 11 of the Prospectus and the risk to which the business of Edufocal Limited is exposed are set out in section 12 of the Prospectus. Applicants should consider the directors' projection in conjunction with those sections.

The directors' projection is presented in an abbreviated form and does not include all of the disclosures required by International Financial Reporting Standards applicable to annual financial reports prepared in accordance with Companies Act.

Scope of examination of directors' projection and directors' hypothetical assumptions

We have been engaged to examine the directors' prospective financial information under International Standard on Assurance Engagements 3400. Our procedures have consisted primarily of enquiry and comparison, and other analytical review procedures as we consider necessary.

We have examined the prospective financial information to be included in the prospectus in accordance with International Standard on Assurance Engagements 3400. Our procedures have consisted primarily of enquiry and comparison, and other analytical review procedures as we consider necessary.

Our examination of the directors' projection and hypothetical assumptions is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. A review of this nature provided less assurance than an audit. We did not perform an audit and we do not express an audit opinion on the directors' projection, or the directors' hypothetical assumptions.

The directors are responsible for the preparation and presentation of the prospective financial information, including the assumptions on which the prospective financial information based. The projections have been prepared using a set of assumptions including hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Consequently, readers are cautioned that the projections may not be appropriate for purposes other than that described.

To the Directors of
Edufocal Limited
22B Old Hope Road
Kingston 5

Examination statement on the director's projection and the directors' hypothetical assumption

Based on our examination of the evidence supporting the assumptions, which is not an audit, nothing has come to our attention which caused us to believe that:

- The directors' assumptions, set out in section 11 of the Prospectus, when taken as a whole, do not provide a reasonable basis of the preparation of the directors' projections; and that
- The directors' projections, set out in section 11 of Prospectus, are not properly prepared on the basis of the directors' assumptions or presented fairly in accordance with the recognition and measurement principles prescribe in International Financial Reporting Standards.

The underlying assumptions are subject to significant uncertainties and contingencies, often outside the control of Edufocal Limited. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the projections since other anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we do not confirm or guarantee the achievement of the directors' projections, as future events, by their very nature, are not capable of independent substantiation

Independence

Baker Tilly does not have any interest in the outcome of the issue, other than in connection with the preparation of this report, for which normal professional fees will be received. Baker Tilly also provides external audit services to Edufocal Limited for which profession fees are received.

Baker Tilly has consented to the inclusion of this Accountants' Report in the Prospectus in the form and context in which it is so included, but has not authorized the issue of the Prospectus. Accordingly, Baker Tilly makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.



To the Directors of
Edufocal Limited
22B Old Hope Road
Kingston 5

General advice warning

The report has been prepared, and included in the Prospectus, to provide Applicants with general information only and does not take into account the objectives, financial situation or need of any specific Applicant. It is not intended to take the place of professional advice and Applicants should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an Applicant should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

All Applicant should consider the appropriateness of this general advice having regard to their own objectives, financial situation and needs before they act on any advice contained in the report.

Declaration of Relationship

We will receive a fee as compensation for our services in providing this report. Baker Tilly has not been involved as a financial advisor to Edufocal Limited and has been retained solely with respect to the review of the Edufocal Limited prospective financial information

Baker Tilly has performed its examination of the prospective financial information in an independent manner with access to management information and reports.

Except for the fees referred to above, neither Baker Tilly, nor its representative, or any of its employees, involved in the provision of the report, receive any pecuniary or other benefits, directly or indirectly, for or in connection with, the provision of accountants' Report.

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we provide.

Yours truly,

Baker Tilly
Chartered Accountants
Kingston, Jamaica
11 January 2022

Two Year Financial Projections Statement of Comprehensive Income

	PROJECTED 2022 \$	PROJECTED 2023 \$
Turnover	322,941,497	355,235,646
General & Administrative Expenses:	(263,623,178)	(278,988,792)
Gross Profit	59,318,318	76,246,854
Other operating income	94,860	94,860
Impairment losses on financial assets	(5,400,516)	(3,600,516)
Profit before Interest and Taxation	54,012,662	72,741,198
Finance costs, net		
Interest Income	2,280	2,280
Financing fee	(3,150,000)	(3,307,500)
Loan interest expense	-	-
Foreign exchange loss	-	-
	(3,147,720)	(3,305,220)
Profit before Taxation	50,864,942	69,435,978
Taxation	-	-
Net profit	50,864,942	69,435,978

Key Performance Indicators		
Gross Profit % Revenue	18%	21%
Net Profit % of Revenue	16%	20%
EBITDA % Revenue	19%	24%
Return on capital employed	25%	25%

**Two Year Financial Projections
Statement of Financial Position**

	PROJECTED 2022 \$	PROJECTED 2023 \$
ASSETS		
Non-Current Assets		
Property, plant & equipment	4,221,878	6,064,117
Intangible assets	58,116,669	70,313,526
Deferred tax assets	1,254,263	1,254,263
	63,592,810	77,631,907
Current Assets		
Trade receivables	39,814,705	58,394,901
Director's Loan	4,630,927	-
Cash at bank	106,723,155	155,465,988
	151,168,787	213,860,889
TOTAL ASSETS	214,761,597	291,492,796
FINANCED BY		
Equity and Liabilities		
Share capital	123,063,777	123,063,777
Retained earnings/(Accumulated deficit)	82,748,964	155,785,458
	205,812,740	278,849,235
Current Liabilities		
Trade and other payables	8,948,857	12,643,561
	8,948,857	12,643,561
TOTAL EQUITY & LIABILITIES	214,761,597	291,492,796

Key Ratios	2022	2023
Current ratio - %	1689%	1691%
Debt/equity ratio	0%	0%
Return of equity (ROE)	25%	25%
Return on assets (ROA)	25%	25%
Asset turnover (PP&E only)	12.79	12.00

**Two Year Financial Projections
Statement of Changes in Equity**

	2022 \$	2023 \$
Share Capital		
Balance at beginning	123,063,777	123,063,777
Issued during the year converted shares	-	-
Balance at end	123,063,777	123,063,777
Retained Earnings		
Balance at beginning	26,483,505	82,748,964
Net profit for the period	56,265,458	73,036,494
Balance at end	82,748,964	155,785,458

Edufocal Limited
Two Year Financial Projections
Cash Flow Projections

Page 4

	<u>Total 2022</u>	<u>Total 2023</u>
RECEIPTS		
Monthly Sales	322,941,497	355,235,646
Interest income	2,280	2,280
Other income	94,860	94,860
	<u>323,038,637</u>	<u>355,332,786</u>
PAYMENTS		
EXPENSES		
Advertising and Promotion	3,600,000	3,150,000
Audit Fee	10,180,718	10,689,754
Bank Charges	555,902	583,697
Consulting fee	5,198,001	5,457,901
Content Development	3,300,000	3,465,000
Contract Cost	62,400,000	65,520,000
Directors' Emoluments	-	-
Insurance	1,255,886	1,318,680
Subscription	10,848,600	11,391,030
Rent	3,276,000	3,439,800
General expense	4,822,081	5,063,185
Professional Fees	9,300,000	9,765,000
Repairs and maintenance	65,975	69,273
Staff Cost	128,973,383	135,422,052
Utilities	10,080,000	10,584,000
IPO Professional fees	-	-
Finance Costs	3,150,000	3,307,500
Interest expense	-	-
	<u>257,006,546</u>	<u>269,226,874</u>
Other cash (inflow)/outflow		
Working capital, net payment	9,379,129	15,994,006.67
Director's loan (received)/repaid	(9,000,000)	(4,630,927.00)
Taxation paid	9,878,139	-
Purchase of property, plant and equipment	18,000,000	26,000,000.00
	<u>28,257,267</u>	<u>37,363,079.67</u>
Total cash outflows	<u>285,263,814</u>	<u>306,589,953.24</u>
Cash and cash equivalents at start	68,948,332	106,723,155.15
Net cash flow for the year	37,774,823	48,742,833.13
Cash and cash equivalents at end	<u>106,723,155</u>	<u>155,465,988.29</u>

16. 5-YEAR HISTORICAL FINANCIAL INFORMATION



16.1 The Table below shows the five-year summary of the Company's Balance Sheet as extracted from its Audited Financial Statements.

Statement of Financial Position	Audited Year End Results for the Last Five (5) Years				
	Dec-20	Dec-19	Dec-18	Dec-17	Dec-16
	J\$	J\$	J\$	J\$	J\$
ASSETS					
Non- Current Assets					
Property, plant and equipment	1,062,028	769,957	-	-	-
Intangible assets	31,962,363	5,789,182	4,570,218	4,381,351	3,995,446
Deferred Tax Asset	353,160	2,381,401	-	-	-
	33,377,551	8,940,540	4,570,218	4,381,351	3,995,446
Current Assets					
Receivables and prepayments	33,470,083	6,802,789	-	1,800,891	4,059,087
Due from director	14,338,230	6,947,416	-	-	-
Cash and Cash equivalents	495,216	2,174,386	1,619,937	437,805	53,919
	48,303,529	15,924,591	1,619,937	2,238,696	4,113,006
TOTAL ASSETS	81,681,080	24,865,131	6,190,155	6,620,047	8,108,452
LIABILITIES					
Non- Current Liabilities					
Shareholder's loan	-	-	3,167,154	2,541,404	2,267,074
Long Term Borrowings	25,918,326	1,542,352	4,545,172	5,340,717	6,066,905
	25,918,326	1,542,352	7,712,326	7,882,121	8,333,979
Current Liabilities					
Accounts payable	15,076,210	6,085,653	2,885,119	873,126	436,054
Taxation payable	2,668,310	-	-	-	-
Short- Term Borrowings	34,965,054	35,444,055	6,681,750	-	-
	52,709,574	41,529,708	9,566,869	873,126	436,054
EQUITY					
Attributable to Shareholders					
Share capital	10,345,452	2,000	2,000	2,000	2,000
Retained Earnings /(Accumulated Deficit)	(7,292,272)	(18,208,929)	(11,091,040)	(2,137,200)	(663,581)
	3,053,180	(18,206,929)	(11,089,040)	(2,135,200)	(661,581)
TOTAL LIABILITIES AND EQUITY	81,681,080	24,865,131	6,190,155	6,620,047	8,108,452

16.2 The Table below shows the five-year summary of the Company's Income Statement as extracted from its Audited Financial Statements.

Statement of Profit or Loss	Audited Year End Results for the Last Five (5) Years				
	Dec-20	Dec-19	Dec-18	Dec-17	Dec-16
	J\$	J\$	J\$	J\$	J\$
Revenue	102,618,593	26,878,667	9,215,792	8,835,408	6,754,797
Administrative & Operating Expenses	(74,024,954)	(35,313,957)	(18,170,437)	(10,279,906)	(7,543,998)
Gross Profit	28,593,639	(8,435,290)	(8,954,645)	(1,444,498)	(789,201)
Other income	1,683,114	-	805	-	-
Impairment loss on financial asset	(6,240,258)	-	-	-	-
Finance Cost	(8,423,287)	(1,064,000)	-	-	-
Profit/ (Loss) Before Taxation	15,613,208	(9,499,290)	(8,953,840)	(1,444,498)	(789,201)
Taxation	(4,696,551)	2,381,401		(29,122)	
NET PROFIT/ (LOSS) FOR THE YEAR	10,916,657	(7,117,889)	(8,953,840)	(1,473,620)	(789,201)

16.3 The Table below shows the five-year summary of the Company's Cash Flow Statement as extracted from its Audited Financial Statements.

