



EduFocal
GROUP

QUARTERLY REPORT

Q2 2024

EduFocal Limited

June 30, 2024

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Management Discussion and Analysis

Overview

EduFocal Limited faced a challenging first half of 2024, with a notable decline in revenue and profitability. However, the company remains committed to adapting and improving its operations to ensure long-term success.

Financial Performance

For the six months ended June 30, 2024, EduFocal recorded revenue of J\$61.18 million, down from J\$210.70 million in the corresponding period in 2023. The quarterly revenue for Q2 2024 was J\$30.45 million, compared to J\$98.04 million for the same quarter in 2023. As was mentioned in our Q1 report, this decline is as a result of our strategic shift towards more predictable recurring revenue streams. As such, management is actively deploying our current strategic plans to rejuvenate revenue streams and improve profitability.

The company's EBITDA for the period was negative, amounting to J\$(24.52) million, a significant shift from the positive J\$93.91 million recorded in the first half of 2023. This change underscores the need for continued operational adjustments to realign the company's cost structure with current revenue levels.

Operating Expenses

The total operating expenses for the first six months of 2024 decreased by approximately 34.70% compared to the same period in 2023. This significant reduction is primarily driven by lower administrative expenses, depreciation, amortization, and impairment losses in 2024 compared to 2023. Administrative expenses have decreased by 42% moving from J\$52.3 million in the 3 months ending June 2023 to J\$30.2 million in June 2024. However, for the 6 months ending June 30, 2024, administrative expenses are J\$71.4 million, which is lower compared to the J\$105.9 million for the same period in 2023. Additionally, the company incurred impairment losses on trade receivables and contract assets totalled J\$6.6 million, a proactive measure to mitigate credit risk.

Technology and Intangible Assets

EduFocal's intangible assets, primarily comprising software platforms like "Amigo" and proprietary learning content, are central to the company's revenue generation. As of June 30, 2024, these assets were valued at J\$154.44 million, underscoring their importance to the company's future.

In light of ongoing technological advancements and the critical role of these intangible assets, EduFocal has undertaken significant upgrades to its platforms. These enhancements are designed to improve user experience, increase engagement, and support the company's expansion into new markets. Management believes that these investments will pay off in the long term by driving higher revenue and profitability.

Change in Accounting Policy

EduFocal has made a strategic change in its accounting policy concerning intangible assets. Previously, the company amortized its intangible assets over a finite useful life. However, following a comprehensive review, the management has decided to transition to an annual impairment assessment model for certain intangible assets, particularly those that now have an indefinite useful life.

This change is in line with the International Financial Reporting Standards (IFRS), specifically IAS 38, which governs the accounting treatment for intangible assets. The new approach provides a more accurate reflection of the assets' value on the balance sheet and aligns with best practices for companies heavily reliant on technology and intellectual property.

Cash Flow and Liquidity

EduFocal experienced a net cash outflow from operating activities of J\$(4.59) million for the first half of 2024, compared to an inflow of J\$42.89 million for the year ended December 31, 2023. This decline was primarily due to increased receivables and higher operating expenses. Despite this, management remains confident in the company's ability to manage liquidity effectively through improved working capital management.

Investing activities resulted in a cash outflow of J\$(11.57) million, mainly due to ongoing investments in our technology infrastructure and content development. Financing activities also reflected a net cash outflow of J\$(4.65) million, driven by loan repayments. As of June 30, 2024, the company's cash position, including overdrafts, stood at J\$(20.65) million, indicating the need for continued focus on cash flow management.

Strategic Initiatives and Outlook

EduFocal is actively pursuing several strategic initiatives to return to profitability and drive future growth:

- Revenue Diversification** - The company is exploring new revenue streams, including expanding into new geographic markets and offering additional educational services. Strategic partnerships are also being pursued to enhance the company's market presence.
- Cost Optimization** - Management is undertaking a thorough review of the cost structure to identify opportunities for efficiency gains. The focus will be on streamlining operations while continuing to invest in critical areas such as technology and content development.
- Technology Enhancements** - Ongoing investments in the "Amigo" platform and other proprietary technologies are expected to drive user engagement and support revenue growth. These upgrades are crucial for maintaining a competitive edge in the rapidly evolving online education market.
- Debt Management** - EduFocal is exploring options to refinance existing debt under more favourable terms. This will reduce interest expenses and improve the overall financial health of the company.