Statement of Cash Flow	Audited Year End Results for the Last Five (5) Years				
	Dec-20	Dec-19	Dec-18	Dec-17	Dec-16
	\$	\$	\$	\$	\$
Cashflows from Operating Activities					
Net Profit/(Loss) before Taxation	15,613,208	(9,499,290)	(8,953,840)	(1,473,619)	(789,201)
Adjustments to reconcile net profit to net cash used in operating activities	(20,925,409)	(13,520,793)	3,934,398	2,777,826	(3,640,906)
Net cash provided/(used) by operating activities	(5,312,201)	(23,020,083)	(5,019,442)	1,304,207	(4,430,107)
Cashflows from Investing Activities					
Acquisition of property, plant and equipment	(470,215)	(352,575)	(310,384)	(468,462)	(1,459,667)
Acquisition of intangible asset	(28,052,102)	(1,808,633)	-	-	2,000,000
Net cash used in investing activities	(28,522,317)	(2,161,208)	(310,384)	(468,462)	540,333
Cashflows from Financing Activities					
Proceeds from long term loans	12,894,232	11,445,068	6,511,955	(451,858)	3,815,014
Proceeds from short term loans	1,946,722	13,776,947	-	-	-
Shareholder's loan	7,132,465				
Issue of ordinary shares	10,343,452				
Net cash provided by financing activities	32,316,871	25,222,015	6,511,955	(451,858)	3,815,014
Net Increase/(decrease) in cash and cash equivalents	(1,517,647)	40,724	1,182,129	383,887	(74,760)
Net effect of exchange rate changes on cash and cash equivalent	(161,523)	513,726		-	-
Cash and cash equivalent at beginning of period	2,174,386	1,619,936	437,806	53,919	128,679
Cash and cash equivalent at end of period	495,216	2,174,386	1,619,935	437,806	53,919

17. THE AUDITORS' REPORT

- 17.1 The Auditors' Report of Baker Tilly, Chartered Accountants is set out at pages 157 to 159 in Appendix 2 hereto.
- 17.2 Baker Tilly has consented to and not withdrawn their consent to the issue of this Prospectus with the inclusion of the Auditors' Report, and the complete audited financial statements of the Company for the financial year ended December 31, 2020 and audited financial statements for the interim 9-month period ended September 30, 2021, and their name in the form and context in which it is included. The Auditor's Consent is set out at Appendix 3 hereto.



18. STATUTORY & GENERAL INFORMATION



The following statutory and general information is required to be set out in the Prospectus by section 41 and the Third Schedule to the Companies Act.

- 18.1 (a) The Company has no founders or management or deferred shares.
- (b) The Articles of Incorporation of the Company fix no shareholding qualification for directors and none have been otherwise fixed by the Company in general meeting. The Articles of Incorporation contain the following provisions with respect to the remuneration of directors:
- i. *“Subject to Article 123, the remuneration of the directors shall be such amount as the board of directors, or any appropriate committee of the board of directors, may determine. Such remuneration shall be deemed to accrue from day to day. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the directors or any committee of the directors or general meetings of the Company or in connection with the business of the Company.” -Article 82.*
 - ii. *“ A director of the Company may be or become a director or other officer of, or otherwise interested in, any Company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs.” -Article 84.*
 - iii. *“A director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of director*

for such period and on such terms (as to remuneration and otherwise) as the directors may determine and no director or intending director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any director is in any way interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such director holding that office or of the fiduciary relationship thereby established.” -Article 94(3).

- iv. “Any director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a director; provided that nothing herein contained shall authorise a director or his firm to act as auditor to the Company.” -Article 94(5).
- v. “The directors may give or award pensions, annuities, gratuities, guarantee loans and superannuation or other allowances or benefits to any persons who are or have at any time been directors of or employed by or in the service of the Company, or any company which is a subsidiary of the Company and to the wives, widows, children and other relatives and dependents of any such persons, and may set up, establish, support and maintain pension, superannuation or other funds or schemes (whether contributory or non-contributory) for the benefit of such persons as are hereinbefore referred to or any of them or any class of them. Any director shall be entitled to receive and retain for his own benefit any such pension, annuity, gratuity, allowance

or other benefit, and may vote as a director in respect of the exercise of any of the powers of this Article conferred upon the directors notwithstanding that he is or may be or become interested therein.” -Article 96.

- vi. “A Managing Director shall receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the board of directors, or any appropriate committee of the board of directors, may determine.” -Article 123.
- (c) The names and descriptions of the Directors of the Company are set out in Section 13 of this Prospectus. The addresses of the Directors are as follows:

Name of Director	Address
Peter Levy	36 Duke Street, Kingston
Gordon Swaby	29 Munroe Road, Kingston 6
Shauna Fuller Clarke	74 King Street, Kingston
Grace Lindo	Suite 8, 80 Lady Musgrave Road, Kingston 10
Kevin Donaldson	12 Garth Road, Kingston 8
Lloyd Swaby	Tamworth Heights, Walderston, Manchester

- 18.2 (a) The minimum amount required to be raised out of the proceeds of the Invitation to provide for the matters set out in paragraph 2 of Part 1 of the Third Schedule to the Companies Act (the “minimum subscription”) is J\$100,000,000. The Company also intends to pay the expenses associated with the Invitation out of the proceeds, which it estimates will not exceed J\$12,000,000 (inclusive of brokerage fees, legal fees, auditors and accounting fees, registrar fees, listing fees and General Consumption Tax).

- 18.3 (a) The Invitation will open for subscription at 9:00 a.m. on March 3, 2022 and will close at 4:30 pm on the Closing Date, March 17, 2022, subject to the Company's right to close the application list at any time after 9:00 a.m. on the Opening Date if Applications have been received for an amount in excess of the Shares offered under this Prospectus, or to extend the Closing Date subject to section 48 of the Companies Act.
- (b) The Subscription Price per Share is J\$1.00 per Share. Such Subscription Price is payable in full on application. No further sum will be payable on allotment by the Company.
- (c) The Company has not invited applications for subscription of Shares to the public within the two preceding years.
- 18.4 The Company has not granted any option to any person to subscribe for any shares or debentures in the Company and the directors are not aware that any person intends to acquire Shares in this IPO save and except for Roots Financial Group Limited who has exercised its right under the Loan Agreement dated March 9, 2021 to convert J\$ 13,242,230 of the debt owed by EduFocal to ordinary shares at the invitation price of J\$1.00 per Share in this IPO.
- 18.5 (a) The Table below discloses the relevant assets or liabilities as at September 30, 2021, pursuant to paragraph 5 of Part 1 of the Third Schedule to the Companies Act.

Asset/Liability	Aggregate amount
(a) Trade investments	Nil
(b) Quoted investments other than trade investments	
(c) Unquoted investments other than trade investments	
Goodwill, patents, trademarks or part of that amount is shown as a separate item in or is otherwise ascertainable from the books of the Company, or from any contract for the sale or purchase of any property to be acquired by the Company or from any documents in the possession of the Company relating to the stamp duty payable in respect of any such contract or the conveyance of any such property, the said amount so shown or ascertained so far as it is shown or ascertainable and as so shown or ascertained, as the case may be	J\$61,014,733
Bank loans and overdrafts	J\$ 96,740,785
Net Amount recommended for distribution of dividend after tax	Nil

18.6 As at the date of this Prospectus, no negotiations to purchase any properties which are to be paid for wholly or partly out of the proceeds of this Invitation, have been entered into, and accordingly, paragraphs 6 to 9 (inclusive) of Part 1 of the Third Schedule of the Companies Act do not apply.

18.7 (a) Within the two (2) preceding years, no commissions have been paid, nor will any be payable to anyone for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares or debentures of the Company.

(b) The expenses for this Invitation and the follow up listing (estimated at J\$12 million) will be borne by the Company and be paid out of the proceeds from the Invitation.

(c) No payment or benefit has been paid or given or will be paid or given to any of the Directors or any other person as promoter of the Company within the preceding two (2) years or at all.

18.8 The issue is not underwritten.

18.9 The following material contracts, not being contracts entered into in the ordinary course of business or a contract entered into more than two years before the date of this Prospectus, have been entered into by the Company with the following persons (“Counterparties”):

Date	Expiry Date/Term	Counterparty	Additional Details
November 4, 2019	November 19, 2024	The Transport Authority and British Caribbean Insurance Company Limited	Provision of an electronic training platform targeted at operators of public passenger vehicles
June 15, 2020	August 2030	JMMB Bank (Jamaica) Limited	Loan Agreement
September 4, 2020	March 31, 2021	Dr. David Walcott	Shareholders’ Loan
September 15, 2020	Expires on earlier of termination or completion of IPO and listing	Mayberry Investments Limited	Provision of financial advisory and lead brokerage services relating to this invitation
December 22, 2020	July 4, 2021	Ministry of Education, Youth and Information	Agreement to provide access to learning management system Agreement has been fully performed.
January 6, 2021	No expiry set or termination date	Paul Allen	Chief Technology Officer’s Service Agreement
March 9, 2021	March 2022	Roots Financial Group Limited	Loan Agreement
June 2, 2021	June 14, 2022	Guango Tree Limited	One year lease of part of premises located at 29 Munroe Road
May 27, 2021	May 27 2022	Randy Rowe	Redeemable Cumulative Convertible Preference Share Subscription Agreement. Preference Share debt was converted to ordinary shares.
June 15, 2021	June 14,2022	Peter Levy	Redeemable Cumulative Convertible Preference Share Subscription Agreement Preference Share debt was converted to ordinary shares.

Date	Expiry Date/Term	Counterparty	Additional Details
June 28, 2021	June 27, 2022	Widebase Limited	<p>Redeemable Cumulative Convertible Preference Share Subscription Agreement.</p> <p>Preference Share debt was converted to ordinary shares.</p>
July 5, 2021	August 20, 2021	Ministry of Education, Youth and Information	<p>Agreement to provide platform access to a total of 5000 grade 4 to 6 students.</p> <p>Agreement has been fully performed.</p>
July 12, 2021	No set expiry or termination date.	Gordon Swaby	Chief Executive Officer's Service Agreement

18.10 The name and address of the auditors to the Company is:

Baker Tilly

Chartered Accountants

4 Ruthven Road

Kingston 10

Jamaica

18.11 Baker Tilly, Chartered Accountants have given and have not withdrawn their consent to the issue of this Prospectus with the inclusion of the Auditors' Report, and the complete audited financial statements of the Company for the financial year ended 31 December 2021, and their name in the form and context in which it is included.

18.12 The Company was incorporated on November 19, 2010 and commenced trading in 2012 and accordingly, paragraph 13 of Part 1 of the Third Schedule of the Companies Act does not apply.

19. Consents

- 19.1 Baker Tilly, the Auditors of the Company, have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion therein of a copy of their Auditors' Report in the form and context in which it is included.
- 19.2 Garcia Campbell & Associates, Chartered Accountants were the Auditors of the Company for the four (4) financial years ended December 31, 2016, December 31, 2017, December 31, 2018 and December 31, 2019. Garcia Campbell & Associates have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion therein of extracts from the Company's audited financial statements for the aforementioned financial years in the form and context in which it is included.
- 19.3 The Directors of the Company have given and have not withdrawn their written consent to the issue of the Prospectus and the inclusion therein of all material facts relevant to the Company as required by the Companies Act.

20. Documents Available for Inspection

During the period that the Invitation remains open for subscription for Shares, the following documents will be available for inspection on any weekday from February 23, 2022 to the Closing Date being March 17, 2022 (subject to early closing once fully subscribed) during the hours of 9:00 am to 4:30 pm, at the office of Patterson Mair Hamilton, Temple Court, 85 Hope Road, Kingston 6:


- (a) written consent of Baker Tilly, the Company's auditors;
- (b) written consent of Garcia Campbell & Associates the Company's auditors for December 31, 2016 to December 31, 2019;
- (c) written consent of the Directors of the Company;
- (d) audited financial statements of the Company for the five (5) financial years ended December 31, 2020 inclusive;
- (e) financial statements for interim 9-month period ended September 30, 2021.
- (f) the material contracts referred to in Sub-Section 18.9; and
- (g) the amended Articles of Incorporation of the Company.


21. Director's Signatures

21. DIRECTORS' SIGNATURES

Signed for and on behalf of EduFocal Limited by its Directors on this the 17 day of
February, 2022.

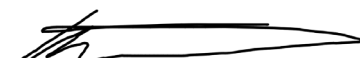
Signed: 
Peter Levy

Signed: 
Shauna Fuller Clarke

Signed: 
Lloyd Swaby

Signed: 
Gordon Swaby

Signed: 
Grace Lindo

Signed: 
Kevin Donaldson



APPENDIX 1: Application Guidelines

OPTION I - INDIVIDUAL & INDIVIDUALS WITH JOINT ACCOUNTS

Mayberry Clients

Mayberry Clients with existing online access can apply by following the steps immediately below. Mayberry Clients who have not signed up for online access will first need to sign up (see steps further below) and then apply for the IPO after the online account has been successfully created.

How to apply for the IPO:

1. Go to <https://www.mayberryinv.com> and click **SIGN IN** in the upper right corner.
2. Enter your credentials (registered email address and password) and click **Sign In**.
3. Click the **IPO** option from the menu on the left side of the page.
4. Click on the **Apply** button for the IPO.
5. Select the relevant IPO Pool (if the pool requires attachments upload the file) and click the **Apply** button.
6. Select your Mayberry account, complete the application form, and click **Review Application**.
7. Review the displayed application details and tick the checkboxes at the end of the page. You will need to click on the **form** link and agree to the conditions to tick the last checkbox.
8. Click the **Submit Application** button and enter the One Time Password sent to your email to complete the application process.
9. For joint accounts, the joint account holder(s) will receive an email with a link to click to confirm the application so it can be fully submitted.

Special Note:

- i. **The application process will only be considered complete for joint accounts when all holders have verified the application.**
- ii. **Please ensure that all minors are flagged during the application for joint account holders. Once flagged, minors will not receive the email link to verify the application.**

How to sign up:

1. Go to <https://www.mayberryinv.com> and click **SIGN UP** in the upper right corner.
2. Click on the **Already Have An Account** link.
3. Select the type of account (Individual) and enter the requested details on record at Mayberry, then click **Next**.
4. Enter the email address and phone number on record for your Mayberry account, create your password and click **Sign Up**.
5. If all your entered details match with the details on record at Mayberry, you will be prompted to enter the One Time Password sent to your email.
6. You may now apply for the IPO using the above steps.



OPTION II – INDIVIDUALS, INDIVIDUALS WITH JOINT ACCOUNTS & COMPANIES

Mayberry Clients

Mayberry Clients with existing online access can apply by following the steps immediately below:

How to apply for the IPO:

1. Go to <https://ipo.mayberryinv.com/mi-ipo> and enter your TRN
2. Click the **Send OTP** button (a one time password will be sent to your email address).
3. Enter the **OTP code** to login to the application
4. Click on the **Primary Account(s)** dropdown to select your account then click **Next**.
5. Select the **IPO** and the relevant **IPO Pool**. If the pool requires attachments, upload the files then click **Next**.
6. Enter the **Quantity of Shares** or **Total Amount** then click Next
7. Review the application details, click the relevant checkboxes then click **Finish**
8. **Ensure the correct email is provided for the primary and joint account holders (if applicable)**
9. A copy of the application receipt will be sent to your email address. An email will be sent to all adult joint account holders (if applicable) to verify the application.

Special Note:

- i. **The application process will only be considered complete for joint accounts when all holders have verified the application.**
- ii. **Please ensure that all minors are flagged during the application for joint account holders. Once flagged, minors will not receive the email link to verify the application**



OPTION III – Non-Mayberry Clients

I. Brokers with Electronic Platform

Please contact your Broker to get the details to complete and submit your electronic application.

II. Brokers with No Electronic Platform

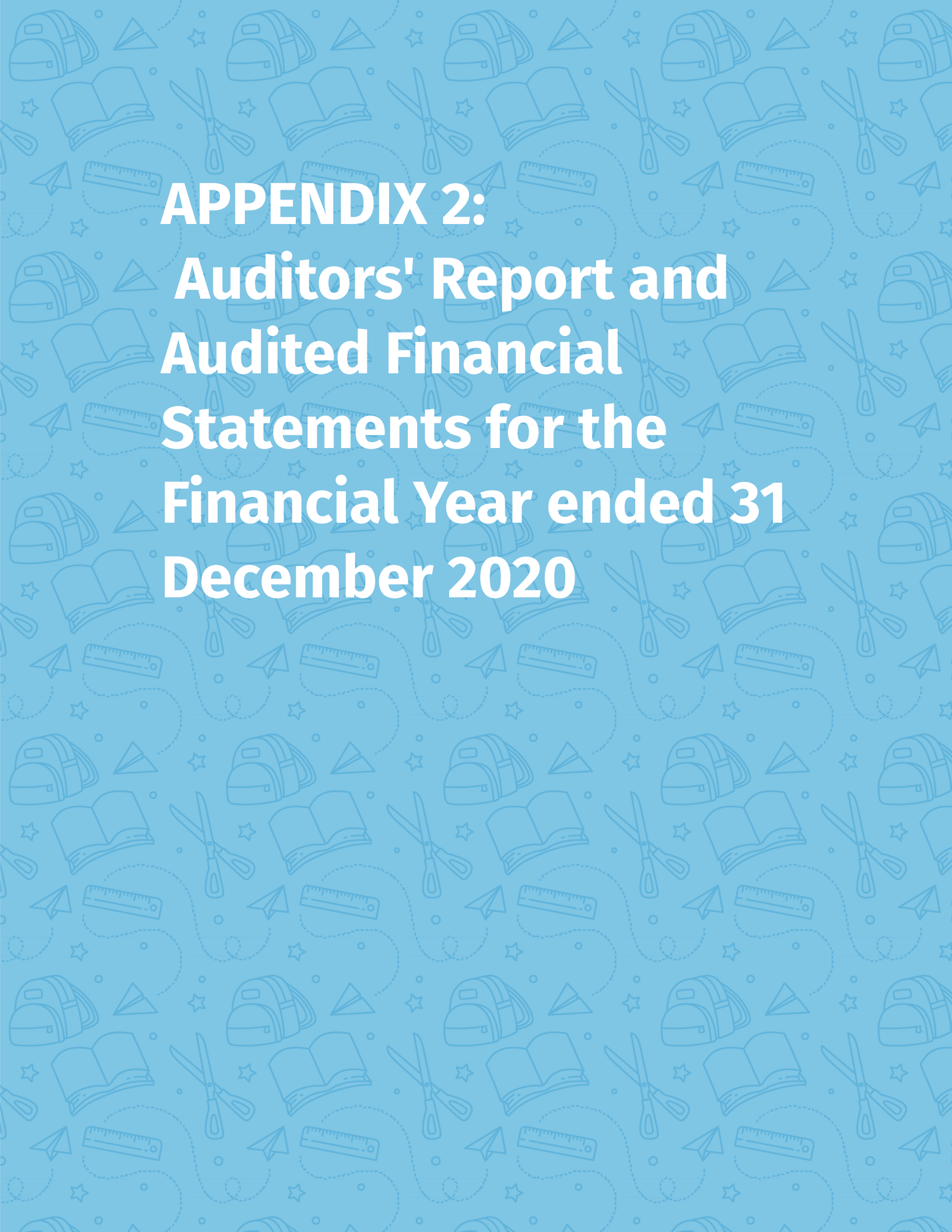
Non-Mayberry Clients can apply via a link that will be provided by your broker. Please follow the steps below to create the application:

How to apply for the IPO:

1. Contact your broker for the link to access the application
2. Enter your **Name** and **Email address**
3. Click the **Send OTP** button (a one time password will be sent to your email address).
4. Enter the **OTP code** to login to the application
5. Enter information for the **Company** or **Primary** and **Joint Account** holders
6. Select the relevant **IPO Pool**. If the pool requires attachments, upload the files then click **Next**.
7. Enter the **Quantity of Shares** or **Total Amount** then click Next
8. Review the application details, click the relevant checkboxes then click **Finish**
9. A copy of the application receipt will be sent to your email address. An email will be sent to all adult joint account holders (if applicable) to verify the application.

Special Note:

- i. **The application process will only be considered complete for joint accounts when all holders have verified the application.**
- ii. **Please ensure that all minors are flagged during the application for joint account holders. Once flagged minors will not receive the email link to verify the application**



APPENDIX 2:
Auditors' Report and
Audited Financial
Statements for the
Financial Year ended 31
December 2020

Edufocal Limited

Financial Statements
31 December 2020

Edufocal Limited**Index**
31 December 2020

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INDEPENDENT AUDITORS' REPORT

To the Members of
Edufocal Limited

Report on the audit of the Financial Statements*Opinion*

We have audited the accompanying financial statements of Edufocal Limited ("the Company") set out on pages 1 to 44, which comprise of the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaica Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Other matter

The financial statements of Edufocal Limited for the year ended 31 December 2019, were audited by another firm of Auditors whom expressed an unmodified opinion on those financial statements on October 20, 2020. We have obtained sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period's financial statements.

ADVISORY • ASSURANCE • TAX

PARTNERS: Wayne Strachan, FCA; FCCA; MBA Emile Lafayette; FCA; FCCA; MBA PRINCIPAL: Roxiana Malcolm-Tyrell, FCA; FCCA; M&A¹²

Baker Tilly Strachan Lafayette trading as BakerTilly is a member of the global network of Baker Tilly International Ltd, the members of which are separate and independent legal entities.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
Edufocal Limited
Page 2

Report on the audit of the Financial Statements (continued)

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

.../3



INDEPENDENT AUDITORS' REPORT (Continued)

To the Members of
Edufocal Limited
Page 3

Report on the audit of the Financial Statements (continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

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

Report on other legal and regulatory requirements

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

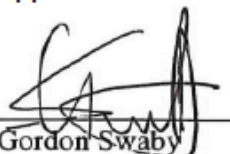
In our opinion, proper accounting records have been maintained, so far as appears from our examinations of those records, and the financial statements, which are in agreement therewith give the information required by the Jamaican Companies Act, in the manner so required.


Baker Tilly
Chartered Accountants
Kingston, Jamaica
27 August 2021

Edufocal Limited**Statement of Financial Position
At at 31 December 2020**

	Note	2020 \$	Restated 2019 \$
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,062,028	769,957
Intangible assets	6	31,962,363	5,789,182
Deferred tax assets	7	353,160	2,381,401
		<u>33,377,551</u>	<u>8,940,540</u>
Current assets			
Receivables	8	33,470,083	6,802,789
Director's account	9	14,338,230	6,947,416
Cash and cash equivalent	10	495,216	2,174,386
		<u>48,303,529</u>	<u>15,924,591</u>
TOTAL ASSETS		<u>81,681,080</u>	<u>24,865,131</u>
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	11	10,345,452	2,000
Accumulated deficit		<u>(7,292,272)</u>	<u>(18,208,929)</u>
		<u>3,053,180</u>	<u>(18,206,929)</u>
Non-current liabilities			
Long term loans	12	25,918,326	18,423,475
		<u>25,918,326</u>	<u>18,423,475</u>
Current liabilities			
Payables	13	15,076,210	6,085,653
Current portion of long term loans	12	10,329,597	4,248,515
Short term loans	14	17,502,992	14,314,417
Shareholder's loan	15	7,132,465	-
Taxation payable		2,668,310	-
		<u>52,709,574</u>	<u>24,648,585</u>
TOTAL EQUITY AND LIABILITIES		<u>81,681,080</u>	<u>24,865,131</u>

Approved for issue by the Board on 27 August 2021 and signed on its behalf by:


Gordon Swaby Director


Peter Levy Director

Edufocal Limited**Statement of Comprehensive Income
At at 31 December 2020**

	Note	2020 \$	Restated 2019 \$
Revenue	16	102,618,593	26,878,667
Administrative and operating expenses	17	<u>(74,024,954)</u>	<u>(35,313,957)</u>
Operating profit/(loss)		<u>28,593,639</u>	<u>(8,435,290)</u>
Other operating income	18	1,683,114	-
Impairment losses on financial assets	19	<u>(6,240,258)</u>	<u>-</u>
Profit/(loss) before finance costs	20	<u>24,036,495</u>	<u>(8,435,290)</u>
Finance costs, net	22	<u>(8,423,287)</u>	<u>(1,064,000)</u>
Profit/(loss) before taxation		<u>15,613,208</u>	<u>(9,499,290)</u>
Taxation	23	<u>(4,696,551)</u>	<u>2,381,401</u>
Net profit/(loss) for the year, being total comprehensive income/(loss)		<u>10,916,657</u>	<u>(7,117,889)</u>

Edufocal Limited

Page 3

Statement of Changes in Equity
Year ended 31 December 2020

	Share Capital	Accumulated Deficit	Total
	\$	\$	\$
Balance at 1 January 2019	2,000	(11,091,040)	(11,089,040)
Total comprehensive loss	-	(7,117,889)	(7,117,889)
Balance at 31 December 2019	2,000	(18,208,929)	(18,206,929)
Issue of ordinary shares (Note 11)	10,343,452	-	10,343,452
Total comprehensive income	-	10,916,657	10,916,657
Balance at 31 December 2020	10,345,452	(7,292,272)	3,053,180