Conclusion

EduFocal Limited is navigating a period of significant transformation. While the first half of 2024 presented challenges, the company is taking decisive steps to address them. With a focus on revenue growth, cost management, and technological innovation, EduFocal is well-positioned to capitalize on future opportunities. Management remains committed to transparency and looks forward to updating shareholders on the progress of these initiatives.

We thank our investors for their continued support and confidence in EduFocal as we work to realize our long-term vision.



Peter Levy
Chairman



Gordon Swaby
Chief Executive Officer

EduFocal Limited

Condensed of Consolidated Statement of Financial Position

30 June 2024

(expressed in Jamaican dollars unless otherwise indicated)

	Unaudited June 2024 \$	Unaudited June 2023 \$	Audited December 2023 \$
Assets			
Non-current assets			
Property, plant and equipment	1,607,289	2,470,033	2,024,714
Intangible assets	154,439,156	138,752,420	150,318,041
Right-of-Use Asset	-	2,593,468	-
Deferred Tax Asset	7,305,224	3,004,807	7,305,224
	<u>163,351,669</u>	<u>146,820,728</u>	<u>159,647,978</u>
Current assets			
Receivables and prepayments	41,603,646	182,507,186	32,054,732
Director's Account	37,082,384	13,606,297	27,050,308
Due from related party	4,426,574	-	2,778,488
Taxation recoverable	9,425	-	-
Cash and Cash equivalents	76,044	1,542,299	158,705
	<u>83,198,072</u>	<u>197,655,782</u>	<u>62,042,232</u>
Total assets	<u>246,549,741</u>	<u>344,476,510</u>	<u>221,690,211</u>
Total equities and liabilities			
Capital and reserves			
Share capital	185,631,690	185,631,690	185,631,690
Foreign Exchange Reserve	18,985	200,278	(352,553)
Accumulated Income/(Deficit)	(292,510,352)	(111,562,413)	(255,366,524)
	<u>(106,859,677)</u>	<u>74,269,555</u>	<u>(70,087,388)</u>
Non-controlling interest	<u>(1,658,245)</u>	<u>-</u>	<u>(1,460,366)</u>
	<u>(108,517,922)</u>	<u>74,269,555</u>	<u>(71,547,754)</u>
Liabilities			
Non-current liabilities			
Lease Liability	-	-	-
Long Term Borrowings	154,356,286	182,521,755	175,350,886
	<u>154,356,286</u>	<u>182,521,755</u>	<u>175,350,886</u>
Current liabilities			
Accounts payable	119,765,551	21,921,153	75,663,705
Taxation payable	-	-	-
Short term loan	-	4,097,985	4,065,000
Current portion of Lease Liability	-	3,242,678	-
Bank Overdraft	20,724,944	-	-
Current portion of Long Term loans	60,220,882	38,111,637	38,052,828
Due to related party	-	20,311,747	105,546
	<u>200,711,377</u>	<u>87,685,200</u>	<u>117,887,079</u>
Total liabilities and shareholders' equity	<u>246,549,741</u>	<u>344,476,510</u>	<u>221,690,211</u>

Approved for Issue by the Board of Directors on _____ and signed on its behalf by:



Director



Director

EduFocal Limited

Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 June 2024

(expressed in Jamaican dollars unless otherwise indicated)

	<i>3 months to 30 June</i>	<i>3 months to 30 June</i>	<i>6 months to 30 June</i>	<i>6 months to 30 June</i>	<i>Audited 31 December</i>
Note	2024	2023	2024	2023	2023
	\$	\$	\$	\$	\$
Revenue	30,446,946	98,037,655	61,179,392	210,701,595	263,542,463
Other income	-	-	-	-	14,303,693
Administrative expenses	(30,201,661)	(52,330,859)	(71,391,615)	(105,851,632)	(269,289,519)
Depreciation and amortisation	(208,712)	(7,437,570)	(7,866,799)	(14,752,508)	(29,409,637)
Impairment loss on trade and other receivables, including contract assets	(5,513,078)	(9,741,550)	(6,638,078)	(10,941,550)	(38,404,106)
Operating (loss)/profit	(5,476,504)	28,527,676	(24,717,100)	79,155,905	(59,257,106)
Finance income	234,606	261,071	251,751	383,715	1,068,640
Finance costs	(6,950,209)	(5,324,016)	(12,865,255)	(13,723,059)	(25,592,337)
Net finance costs	(6,715,604)	(5,062,945)	(12,613,504)	(13,339,344)	(24,523,697)
Profit before taxation	(12,192,108)	23,464,731	(37,330,604)	65,816,561	(83,780,803)
Income tax	-	(10,535)	-	(10,535)	4,300,417
Net (loss)/profit for the period	(12,192,108)	23,454,196	(37,330,604)	65,806,026	(79,480,386)
Net (loss)/profit attributable to:					
Owners of EduFocal Ltd.	(12,098,719)	23,454,196	(37,143,827)	65,806,026	(78,020,020)
Non-controlling interests	(93,389)	-	(186,777)	-	(1,471,467)
	(12,192,108)	23,454,196	(37,330,604)	65,806,026	(79,480,386)
Earnings per stock unit (EPS)	(\$0.02)	\$0.04	(\$1.20)	\$0.10	(\$0.12)
Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)	(5,267,792)	35,965,246	(24,518,386)	93,908,413	(29,847,469)