Edufocal Limited

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Statement of Cash Flows
Year ended 31 December 2020

	2020	Restated 2019
	\$	\$
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Operating Activities		
Profit/(loss) before taxation	15,613,208	(9,499,290)
Adjustments for:		
Bad debt	5,162,349	-
Depreciation	178,144	153,925
Amortization of intangible assets	1,878,921	18,362
Impairment losses on financial assets	6,240,258	-
Foreign exchange losses/(gains)	976,034	(513,726)
Interest income	(36,104)	-
Interest expense	7,019,210	1,577,726
	37,032,020	(8,263,003)
Changes in operating assets and liabilities:		
Increase in receivables	(38,069,901)	(6,802,789)
Increase in director's account	(7,390,814)	(10,114,570)
Increase in payables	8,573,122	4,251,731
Cash provided by/(used in) operating activities	144,427	(20,928,631)
Interest received	36,104	-
Interest paid	(5,492,732)	(1,577,726)
Net cash used in operating activities	(5,312,201)	(22,506,357)
Investing Activities		
Purchase of property, plant and equipment	(470,215)	(352,575)
Purchase of intangible assets	(28,052,102)	(1,808,633)
Net cash used in investing activities	(28,522,317)	(2,161,208)
Financing Activities		
Proceeds from issue of share capital	10,343,452	-
Long term loans, net	12,894,232	11,445,068
Short term loans, net	1,946,722	13,776,947
Shareholder's loan	7,132,465	-
Net cash provided by financing activities	32,316,871	25,222,015
Net (decrease)/increase in cash and cash equivalents	(1,517,647)	554,450
Effect of foreign exchange losses on cash at bank	(161,523)	-
Cash and cash equivalents at beginning of year	2,174,386	1,619,936
CASH AND CASH EQUIVALENTS AT END OF YEAR	495,216	2,174,386
Represented by:		
Cash and short term deposit	495,216	2,174,386

Edufocal Limited

Notes to the Financial Statements 31 December 2020

1. Identification and Principal Activities

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

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

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

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

Edufocal Limited

Notes to the Financial Statements 31 December 2020

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards effective in the current year that are relevant to the company's operations

The following standards have been adopted by the company for the first time which have been issued and are effective for mandatory adoption for the financial year beginning on or after 1 January 2020:

Amendments to IFRS 3 – definition of a business (effective for annual period beginning on or after 1 January 2020). This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. The adoption of this standard is not expected to have a significant impact on the Company.

Definition of Material (Amendments to IAS 1 and IAS 8) The amendments clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The amendment further clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses material in the context of the financial statements as a whole. The standard also states that the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Edufocal Limited

Notes to the Financial Statements
31 December 2020

2. Summary of significant accounting policies (continued)**(a) Basis of preparation (continued)**

Standards and amendments to published standards effective in the current year that are relevant to the company's operations (continued)

Revised Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020). The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. These new standards include increasing the prominence of stewardship in the objective of financial reporting. It also includes changes in reinstating prudence as a component of neutrality. Further key changes include defining a reporting entity, which may be a legal entity, or a portion of an entity and revising the definitions of an asset and a liability as well as removing the probability threshold for recognition and adding guidance on de-recognition.

The standard further includes changes to adding guidance on different measurement basis and stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

The standard clarifies that no changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020.

Edufocal Limited

Notes to the Financial Statements
31 December 2020

2. Summary of significant accounting policies (continued)**(a) Basis of preparation (continued)**

Standards and amendments to published standards effective in the current year that are relevant to the company's operations (continued)

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) Reporting (effective for annual periods beginning on or after 1 January 2020). The changes in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

- modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
- are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
- are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and
- require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

The amendments did not result in any material effect on the company's financial statements.

Edufocal Limited

Notes to the Financial Statements 31 December 2020

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

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

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

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

Edufocal Limited

Notes to the Financial Statements 31 December 2020

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

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

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

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

Edufocal Limited

Notes to the Financial Statements
31 December 2020

Page 11

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

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

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Edufocal Limited

Notes to the Financial Statements
31 December 2020

2. Summary of significant accounting policies (continued)

(b) Foreign currency translation

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

(c) Property, plant and equipment

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

Furniture and equipment	10%
Computers and accessories	25%

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

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

(d) Intangible assets

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

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

Edufocal Limited

Notes to the Financial Statements 31 December 2020

2. Summary of significant accounting policies (continued)

(e) Fair value of financial instruments

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

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

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

(f) Receivables

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

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

(g) Cash and cash equivalents

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

Edufocal Limited

Notes to the Financial Statements 31 December 2020

2. Summary of significant accounting policies (continued)

(h) Taxation

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

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

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

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

(i) Trade and other payables

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

(j) Provisions

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

(k) Share capital

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

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

Edufocal Limited**Notes to the Financial Statements
31 December 2020****2. Summary of significant accounting policies (continued)****(l) Revenue recognition**

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

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

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

(i) Sales of services

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

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

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

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

(ii) Interest income and interest expense

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

(iii) Grant income

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

(m) Net finance costs

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

Edufocal Limited**Notes to the Financial Statements
31 December 2020****2. Summary of significant accounting policies (continued)****(n) Borrowings**

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

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

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

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Impairment of non-financial assets

At each statement of financial position date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Edufocal Limited**Notes to the Financial Statements
31 December 2020****2. Summary of significant accounting policies (continued)****(o) Impairment of non-financial assets (continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

(p) Related party transactions

A party is related to the company, if:

- (i) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the company that gives it significant influence over the company; or has joint control over the company;
- (ii) the party is an associate of the company;
- (iii) the party is a joint venture in which the company is a venture;
- (iv) the party is a member of the key management personnel of the company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is the company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any company that is a related party of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. The company has a related party relationship with its directors and key management personnel, representing certain senior officers of the company.

Edufocal Limited**Notes to the Financial Statements
31 December 2020****3. Financial risk management**

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

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

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

(a) Credit risk

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

Risk management

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

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

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

Edufocal Limited

Notes to the Financial Statements 31 December 2020

3. Financial risk management (continued)

(a) Credit risk (continued)

Risk management (continued)

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

Security

The company does not hold any collateral as security.

Impairment of financial assets

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

- trade receivables from sales.

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

Trade receivables and contract assets

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

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

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

Edufocal Limited

Notes to the Financial Statements 31 December 2020

3. Financial risk management (continued)

(a) Credit risk (continued)

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

31 December 2020	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
	\$	\$	\$	\$	\$
Expected loss rate	0%	0%	25.0%	35.0%	60.0%
Gross carrying amount – trade receivables	18,043,900	-	445,000	17,511,450	36,033,350
Loss allowance	-	-	111,250	6,129,008	6,240,258

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

	Trade receivables
	2020
	\$
Opening Expected Credit Loss balance	-
Increase in loss allowance recognised in profit or loss during the year	6,240,258
Closing Expected Credit Loss balance	6,240,258

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

Edufocal Limited**Notes to the Financial Statements
31 December 2020****3. Financial risk management (continued)****(a) Credit risk (continued)**

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

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

Other financial assets at amortised cost

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

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

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

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

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

Edufocal Limited**Notes to the Financial Statements
31 December 2020****3. Financial risk management (continued)****(b) Liquidity risk**

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

Liquidity risk management process

The company's liquidity management process includes:

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

Undiscounted cash flows of financial liabilities

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

	Within 1 month	1 to 3 months	3 to 12 months	Over 1 Year	Total	Carrying amount
	\$	\$	\$	\$	\$	\$
	2020					
Payables	15,076,210	-	-	-	15,076,210	15,076,210
Short term loans	2,000,000	7,061,140	5,040,000	5,232,000	19,333,140	17,502,992
Shareholder's loan	-	7,220,400	-	-	7,220,400	7,132,465
Long term loans	7,936,792	881,975	3,968,888	36,785,047	49,572,702	36,247,923
	<u>25,013,002</u>	<u>15,163,515</u>	<u>9,008,888</u>	<u>42,017,047</u>	<u>91,202,452</u>	<u>75,959,590</u>
	2019					
Payables	6,085,653	-	-	-	6,085,653	6,085,653
Short term loans	8,693,103	4,631,844	1,977,848	-	15,302,795	14,314,417
Long term loans	528,554	1,057,108	4,756,988	24,633,786	30,976,436	22,671,990
	<u>15,307,310</u>	<u>5,688,952</u>	<u>6,734,836</u>	<u>24,633,786</u>	<u>52,364,884</u>	<u>43,072,060</u>

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

Edufocal Limited

Notes to the Financial Statements 31 December 2020

3. Financial risk management (continued)

(c) Market risk

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

(i) Interest rate risk

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

At the reporting date, financial liabilities subject to interest rates aggregated \$60,883,380; (2019 - \$36,986,407). The company contracts financial liability at a fixed interest rate, hence changes in the market interest rate will not affect the cash flow nor the carrying amount of the instruments.

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

Edufocal Limited

Notes to the Financial Statements 31 December 2020

3. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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

Edufocal Limited**Notes to the Financial Statements
31 December 2020****3. Financial risk management (continued)****(c) Market risk (continued)****(i) Interest rate risk (continued)**

	Within 1 month	1 to 3 months	3 to 12 months	1 – 5 years	Non- interest bearing	Total
	\$	\$	\$	\$	\$	\$
	2019					
Assets						
Receivables	-	-	-	-	6,802,789	6,802,789
Director's account	-	-	-	-	6,947,416	6,947,416
Cash and short term deposits	2,174,386	-	-	-	-	2,174,386
Total financial assets	2,174,386	-	-	-	13,750,205	15,924,591
Liabilities						
Long term loans	350,639	703,089	3,194,787	18,423,475	-	22,671,990
Payables	-	-	-	-	6,085,653	6,085,653
Short term loans	7,982,525	4,460,086	1,871,806	-	-	14,314,417
Total financial liabilities	8,333,164	5,163,175	5,066,593	18,423,475	6,085,653	43,072,060
Total interest re-pricing gap	(6,158,778)	(5,163,175)	(5,066,593)	(18,423,475)	7,664,552	(27,147,469)

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

(ii) Currency risk

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

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

Edufocal Limited**Notes to the Financial Statements
31 December 2020****3. Financial risk management (continued)****(c) Market risk (continued)****(ii) Currency risk (continued)**

At the reporting date, net foreign currency liabilities of the company are as follows:

	2020 US\$	2019 US\$
Cash at bank	108	44
Interest payable	(8,559)	-
Long term loans	(52,500)	-
Shareholder's loan	(50,000)	-
Short term loans	(49,500)	(71,000)
Trade and other payables	(3,048)	(18,386)
	<u>(163,499)</u>	<u>(89,342)</u>
	2020	2019
	\$	\$
Rate of exchange	142.65	132.57
Jamaican equivalent	<u>(23,323,067)</u>	<u>(11,844,106)</u>

The following table indicate the currency to which the company had significant exposure on its monetary assets and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in the foreign exchange rate. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for changes in foreign currency rates as indicated in the table below. The sensitivity of the surplus/deficit was as a result of foreign exchange gains/losses on translation of foreign currency denominated financial instruments. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in each variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	2020	2020	2019	2019
	Effect on profit and loss and equity			
	Devaluation	Revaluation	Devaluation	Revaluation
	-6%	2%	-6%	4%
Currency:	<u>(1,399,384)</u>	<u>466,461</u>	<u>(710,646)</u>	<u>473,764</u>

Edufocal Limited**Notes to the Financial Statements
31 December 2020****3. Financial risk management (continued)****(d) Fair value estimates**

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

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

Edufocal Limited**Notes to the Financial Statements
31 December 2020****4. Critical accounting estimates and judgements in applying accounting policies**

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

(i) Impairment of financial assets

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

(ii) Income taxes

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

(iii) Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

Edufocal Limited**Notes to the Financial Statements
31 December 2020****4. Critical accounting estimates and judgments in applying accounting policies (continued)****(iv) Valuation of financial instruments**

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates.

Considerable judgment is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

Edufocal Limited**Notes to the Financial Statements
31 December 2020****5. Property, plant and equipment**

	Furniture & equipment	Computers & accessories	Total
	\$	\$	\$
At Cost-			
1 January 2019	645,063	161,755	806,818
Additions	314,286	38,289	352,575
31 December 2019	959,349	200,044	1,159,393
Additions	-	470,215	470,215
31 December 2020	959,349	670,259	1,629,608
Depreciation-			
1 January 2019	129,072	106,439	235,511
Charge for the year	119,919	34,006	153,925
31 December 2019	248,991	140,445	389,436
Charge for the year	95,935	82,209	178,144
31 December 2020	344,926	222,654	567,580
Net book value-			
31 December 2020	614,423	447,605	1,062,028
31 December 2019	710,358	59,599	769,957

Edufocal Limited**Notes to the Financial Statements
31 December 2020****6. Intangible assets**

	Intellectual Property	Software	Total
	\$	\$	\$
Cost -			
1 January 2019	-	4,015,473	4,015,473
Additions	-	1,808,633	1,808,633
31 December 2019	-	5,824,106	5,824,106
Additions	14,255,981	13,796,121	28,052,102
31 December 2020	14,255,981	19,620,227	33,876,208
Amortization -			
1 January 2019	-	16,562	16,562
Charge for year	-	18,362	18,362
31 December 2019	-	34,924	34,924
Charge for year	-	1,878,921	1,878,921
31 December 2020	-	1,913,845	1,913,845
Net book value -			
31 December 2020	14,255,981	17,706,382	31,962,363
31 December 2019	-	5,789,182	5,789,182

Intangible assets comprise computer software and intellectual property developed by the company. Intellectual property is determined to have an indefinite useful life. For the current period, after review, analysis and assessment, management is of the opinion that there is no impairment in the total value of intangibles as the recoverable amounts are higher than the carrying amounts. Amortization of the computer software is calculated based on an estimated useful life of five years.

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

Edufocal Limited**Notes to the Financial Statements
31 December 2020****7. Deferred tax assets**

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

	2020	2019
	\$	\$
Deferred income tax assets	353,160	2,381,401

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

	2020	2019
	\$	\$
Net assets at beginning of year	2,381,401	-
(Charged)/credited to the statement of comprehensive income (Note 23)	(2,028,241)	2,381,401
Net assets at end of year	353,160	2,381,401

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

	2020	2019
	\$	\$
Deferred income tax (liabilities)/assets:		
Property, plant and equipment	8,278	20,937
Intangible assets	(240,365)	(100,682)
Unrealised foreign exchange (loss)/gains	203,628	(128,432)
Interest payable	381,619	-
Tax losses	-	2,589,578
Net assets at end of year	353,160	2,381,401

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

	2020	2019
	\$	\$
Deferred tax assets to be (settled)/recovered:		
- after more than 12 months	353,160	2,381,401

Edufocal Limited**Notes to the Financial Statements
31 December 2020****8. Receivables**

	<u>2020</u>	<u>2019</u>
	\$	\$
Trade receivables	36,033,350	6,802,789
Less: Expected credit loss provision	<u>(6,240,258)</u>	-
	29,793,092	6,802,789
Prepaid expenses	537,878	-
Other receivables	<u>3,139,113</u>	-
	<u>33,470,083</u>	<u>6,802,789</u>

Movement of expected credit loss provision is as follows:

	<u>2020</u>	<u>2019</u>
	\$	\$
Balance at beginning of year	-	-
Provision during the year	<u>6,240,258</u>	-
Balance at end of year	<u>6,240,258</u>	-

9. Director's account

Director's account represents amounts due from a director which is unsecured, interest free and has no fixed payment or repayment terms.

10. Cash and cash equivalent

	<u>2020</u>	<u>2019</u>
	\$	\$
Term deposit	-	1,426,651
Cash at bank	<u>495,216</u>	<u>747,735</u>
	<u>495,216</u>	<u>2,174,386</u>

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

Edufocal Limited**Notes to the Financial Statements
31 December 2020****11. Share capital**

	<u>2020</u>	<u>2019</u>
	No. of shares	No. of shares
Authorised		
Opening authorised ordinary shares of no par value	2,000	2,000
Authorised ordinary share capital created during the year	(a) <u>18,371,000</u>	-
Closing authorised ordinary shares of no par value	<u>18,373,000</u>	<u>2,000</u>

Issued and fully paid

Opening issued and fully paid ordinary shares	2,000	2,000
Issued during the year	(b) <u>9,998,000</u>	-
Closing issued and fully paid ordinary shares	<u>10,000,000</u>	<u>2,000</u>

	<u>2020</u>	<u>2019</u>
	\$	\$
Ordinary shares of no par value		
Balance at beginning of year	2,000	2,000
Issued during the year	<u>10,343,452</u>	-
Balance at end of year	<u>10,345,452</u>	<u>2,000</u>

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

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

Edufocal Limited

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**Notes to the Financial Statements
31 December 2020****12. Long term loans**

		2020	2019
		\$	\$
Exim Bank Jamaica	(a)	-	20,222,222
JMMB Bank (Jamaica) Limited	(b)	26,925,140	-
Mayberry Investments Limited	(c)	7,495,805	-
National Commercial Bank Jamaica Limited	(d)	1,542,353	2,449,768
		<u>35,963,298</u>	<u>22,671,990</u>
Interest payable		284,625	-
		<u>36,247,923</u>	<u>22,671,990</u>
Less: Current portion		<u>(10,329,597)</u>	<u>(4,248,515)</u>
		<u>25,918,326</u>	<u>18,423,475</u>

- (a) This loan, which is denominated in Jamaican dollars was received in February 2019 for J\$21,000,000. The loan represents a SME medium term loan facility with six (6) months moratorium on principal payments only. The loan attracted interest of 9% per annum and was repayable in sixty (60) months. The loan was repaid during the year.
- (b) This loan, which is denominated in Jamaican dollars was received in August 2020 for J\$27,500,000. The loan attracts interest at the rate of 9% per annum and is repayable in one hundred and twenty (120) monthly instalments of \$348,358.38. The loan represents a non-revolving demand loan and is secured by personal guarantees and assets of Gordon, Lloyd and Olivene Swaby, including a Second Legal Guarantor's Mortgage over commercial property, located in Christiana Manchester, registered at Volume 1450 Folio 447 in the names of Lloyd and Olivene Swaby.
- (c) This loan, which is denominated in United States dollars, was received in July 2020 for US\$52,500. The loan represents a bridge loan and attracts interest at the rate of 8% per annum and have no fixed repayment term. The loan is secured by promissory note, a personal guarantee and indemnity of the borrower.
- (d) This loan, which is denominated in Jamaican dollars was received in June 2016 for J\$5,000,000. The loan attracts interest at the rate of 10% per annum and is repayable in seventy-two (72) monthly instalments of \$92,629.16. The loan is secured by promissory note and a Mortgage over commercial property, located in Christiana Manchester, registered at Volume 1450 Folio 447 in the names of Lloyd and Olivene Swaby.

Edufocal Limited**Notes to the Financial Statements
31 December 2020****13. Payables**

	2020	2019
	\$	\$
Trade payables	697,999	2,047,650
Accruals	1,585,971	450,000
Statutory liabilities	7,515,143	2,586,053
Other payables	<u>5,277,097</u>	<u>1,001,950</u>
	<u>15,076,210</u>	<u>6,085,653</u>

14. Short term loans

		2020	2019
		\$	\$
Angel Investment	(a)	-	7,954,140
Carbyne Capital Investment Limited	(b)	2,400,000	-
Dolla Financial Services Limited	(c)	4,800,000	-
Exim Bank Jamaica	(d)	-	4,886,937
Kirk-Anthony Hamilton	(e)	-	1,473,340
Kirk-Anthony Hamilton	(f)	2,143,639	-
Kirk-Anthony Hamilton	(g)	4,917,500	-
Kemal Brown	(h)	<u>2,000,000</u>	-
		<u>16,261,139</u>	<u>14,314,417</u>
Interest payable		1,241,853	-
		<u>17,502,992</u>	<u>14,314,417</u>

- (a) This loan, which is denominated in United States dollars is an unsecured loan which represented a deed of settlement of US\$60,000. The loan attracted interest at 20% per annum and was repaid during the year.
- (b) This loan, which is denominated in Jamaican dollars was received in November 2020 for J\$2,400,000. The loan attracts interest at the rate of 10% per month and is repayable in twelve (12) months. The loan is a factor financing agreement and is guaranteed by Ministry of Education, Youth & Information Contract GOJ-66-2020/2021.

Edufocal Limited**Notes to the Financial Statements
31 December 2020****14. Short term loans (continued)**

- (c) This loan, which is denominated in Jamaican dollars, was received in November 2020 for J\$4,800,000. The loan is unsecured, attracts interest at the rate of 13.5% per annum and is repayable in three (3) months.
- (d) This loan, which was denominated in Jamaican dollars, was received in February 2019 for J\$5,000,000. The loan attracted interest of 9% per annum and was repayable in one hundred and eighty (180) days. The loan was repaid during the year.
- (e) This loan, which was denominated in United States dollars, was received in 2019 for US\$11,000. The loan was unsecured, attracted interest of 10% per month and had no fixed repayment terms. The loan was repaid during the year.
- (f) This loan, which is denominated in United States dollars, was received in August 2020 for US\$25,000. The loan attracts interest of 32.87% per month and is repayable in seven (7) months. The loan is secured by a promissory note.
- (g) This loan, which is denominated in United States dollars, was received in September 2020 for US\$35,000. The loan attracts interest of 32.87% per month and is repayable in six (6) months. The loan is secured by a promissory note.
- (h) This loan, which is denominated in Jamaican dollars, was received in December 2020 for J\$2,000,000. The loan attracts interest at the rate of 10% per annum, is unsecured and is repayable in one (1) month.

15. Shareholder's loan

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

16. Revenue

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

Edufocal Limited**Notes to the Financial Statements
31 December 2020****17. Expenses by nature**

	2020	2019
	\$	\$
Advertising and promotion	9,180,310	4,692,680
Amortization	1,878,921	18,362
Annual returns	-	3,000
Asset and business tax	-	225,534
Audit fee	800,000	150,000
Bad debt	5,162,349	-
Bank charges	1,477,502	834,324
Cleaning and sanitation	28,400	6,000
Content development	-	721,476
Content labour	9,115,561	5,126,040
Courier service	-	53,663
Depreciation	178,144	153,925
Donations	-	18,000
Insurance expense	554,400	-
Interest and penalties	-	18,382
Meetings and conference	-	27,500
Membership fees	3,417,106	46,679
Office rental	1,102,752	795,000
Office supplies and expenses	1,076,311	5,071,938
Professional fees	3,632,206	332,295
Repairs and maintenance	58,451	229,923
Staff costs (Note 21)	36,035,419	14,531,685
Travel expense	-	840,000
Utilities	327,122	1,417,551
	<u>74,024,954</u>	<u>35,313,957</u>
Impairment losses on financial assets (Note 19)	6,240,258	-
Finance costs, net (Note 22)	8,423,287	1,064,000
	<u>88,688,499</u>	<u>36,377,957</u>

Edufocal Limited

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**Notes to the Financial Statements
31 December 2020****18. Other operating income**

Other operating income comprises the following:

	<u>2020</u>	<u>2019</u>
	\$	\$
Grant income from Development Bank of Jamaica	1,456,648	-
Other income	226,466	-
	<u>1,683,114</u>	<u>-</u>

19. Impairment losses on financial assets

This amount represents the increase in the Expected Credit Loss allowance.

20. Operating profit/(loss)

In arriving at the operating profit/(loss) for the year, the following have been charged: -

	<u>2020</u>	<u>2019</u>
	\$	\$
Audit fee	800,000	450,000
Depreciation	178,144	153,925
Amortization	1,878,921	18,362
Director's emolument:		
Management remuneration (included in staff costs)	5,283,400	4,645,021
Staff costs (Note 21)	<u>36,035,419</u>	<u>14,531,685</u>

21. Staff costs

	<u>2020</u>	<u>2019</u>
	\$	\$
Wages and salaries	33,934,712	14,121,832
Staff welfare	86,500	409,853
Contract labour	2,014,207	-
	<u>36,035,419</u>	<u>14,531,685</u>

Edufocal Limited**Notes to the Financial Statements
31 December 2020****22. Finance costs, net**

	<u>2020</u>	<u>2019</u>
	\$	\$
Interest expense	7,233,647	1,577,726
Financing fee	249,710	-
Foreign exchange losses/(gains)	976,034	(513,726)
Interest income	(36,104)	-
	<u>8,423,287</u>	<u>1,064,000</u>

23. Taxation

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

	<u>2020</u>	<u>2019</u>
	\$	\$
Income tax at 25%	2,668,310	-
Deferred income taxes (Note 7)	2,028,241	(2,381,401)
	<u>4,696,551</u>	<u>(2,381,401)</u>

Subject to agreement with the Commissioner General, Tax Administration Jamaica, the company utilized tax losses of approximately \$10,358,314 during the year.