EduFocal Limited

Condensed Consolidated Statement of Changes in Equity

For the period ended 30 June 2024

(expressed in Jamaican dollars unless otherwise indicated)

	Attributable to owners of the Company				Total	Non-controlling interests	Total
	Number of shares	Share capital	Foreign exchange reserve	Accumulated profit/(deficit)			
		\$	\$	\$	\$	\$	\$
Balance at 31 December 2022	648,446,094	185,631,690	(649,944)	(177,357,623)	7,624,123	-	7,624,123
Foreign exchange reserves	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	23,454,196	23,454,196	-	23,454,196
Balance at 30 June 2023	648,446,094	185,631,690	(649,944)	(153,903,427)	31,078,319	-	31,078,319
Balance at 31 December 2023	648,446,094	185,631,690	(352,553)	(255,366,524)	(70,087,388)	(1,460,366)	(71,547,754)
Foreign exchange reserves	-	-	371,538	-	371,538	(11,101)	360,437
Total comprehensive income for the period	-	-	-	(37,143,827)	(37,143,827)	(186,777)	(37,330,604)
Balance at 30 June 2024	648,446,094	185,631,690	18,985	(292,510,351)	(106,859,676)	(1,658,245)	(108,517,922)

EduFocal Limited

Condensed Consolidated Statement of Cash Flows

For the period ended 30 June 2024

(expressed in Jamaican dollars unless otherwise indicated)

	Unaudited June 2024 \$	Audited December 2023 \$
Cash flows from operating activities:		
Net profit/(loss) before taxation	(37,330,604)	(83,780,803)
Adjustments for:		
Amortization of intangible assets	7,449,375	27,351,025
Amortization of right-of-use asset	-	1,146,933
Bad debt written off	-	74,729,739
Gain on disposal of right-of-use	-	(465,520)
Depreciation	417,424	916,897
Impairment losses on financial assets	6,638,078	38,404,106
Foreign exchange losses	-	916,018
Interest income	(251,751)	(1,068,639)
Interest expense	12,865,255	24,457,380
Lease interest expense	-	18,939
	<u>(10,212,223)</u>	<u>82,626,075</u>
Change in operating assets and liabilities:		
Increase in receivables	(10,127,913)	(70,466,520)
Decrease/increase in director's account	(10,032,076)	(10,322,639)
(Decrease)/increase in payables	34,298,217	60,959,529
Cash provided by operations	<u>3,926,005</u>	<u>62,796,445</u>
Interest received	115	260,663
Loan interest repaid	(8,508,632)	(19,818,667)
Taxes paid	(9,425)	(350,810)
Net cash (used in)/provided by operating activities	<u>(4,591,937)</u>	<u>42,887,631</u>
Cash flows (used in)/provided by investing activities:		
Purchase of property, plant and equipment	-	(212,199)
Purchase of intangible assets	(11,570,490)	(46,720,555)
Net cash (used in) investing activities	<u>(11,570,490)</u>	<u>(46,932,754)</u>

Cash flows from financing activities:

Lease principal payments	-	(1,308,060)
Long term loans, net	1,173,454	(20,320,410)
Short term loans, net	(4,065,000)	4,065,000
Due to related parties	(105,546)	38,599,500
Due from relates parties	(1,648,086)	-
Director's loan	-	(20,311,749)
Proceeds from issue of ordinary shares	-	2,510
Net cash provided by/(used in) financing activities	<u>(4,645,178)</u>	<u>726,791</u>
Net increase in cash and cash equivalents	(20,807,605)	(3,318,331)
Effects of exchange rate changes on cash and cash equivalents	-	(138,608)
Cash and cash equivalents at beginning of year	158,705	3,615,644
Cash and cash equivalents at end of year	<u>(20,648,900)</u>	<u>158,705</u>
Represented by:		
Cash at Bank	76,044	158,705
Bank Overdraft	(20,724,944)	-
	<u>(20,648,900)</u>	<u>158,705</u>