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

	<u>2020</u>	<u>2019</u>
	\$	\$
Profit/(loss) before taxation	<u>15,613,208</u>	<u>(9,499,290)</u>
Tax calculated at a tax rate of 25%	3,903,302	(2,374,822)
Adjusted for the effects of:-		
Expense not allowed for tax purposes	1,560,064	4,500
Corporate Tax Credit	(375,000)	-
Other charges and allowances	(391,815)	(11,079)
	<u>4,696,551</u>	<u>(2,381,401)</u>

Edufocal Limited**Notes to the Financial Statements
31 December 2020****24. Related party transactions**

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

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

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

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

	<u>2020</u>	<u>2019</u>
	\$	\$
Director's account	14,338,230	6,947,416
Shareholder's loan	<u>(7,132,465)</u>	<u>-</u>
	<u>7,205,765</u>	<u>6,947,416</u>

The following was charged to the statement of comprehensive income:

	<u>2020</u>	<u>2019</u>
	\$	\$
Director's remuneration	<u>5,283,400</u>	<u>4,645,021</u>

Edufocal Limited**Notes to the Financial Statements
31 December 2020****25. Restatement of prior year balances**

Restatement of the prior year short term loan balance relates to the omission of loans in 2019, the reclassification of short term loan from long term loan and from equity. The credit card balance was also reclassified to payables. Additionally, the deferred tax assets were not recorded in the financial statements.

Below are the reconciliations of the Statement of Financial Position and Statement of Comprehensive Income at December 31, 2019.

APPENDIX 3: Auditors' Consent

GARCIA CAMPBELL AND ASSOCIATES CHARTERED ACCOUNTANTS

13B Long Lane, Kingston 8, Jamaica, WI.

January 3, 2022

The Board of Directors
EduFocal Limited
22 B Old Hope Road

Dear Ladies and Gentlemen:

Prospectus for an offering of up to 129,689,219 Ordinary Shares in EduFocal Limited

Reference is made to the above mentioned Prospectus which has been signed for and on behalf EduFocal Limited (the "Company") by the Directors of the Company.

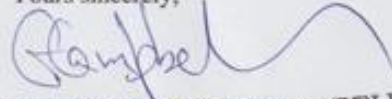
We hereby consent to the issue of the Prospectus with the inclusion therein of:

- (a) a summary of the Company's four (4) year financial performance which uses extracts from the Company's audited financial statements for the financial years ended December 31, 2016 to December 31, 2019; and
- (b) references to our name in the form and context in which they are included in the Prospectus.

We confirm that we have not withdrawn our consent before delivery of a copy of the Prospectus to the Companies Office of Jamaica or the Financial Services Commission for registration.

This consent letter should not be regarded as in any way an update or qualification to the aforementioned financial reports or that we performed any procedures or services subsequent to the date of such reports.

Yours sincerely,


Garcia Campbell & Associates
GARCIA CAMPBELL
Chartered Accountants ACCA
Chartered Accountant



January 11, 2022

To the Directors
EduFocal Limited
22B Old Hope Road
Kingston 5

Dear Sirs:

Re: Prospectus for an offering of up to 129,689,219 Ordinary Shares in EduFocal Limited

Reference is made to the above-mentioned Prospectus which has been signed for and on behalf EduFocal Limited (the "Company") by the Directors of the Company.

We hereby consent to the issue of the Prospectus with the inclusion therein of:

- (a) the Company's audited financial statements for the financial year ended 31 December 2020 and our Independent Auditors' Review Report for the nine months ended 30 September 2021;
- (b) references to our name in the form and context in which it is included in the Prospectus.

We confirm that we have not withdrawn our consent before delivery of a copy of the Prospectus to the Companies Office of Jamaica or the Financial Services Commission for registration.

This consent letter should not be regarded as in any way an update or qualification to the aforementioned financial reports or that we performed any procedures subsequent to the date of such reports.

Yours sincerely,

Baker Tilly
Chartered Accountants
Kingston, Jamaica

9 Cargill Avenue
Kingston 10
Jamaica

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APPENDIX 4: Review of Interim Financial Statements for 9-Months Period Ended September 30, 2021

ADVISORY • ASSURANCE • TAX

PARTNERS: Wayne Strachan; FCA,FCCA,MBA Emile Lafayette; FCA,FCCA,MBA PRINCIPAL: Roxiana Malcolm-Tyrell; FCA,FCCA,MBA

Baker Tilly Strachan Lafayette trading as BakerTilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

Edufocal Limited**Financial Statements
30 September 2021****Edufocal Limited****Index
30 September 2021**

Page**Independent Auditors' Report to the Members****Financial Statements**

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Statement of comprehensive income	2
Statement of changes in equity	3
Statement of cash flows	4-5
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INDEPENDENT AUDITORS' REPORT

To the Members of
Edufocal Limited

Report on the review of interim Financial Statements

Opinion

We have reviewed the accompanying financial statements of Edufocal Limited ("the Company") set out on pages 1 to 42, which comprise of the statement of financial position as at 30 September 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRS). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at September 30, 2021, and of its financial performance and its cash flows for the nine-month period then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaica Companies Act.

Chartered Accountants

Kingston, Jamaica

4 January 2022

ADVISORY • ASSURANCE • TAX

.../2

PARTNERS: Wayne Strachan; FCA; FCCA; MBA Emile Lafayette; FCA; FCCA; MBA PRINCIPAL: Roxiana Malcolm-Tyrell; FCA; FCCA; MBA

Baker Tilly Strachan Lafayette trading as BakerTilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

Edufocal Limited

Statement of Financial Position As at 30 September 2021

	Note	30 September 2021 \$	31 December 2020 \$
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,712,976	1,062,028
Intangible assets	6	61,014,733	31,962,363
Right-of-use asset	7	4,694,463	-
Deferred tax assets	8	1,097,053	353,160
		<u>70,519,225</u>	<u>33,377,551</u>
Current assets			
Receivables	9	77,296,017	33,470,083
Director's account	10	26,910,932	14,338,230
Cash and cash equivalent	11	8,078,139	495,216
		<u>112,285,088</u>	<u>48,303,529</u>
TOTAL ASSETS		<u>182,804,313</u>	<u>81,681,080</u>
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	12	10,345,452	10,345,452
Preference shares	13	54,999,999	-
Accumulated deficit		(8,785,928)	(7,292,272)
		<u>56,559,523</u>	<u>3,053,180</u>
Non-current liabilities			
Lease Liability		2,198,150	-
Long term loans	14	23,608,379	25,918,326
		<u>25,806,529</u>	<u>25,918,326</u>
Current liabilities			
Payables	15	20,500,632	15,076,210
Current portion of long term loans	14	3,155,591	10,329,597
Current portion of lease liability	7	2,570,646	-
Short term loans	16	63,070,000	17,502,992
Shareholder's loan	17	7,392,609	7,132,465
Bank overdraft	18	51,307	-
Taxation payable		3,697,476	2,668,310
		<u>100,438,261</u>	<u>52,709,574</u>
TOTAL EQUITY AND LIABILITIES		<u>182,804,313</u>	<u>81,681,080</u>

Approved for issue by the Board on 4 January 2022 and signed on its behalf by:

Gordon Swaby Director

Peter Levy Chairman

Edufocal Limited

Statement of Comprehensive Income
Period ended 30 September 2021

		9 Months ended 30 September 2021	12 Months ended 31 December 2020
	Note	\$	\$
Revenue	19	107,595,512	102,618,593
Administrative and operating expenses	20	(89,570,409)	(74,024,954)
Operating profit		18,025,103	28,593,639
Other operating income	21	8,362	1,683,114
Impairment losses on financial assets	22	(5,349,470)	(6,240,258)
Profit before finance costs	23	12,683,995	24,036,495
Finance costs, net	25	(13,392,379)	(8,423,287)
(Loss)/profit before taxation		(708,384)	15,613,208
Taxation	26	(785,272)	(4,696,551)
Net (loss)/profit for the year, being total comprehensive (loss)/income		(1,493,656)	10,916,657

Edufocal Limited

Statement of Changes in Equity
Period ended 30 September 2021

	Share Capital	Preference Shares	Accumulated Deficit	Total
	\$	\$	\$	\$
Balance at 1 January 2020	2,000	-	(18,208,929)	(18,206,929)
Issue of ordinary shares (Note 12)	10,343,452	-	-	10,343,452
Total comprehensive income for the year ended 31 December 2020	-	-	10,916,657	10,916,657
Balance at 31 December 2020	10,345,452	-	(7,292,272)	3,053,180
Issue of preference shares (Note 13)	-	54,999,999	-	54,999,999
Total comprehensive loss for the period ended 30 September 2021	-	-	(1,493,656)	(1,493,656)
Balance at 30 September 2021	10,345,452	54,999,999	(8,785,928)	56,559,523

Edufocal Limited

Statement of Cash Flows
Period ended 30 September 2021

	9 Months ended 30 September 2021 \$	12 Months ended 31 December 2020 \$
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Operating Activities		
(Loss)/profit before taxation	(708,384)	15,613,208
Adjustments for:		
Bad debt written off	-	5,162,349
Depreciation	405,058	178,144
Amortization of intangible assets	7,606,147	1,878,921
Amortization of right-of-use asset	670,638	-
Impairment losses on financial assets	5,349,470	6,240,258
Foreign exchange losses	1,244,184	976,034
Interest income	(377,524)	(36,104)
Lease interest expense	108,695	-
Interest expense	8,866,953	7,019,210
	<u>23,165,237</u>	<u>37,032,020</u>
Changes in operating assets and liabilities:		
Increase in receivables	(49,175,404)	(38,069,901)
(Increase)/decrease in director's account	(12,195,403)	(7,390,814)
Increase in payables	5,138,128	8,573,122
Cash (used in)/provided by operating activities	(33,067,442)	144,427
Interest received	225	36,104
Interest paid	(8,606,808)	(5,492,732)
Tax paid	(500,000)	-
Net cash used in operating activities	(42,174,025)	(5,312,201)
Investing Activities		
Purchase of property, plant and equipment	(3,056,006)	(470,215)
Purchase of intangible assets	(36,658,517)	(28,052,102)
Net cash used in investing activities	(39,714,523)	(28,522,317)
Balance carried forward	<u>(81,888,548)</u>	<u>(33,834,518)</u>

Edufocal Limited

Statement of Cash Flows
Period ended 30 September 2021

	9 Months ended 30 September 2021 \$	12 Months ended 31 December 2020 \$
Cash flows brought forward		
	(81,888,548)	(33,834,518)
Financing Activities		
Proceeds from issued ordinary shares	-	10,343,452
Proceeds from issued preference shares	54,999,999	-
Lease payments	(705,000)	-
Long term loan, net	(10,183,938)	12,894,232
Short term loan, net	45,567,008	1,946,722
Shareholder's loan	-	7,132,465
Net cash provided by financing activities	<u>89,678,069</u>	<u>32,316,871</u>
Net increase/(decrease) in cash and cash equivalents	7,789,521	(1,517,647)
Effect of foreign exchange losses on cash at bank	(257,906)	(161,523)
Cash and cash equivalents at beginning of period	495,216	2,174,386
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>8,026,832</u>	<u>495,216</u>
Represented by:		
Cash at bank	8,078,139	495,216
Bank overdraft	(51,307)	-
	<u>8,026,832</u>	<u>495,216</u>

Edufocal Limited

Notes to the Financial Statements 30 September 2021

1. Identification and Principal Activities

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

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

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

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

Edufocal Limited

Notes to the Financial Statements 30 September 2021

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

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

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

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

Edufocal Limited

Notes to the Financial Statements
30 September 2021

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

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

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

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

Edufocal Limited

Notes to the Financial Statements
30 September 2021

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

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

Edufocal Limited

Notes to the Financial Statements 30 September 2021

2. Summary of significant accounting policies (continued)

(b) Foreign currency translation

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

(c) Property, plant and equipment

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

Furniture and equipment	10%
Computers and accessories	25%

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

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

(d) Intangible assets

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

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

Edufocal Limited

Notes to the Financial Statements 30 September 2021

2. Summary of significant accounting policies (continued)

(e) Fair value of financial instruments

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

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

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

(f) Receivables

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

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

(g) Cash and cash equivalents

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

Edufocal Limited**Notes to the Financial Statements
30 September 2021****2. Summary of significant accounting policies (continued)****(h) Taxation**

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

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

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

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

(i) Trade and other payables

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

(j) Provisions

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

(k) Share capital

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

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

Edufocal Limited**Notes to the Financial Statements
30 September 2021****2. Summary of significant accounting policies (continued)****(l) Revenue recognition**

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

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

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

(i) Sales of services

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

- (a) School sales - This relates to the sale of online platform access to various schools across the island. Invoices are generated once the access cards are sold to the schools. Payment is sent by schools directly to Edufocal's bank account or planned cash collection is arranged by Edufocal.
- (b) Online sales - This relates to paid access to the learning content platform. These are cash sales.
- (c) Partnership and business sales - These are contractual arrangements.

(ii) Interest income and interest expense

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

(iii) Grant income

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

(m) Net finance costs

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

Edufocal Limited**Notes to the Financial Statements
30 September 2021****2. Summary of significant accounting policies (continued)****(n) Borrowings**

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

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

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

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Impairment of non-financial assets

At each statement of financial position date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Edufocal Limited**Notes to the Financial Statements
30 September 2021****2. Summary of significant accounting policies (continued)****(o) Impairment of non-financial assets (continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

(p) Related party transactions

A party is related to the company, if:

- (i) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the company that gives it significant influence over the company; or has joint control over the company;
- (ii) the party is an associate of the company;
- (iii) the party is a joint venture in which the company is a venture;
- (iv) the party is a member of the key management personnel of the company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is the company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any company that is a related party of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. The company has a related party relationship with its directors and key management personnel, representing certain senior officers of the company.

Edufocal Limited**Notes to the Financial Statements
30 September 2021****3. Financial risk management**

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

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

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

(a) Credit risk

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

Risk management

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

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

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

Edufocal Limited**Notes to the Financial Statements
30 September 2021****3. Financial risk management (continued)****(a) Credit risk (continued)****Risk management (continued)**

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

Security

The company does not hold any collateral as security.

Impairment of financial assets

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

- trade receivables for sales.

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

Trade receivables and contract assets

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

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

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 30 September 2021 and 31 December 2020 and the corresponding credit losses experienced within these periods. Edufocal Limited does not have a significant history of losses relating to revenues. The management has estimated the loss rate by taking into consideration mostly forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the GDP, inflation and the unemployment rate of the countries in which it sells its services to be the most relevant factors, and will accordingly adjust the expected loss rates based on changes in these factors.

Edufocal Limited

Notes to the Financial Statements
30 September 2021

3. Financial risk management (continued)

(a) Credit risk (continued)

On that basis, the loss allowance as at 30 September 2021 and 31 December was determined as follows for trade receivables:

30 September 2021	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
	\$	\$	\$	\$	\$
Expected loss rate	0%	0%	5%	38%	13.7%
Gross carrying amount – trade receivables	-	49,988,000	4,400,000	29,970,650	84,358,650
Loss allowance	-	-	220,000	11,369,728	11,589,728

31 December 2020	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
	\$	\$	\$	\$	\$
Expected loss rate	0%	0%	25%	35%	17%
Gross carrying amount – trade receivables	18,043,900	-	445,000	17,544,450	36,033,350
Loss allowance	-	-	111,250	6,129,008	6,240,258

The closing loss allowances for trade receivables as at 30 September 2021 reconcile to the opening loss allowances is as follows:

	Trade Receivables 30 September 2021	Trade Receivables 31 December 2020
	\$	\$
Opening Expected Credit Loss balance	6,240,258	-
Increase in loss allowance recognised in profit or loss during the period	5,349,470	6,240,258
Closing Expected Credit Loss balance	11,589,728	6,240,258

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

Edufocal Limited

Notes to the Financial Statements
30 September 2021

3. Financial risk management (continued)

(a) Credit risk (continued)

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

As at 30 September 2021 (31 December 2020: nil) there were no trade receivables with lifetime expected credit losses of the full value of the receivables.

Other financial assets at amortised cost

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

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

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

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

	30 September 2021	31 December 2020
	\$	\$
Impairment losses		
- movement in loss allowance for trade receivables and contract assets	5,349,470	6,240,258
Net impairment losses on financial and contract assets	5,349,470	6,240,258

Edufocal Limited**Notes to the Financial Statements
30 September 2021****3. Financial risk management (continued)****(b) Liquidity risk**

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

Liquidity risk management process

The company's liquidity management process includes:

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

Undiscounted cash flows of financial liabilities

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

	Within 1 month	1 to 3 months	3 to 12 months	Over 1 Year	Total	Carrying amount
	\$	\$	\$	\$	\$	\$
30 September 2021						
Payables	20,500,632	-	-	-	20,500,632	20,500,632
Short term loans	4,351,667	1,663,333	61,090,000	-	67,105,000	63,070,000
Shareholder's loan	-	-	7,418,117	-	7,418,117	7,392,609
Bank overdraft	51,307	-	-	-	51,307	51,307
Lease liability	235,000	470,000	2,164,350	2,263,050	5,132,400	4,768,796
Long term loans	440,988	881,975	3,691,000	33,094,046	38,108,009	26,763,970
	<u>25,579,594</u>	<u>3,015,308</u>	<u>74,363,467</u>	<u>35,357,096</u>	<u>138,315,465</u>	<u>122,547,314</u>
31 December 2020						
Payables	15,076,210	-	-	-	15,076,210	15,076,210
Short term loans	2,000,000	7,061,140	5,040,000	5,232,000	19,333,140	17,502,992
Shareholder's loans	-	7,220,400	-	-	7,220,400	7,132,465
Long term loans	7,936,792	881,975	3,968,888	36,785,047	49,572,702	36,247,923
	<u>25,013,002</u>	<u>15,163,515</u>	<u>9,008,888</u>	<u>42,017,047</u>	<u>91,202,452</u>	<u>75,959,590</u>

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

Edufocal Limited**Notes to the Financial Statements
30 September 2021****3. Financial risk management (continued)****(c) Market risk**

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

(i) Interest rate risk

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

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

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

Edufocal Limited

Notes to the Financial Statements
30 September 2021

3. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	Within 1 month \$	1 to 3 months \$	3 to 12 months \$	1 – 5 years \$	Non- interest bearing \$	Total \$
30 September 2021						
Assets						
Receivables	-	-	-	-	77,296,017	77,296,017
Director's account	1,213,707	2,442,606	20,816,488	-	2,438,131	26,910,932
Cash and cash equivalent	8,078,139	-	-	-	-	8,078,139
Total financial assets	9,291,846	2,442,606	20,816,488	-	79,734,148	112,285,088
Liabilities						
Long term loans	274,547	549,094	2,203,762	23,608,379	395,353	26,763,970
Payables	-	-	-	-	20,500,632	20,500,632
Short term loans	-	-	63,070,000	-	-	63,070,000
Lease liability	201,696	407,847	1,961,104	2,198,149	-	4,768,796
Bank overdraft	51,307	-	-	-	-	51,307
Shareholder's loan	-	-	7,132,465	-	260,144	7,392,609
Total financial liabilities	527,550	956,941	74,100,166	25,806,528	21,156,129	122,547,314
Total interest re- pricing gap	8,764,296	1,485,665	(53,283,678)	(25,806,528)	58,578,019	(10,262,226)

Edufocal Limited

Notes to the Financial Statements
30 September 2021

3. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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

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

(ii) Currency risk

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

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

Edufocal Limited**Notes to the Financial Statements
30 September 2021****3. Financial risk management (continued)****(d) Fair value estimates**

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

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

Edufocal Limited**Notes to the Financial Statements
30 September 2021****4. Critical accounting estimates and judgements in applying accounting policies**

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

(i) Impairment of financial assets

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

(ii) Income taxes

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

(iii) Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

Edufocal Limited

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**Notes to the Financial Statements
30 September 2021****4. Critical accounting estimates and judgments in applying accounting policies (continued)****(iv) Valuation of financial instruments**

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates.

Considerable judgment is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

Edufocal Limited

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**Notes to the Financial Statements
30 September 2021****5. Property, plant and equipment**

	Furniture & equipment	Computers & accessories	Total
	\$	\$	\$
At Cost-			
1 January 2020	959,349	200,044	1,159,393
Additions	-	470,215	470,215
31 December 2020	959,349	670,259	1,629,608
Additions	863,235	2,192,771	3,056,006
30 September 2021	1,822,584	2,863,030	4,685,614
Depreciation-			
1 January 2020	248,991	140,445	389,436
Charge for the year	95,935	82,209	178,144
31 December 2020	344,926	222,654	567,580
Charge for the period	98,204	306,854	405,058
30 September 2021	443,130	529,508	972,638
Net book value-			
30 September 2021	1,379,454	2,333,522	3,712,976
31 December 2020	614,423	447,605	1,062,028

Edufocal Limited**Notes to the Financial Statements
30 September 2021****6. Intangible assets**

	Intellectual Property	Software	Total
	\$	\$	\$
Cost -			
1 January 2020	-	5,824,106	5,824,106
Additions	14,255,981	13,796,121	28,052,102
31 December 2020	14,255,981	19,620,227	33,876,208
Additions	18,936,927	17,721,590	36,658,517
30 September 2021	33,192,908	37,341,817	70,534,725
Amortization -			
1 January 2020	-	34,924	34,924
Charge for year	-	1,878,921	1,878,921
31 December 2020	-	1,913,845	1,913,845
Charge for period	2,320,465	5,285,682	7,606,147
30 September 2021	2,320,465	7,199,527	9,519,992
Net book value -			
30 September 2021	30,872,443	30,142,290	61,014,733
31 December 2020	14,255,981	17,706,382	31,962,363

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

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

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

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

Right-of-use asset

	30 September 2021	31 December 2020
	\$	\$
Balance as at beginning of the period	-	-
Additions	5,365,101	-
Amortization	(670,638)	-
Balance as at end of period	4,694,463	-

Lease liability

	30 September 2021	31 December 2020
	\$	\$
Current	2,570,646	-
Non-current	2,198,150	-
Balance as at end of period	4,768,796	-

(ii) Amounts recognized in the statement of comprehensive income

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

	30 September 2021	31 December 2020
	\$	\$
Amortization charge of right-of-use assets (included in administrative expenses)	670,638	-
Interest expense (included in finance cost)	108,695	-

(iii) Amounts recognized in the statement of cash flows

	30 September 2021	31 December 2020
	\$	\$
Total cash outflows for leases	705,000	-

Edufocal Limited

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**Notes to the Financial Statements
30 September 2021****8. Deferred tax assets**

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

	30 September 2021	31 December 2020
	\$	\$
Deferred income tax assets	1,097,053	353,160

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

	30 September 2021	31 December 2020
	\$	\$
Net assets at beginning of year	353,160	2,381,401
Credited/(charged) to the statement of comprehensive income (Note 26)	743,893	(2,028,241)
Net assets at end of period	1,097,053	353,160

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

	30 September 2021	31 December 2020
	\$	\$
Deferred income tax (liabilities)/assets:		
Property, plant and equipment	(46,604)	8,278
Intangible assets	713,347	(240,365)
Lease Liability net of Right-of-use asset	18,583	-
Unrealised foreign exchange (loss)/gains	311,045	203,628
Interest payable	100,682	381,619
Net assets at end of period	1,097,053	353,160

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

	30 September 2021	31 December 2020
	\$	\$
Deferred tax assets to be recovered:		
- after more than 12 months	1,097,053	353,160

Edufocal Limited**Notes to the Financial Statements
30 September 2021****9. Receivables**