EduFocal Limited**Notes to the Consolidated Condensed Financial Statements****For the quarter ended June 30, 2024***Presented in Jamaican Dollars unless otherwise stated***1. Reporting Entity**

EduFocal Limited (the “Company” or “EduFocal”) is a limited liability company incorporated and domiciled in Jamaica under the Jamaican Companies Act (the “Act”). The registered office is 22B Old Hope Road, Kingston 10, Jamaica.

The principal activities of the Group are to provide proprietary learning platforms and e-courses for individuals and organizations.

On March 15, 2022, the Company was listed on the Junior Market of the Jamaica Stock Exchange (JSE)

These financial statements present the results of operations and financial positions of the Company and its Subsidiary, which are referred to as “the Group”; the subsidiary is as follows:

Subsidiary	Principal Activity	Country of Incorporation	% Ownership by Company
EduFocal LLC	Online learning platform	USA	100%
EduFocal Africa Inc.	Online learning platform	USA	70%
EduFocal Nigeria Ltd	Online learning platform	Nigeria	100%

2. Basis of preparation

These financial statements for the six months ended 30 June 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2023 (‘last annual financial statements’). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

These interim financial statements were authorised for issue by the Company’s board of directors on August 13, 2024

3. Share Capital

	30 June 2024	31 December 2023
Authorized	No. of shares	No. of shares
Opening authorized ordinary shares of no par value	<u>Unlimited</u>	<u>Unlimited</u>
Closing authorized ordinary shares of no par value	<u>Unlimited</u>	<u>Unlimited</u>

EduFocal Limited**Notes to the Consolidated Condensed Financial Statements****For the quarter ended June 30, 2024***Presented in Jamaican Dollars unless otherwise stated***3. Share Capital (continued)****Issued and Fully Paid**

Opening issued and fully paid ordinary shares	648,446,094	648,446,094
Initial Public Offer issued during the year	-	-
Closing issued and fully paid ordinary shares	<u>648,446,094</u>	<u>648,446,094</u>

	30 June 2024	31 December 2023
Ordinary shares of no par value	\$	\$
Balance at beginning of year	185,631,690	185,631,690
Initial Public Offer issued during the year	-	-
Balance at end of year	<u>185,631,690</u>	<u>185,631,690</u>

EduFocal Limited
Disclosure of Shareholdings
For the quarter ended June 30, 2024

TOP TEN SHAREHOLDERS

Name of Shareholder	Units	% Ownership
Okgosh Limited	179,308,871	28%
Widebase Limited	86,002,750	13%
Matrix Ventures Limited	56,030,151	9%
Peter Levy	40,251,100	6%
David Alexander Walcott	26,962,763	4%
Dale B. McFarlane	21,364,229	3%
Marc Gayle	14,704,045	2%
Roots Financial Group Limited	13,242,200	2%
Kirk-Anthony Hamilton	12,065,616	2%
Andrew W. Pairman	12,000,000	2%
Total	461,931,725	71%
Others	186,514,369	29%
Total Issues Shares	648,446,094	100%

SHAREHOLDINGS OF DIRECTORS, SENIOR MANAGEMERS & CONNECTED PERSONS

Directors	Connected Party	Direct	Total Volume
Peter Levy	-	40,251,100	40,251,100
Grace Lindo	-	7,707,741	-
Shauna-Gay Fuller Clarke	-	-	-
Kevin Donaldson	-	-	13,242,200
Roots Financial Group Limited	13,242,200	-	-
Lloyd Swaby	-	-	-
Durval Williams	-	-	-
Gordon Swaby	-	754,800	182,044,176
Okgosh Limited	179,308,871	-	-
Kemesha Swaby	57,835	-	-
Andre Swaby	1,036,9935	-	-
Senior Management			
Paul Allen	-	-	56,030,151
Matrix Ventures Limited	56,030,151	-	-
Anna Bethune	-	-	-
Mark Green	-	30,842	30,842
Gordon Swaby	-	754,800	182,044,176
Okgosh Limited	179,308,871	-	-
Kemesha Swaby	57,835	-	-
Andre Swaby	1,036,9935	-	-
Connected Person			
Andre Swaby	-	1,036,935	1,036,935