	30 September 2021	31 December 2020
	\$	\$
Trade receivables	84,358,650	36,033,350
Less: Expected credit loss provision	(11,589,728)	(6,240,258)
	72,768,922	29,793,092
Prepaid expenses	3,401,841	537,878
Other receivables	1,125,254	3,139,113
	77,296,017	33,470,083

Movement of expected credit loss provision is as follows:

	30 September 2021	31 December 2020
	\$	\$
Balance at beginning of year	6,240,258	-
Provision during the period	5,349,470	6,240,258
Balance at end of period	11,589,728	6,240,258

10. Director's account

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

11. Cash and cash equivalent

	30 September 2021	31 December 2020
	\$	\$
Cash at bank	8,078,139	495,216
	8,078,139	495,216

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

Edufocal Limited**Notes to the Financial Statements
30 September 2021****12. Share capital**

	30 September 2021	31 December 2020
Authorised	No. of shares	No. of shares
Opening authorised ordinary shares of no par	18,373,000	2,000
Authorised ordinary share capital created during the period (a)	-	18,371,000
Closing authorised ordinary shares of no par value	<u>18,373,000</u>	<u>18,373,000</u>
Issued and fully paid		
Opening issued and fully paid ordinary shares	10,000,000	2,000
Issued during the period (b)	-	9,998,000
Closing issued and fully paid ordinary shares	<u>10,000,000</u>	<u>10,000,000</u>

	30 September 2021	31 December 2020
Ordinary shares of no par value	\$	\$
Balance at beginning of year	10,345,452	2,000
Issued during the period	-	10,343,452
Balance at end of period	<u>10,345,452</u>	<u>10,345,452</u>

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

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

Edufocal Limited**Notes to the Financial Statements
30 September 2021****13. Preference shares**

	30 September 2021	31 December 2020
	\$	\$
Authorized:-		
Redeemable cumulative convertible preference shares, par value	<u>55,000,000</u>	<u>-</u>
	30 September 2021	31 December 2020
	\$	\$
Issued and fully paid:-		
Redeemable cumulative convertible preference shares, par value	<u>54,999,999</u>	<u>-</u>

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

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

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

Edufocal Limited**Notes to the Financial Statements
30 September 2021****14. Long term loans**

		30 September 2021	31 December 2020
		\$	\$
JMMB Bank (Jamaica) Limited	(a)	25,567,129	26,925,140
Mayberry Investments Limited	(b)	-	7,495,805
National Commercial Bank Jamaica Limited	(c)	801,488	1,542,353
		<u>26,368,617</u>	<u>35,963,298</u>
Interest payable		395,353	284,625
		<u>26,763,970</u>	<u>36,247,923</u>
Less: Current portion		<u>(3,155,591)</u>	<u>(10,329,597)</u>
		<u>23,608,379</u>	<u>25,918,326</u>

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

Edufocal Limited**Notes to the Financial Statements
30 September 2021****15. Payables**

	30 September 2021	31 December 2020
	\$	\$
Trade payables	2,095,954	697,999
Accruals	2,834,155	1,585,971
Statutory liabilities	12,975,412	7,515,143
Other payables	2,595,111	5,277,097
	<u>20,500,632</u>	<u>15,076,210</u>

16. Short term loans

		30 September 2021	31 December 2020
		\$	\$
Roots Financial Group Limited	(a)	50,000,000	-
Carbyne Capital Investment Limited	(b)	-	2,400,000
Carbyne Capital Investment Limited	(c)	3,520,000	-
Dolla Financial Services Limited	(d)	-	4,800,000
Dolla Financial Services Limited	(e)	9,550,000	-
Kirk-Anthony Hamilton	(f)	-	2,143,639
Kirk-Anthony Hamilton	(g)	-	4,917,500
Kemal Brown	(h)	-	2,000,000
		<u>63,070,000</u>	<u>16,261,139</u>
Interest payable		-	1,241,853
		<u>63,070,000</u>	<u>17,502,992</u>

- (a) This loan, which is denominated in Jamaican dollars was received in March 2021 for J\$50,000,000. The loan attracts interest of 8.5% per annum and is repayable in twelve (12) months. The loan is secured by charge over shares and assignments of receivables.

Edufocal Limited**Notes to the Financial Statements
30 September 2021****16. Short term loans (continued)**

- (b) This loan, which was denominated in Jamaican dollars was received in November 2020 for J\$2,400,000. The loan attracted interest at the rate of 10% per month and was repayable in twelve (12) months. The loan was a factor financing agreement and is guaranteed by Ministry of Education, Youth & Information Contract GOJ-66-2020/2021. The loan was repaid during the period.
- (c) This is a financing/credit line facility, which is denominated in Jamaican dollars and was arranged in January 2021. The credit line attracts interest at the rate of 6% per 30-day cycle. The facility is secured by assignment of receivables.
- (d) This loan, which was denominated in Jamaican dollars, was received in November 2020 for J\$4,800,000. The loan was unsecured, attracted interest at the rate of 13.5% per annum and was repayable in three (3) months. The loan was repaid during the period.
- (e) This loan, which was denominated in Jamaican dollars was received in September 2021 for J\$9,550,000. The loan attracted interest at the rate of 1.25% per week and was repayable in four (4) months. The loan was a factor financing agreement and is secured by floating charge debenture over receivables totalling \$20,000,000.
- (f) This loan, which was denominated in United States dollars, was received in August 2020 for US\$25,000. The loan attracted interest of 32.87% per month and was repayable in seven (7) months. The loan was secured by a promissory note and was repaid during the period.
- (g) This loan, which was denominated in United States dollars, was received in September 2020 for US\$35,000. The loan attracted interest of 32.87% per month and was repayable in six (6) months. The loan was secured by a promissory note and was repaid during the period.
- (h) This loan, which was denominated in Jamaican dollars, was received in December 2020 for J\$2,000,000. The loan attracted interest at the rate of 10% per annum, was unsecured and repayable in one (1) month. The loan was repaid during the period.

Edufocal Limited**Notes to the Financial Statements
30 September 2021****17. Shareholder's loan**

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

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

18. Bank overdraft

Bank overdraft represents cheques drawn at periodend, not yet presented to the bank.

Edufocal Limited**Notes to the Financial Statements
30 September 2021****19. Revenue**

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

20. Expenses by nature

	9 Months ended 30 September 2021 \$	12 Months ended 31 December 2020 \$
Advertising and promotion	2,204,481	9,180,310
Amortization of intangible assets	7,606,147	1,878,921
Amortization of right-of-use asset	670,638	-
Audit fee	600,000	800,000
Bad debt written off	-	5,162,349
Bank charges	698,693	1,477,502
Cleaning and sanitation	-	28,400
Content labour	9,700,486	9,115,561
Depreciation	405,058	178,144
Insurance expense	742,293	554,400
Dues and subscriptions	6,271,142	3,417,106
Office rental	1,063,169	1,102,752
Office supplies and expenses	2,041,423	1,076,311
Professional fees	9,510,064	3,632,206
Repairs and maintenance	93,549	58,451
Staff costs (Note 24)	44,119,223	36,035,419
Travel expense	3,467,729	-
Utilities	376,314	327,122
	<u>89,570,409</u>	<u>74,024,954</u>
Impairment losses on financial assets	5,349,470	6,240,258
Finance costs, net (Note 25)	13,392,379	8,423,287
	<u>108,312,258</u>	<u>88,688,499</u>

Edufocal Limited**Notes to the Financial Statements
30 September 2021****21. Other operating income**

Other operating income comprises the following:

	9 Months ended 30 September 2021 \$	12 Months ended 31 December 2020 \$
Grant income from Development Bank of Jamaica	-	1,456,648
Other income	8,362	226,466
	<u>8,362</u>	<u>1,683,114</u>

22. Impairment losses on financial assets

This amount represents the increase in the Expected Credit Loss allowance.

23. Operating (loss)/profit

In arriving at the operating (loss)/profit for the period, the following have been charged: -

	9 Months ended 30 September 2021 \$	12 Months ended 31 December 2020 \$
Audit fee	600,000	800,000
Depreciation	405,058	178,144
Amortization of intangible assets	7,606,147	1,878,921
Amortization of right-of-use asset	670,638	-
Director's emolument:		
Management remuneration (included in staff costs)	3,403,100	5,283,400
Staff costs (Note 24)	44,119,223	36,035,419

Edufocal Limited**Notes to the Financial Statements
30 September 2021****24. Staff costs**

	9 Months ended 30 September 2021	12 Months ended 31 December 2020
	\$	\$
Wages and salaries	40,117,143	33,934,712
Staff welfare	1,149,975	86,500
Contract labour	2,852,105	2,014,207
	<u>44,119,223</u>	<u>36,035,419</u>

25. Finance costs, net

	9 Months ended 30 September 2021	12 Months ended 31 December 2020
	\$	\$
Loans Interest expense	8,866,953	7,233,647
Lease interest expense	108,695	-
Financing fee	3,550,071	249,710
Foreign exchange losses	1,244,184	976,034
Interest income	(377,524)	(36,104)
	<u>13,392,379</u>	<u>8,423,287</u>

Edufocal Limited**Notes to the Financial Statements
30 September 2021****26. Taxation**

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

	9 Months ended 30 September 2021	12 Months ended 31 December 2020
	\$	\$
Income tax at 25%	1,529,165	2,668,310
Deferred income taxes (Note 8)	(743,893)	2,028,241
	<u>785,272</u>	<u>4,696,551</u>

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

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

	9 Months ended 30 September 2021	12 Months ended 31 December 2020
	\$	\$
(Loss)/profit before taxation	(708,383)	15,613,208
Tax calculated at a tax rate of 25%	(177,096)	3,903,302
Adjusted for the effects of:-		
Expense not allowed for tax purposes	1,337,368	1,560,064
Corporate Tax Credit	(375,000)	(375,000)
Other charges and allowances	-	(391,815)
	<u>785,272</u>	<u>4,696,551</u>

Edufocal Limited**Notes to the Financial Statements
30 September 2021****27. Related party transactions**

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

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

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

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

	9 Months ended 30 September 2021	12 Months ended 31 December 2020
	\$	\$
Director's account	26,910,932	3,994,778
Shareholder's loan	(7,392,609)	(7,132,465)
	<u>19,518,323</u>	<u>3,137,687</u>

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

	9 Months ended 30 September 2021	12 Months ended 31 December 2020
	\$	\$
Interest income	(377,299)	-
Interest expense	677,539	-
Director's remuneration	<u>3,403,100</u>	<u>5,283,400</u>

APPENDIX 5: Letter from HOLON IQ

Holon IQ

November 27, 2021

Mr Gordon Swaby
CEO & Co-Founder
EduFocal Limited
Unit 6, 29 Munroe Rd., Kingston 6
Jamaica W1, Kingston 10,
Jamaica



EduFocal named in the 2021 Latin America & Caribbean EdTech 100

Dear Mr Swaby,

We are delighted to inform you that EduFocal has been selected in the 2021 Latin America and Caribbean EdTech 100, an annual list of the most promising EdTech start-ups in the region.

Criteria & Methodology

To be eligible, startups are generally less than 10 years old (though there are some exceptions), are either headquartered in Latin America and the Caribbean, or predominately focused on this market (e.g. > 80% revenue/customers), are pre exit (not acquired or listed) and not a subsidiary of a larger company or controlled by an investor. The HolonIQ Education Intelligence Unit evaluated organizations powered by data and insights from our Global Intelligence Platform. Expert analysts and local market experts assessed organizations based on HolonIQ's scoring rubric, which covers five dimensions of: Market (attractiveness); Product (Quality & Uniqueness); Team (Experience & Diversity); Capital (ability to generate or secure); and, Momentum (positive change over time).

About HolonIQ

HolonIQ is the world's leading platform for impact intelligence. HolonIQ's intelligence platform is shaping the global impact economy, accelerating social and economic outcomes around the world. Our data and insights power growth, innovation and risk intelligence for forward thinking governments, institutions, organizations and investors.

Once again, congratulations on EduFocal's selection to the 2021 Latin America & Caribbean EdTech 100.

A handwritten signature in black ink, appearing to read 'MS'.

Maria Spies
Co-CEO, HolonIQ

Attachments: Badge; Market Map
Links: Website Announcement: <https://www.holoniq.com/notes/2021-latam-edtech-100/>
Link: Launch Webinar: <https://www.youtube.com/watch?v=xYuzl2bn5w>