



Unlocking potential

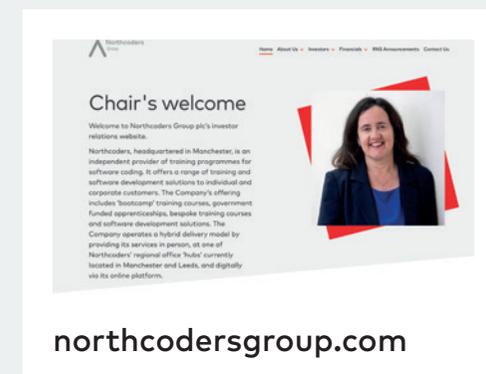
– A year of growth
and resilience

Northcoders Group PLC
Annual report and
financial statements 2022



Our purpose

To deliver life-changing opportunities for people from all walks of life and provide the tech industry with the skills it needs.



What's inside

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Highlights

Our results are testament to the growing reputation of Northcoders.

Financial

£5.6m

(2021: £3.0m)

Revenue

£0.9m

(2021: £0.4m)

Adjusted EBITDA

£2.8m

(2021: £1.6m)

Cash

£3.9m

(2021: £2.2m)

Gross profit

70%

(2021: 72%)

Gross profit margin

£4.6m

(2021: £2.2m)

Net assets

Operational

407

(2021: 315+)

Hiring partners to date

1,685¹

(2021: 1,000+)

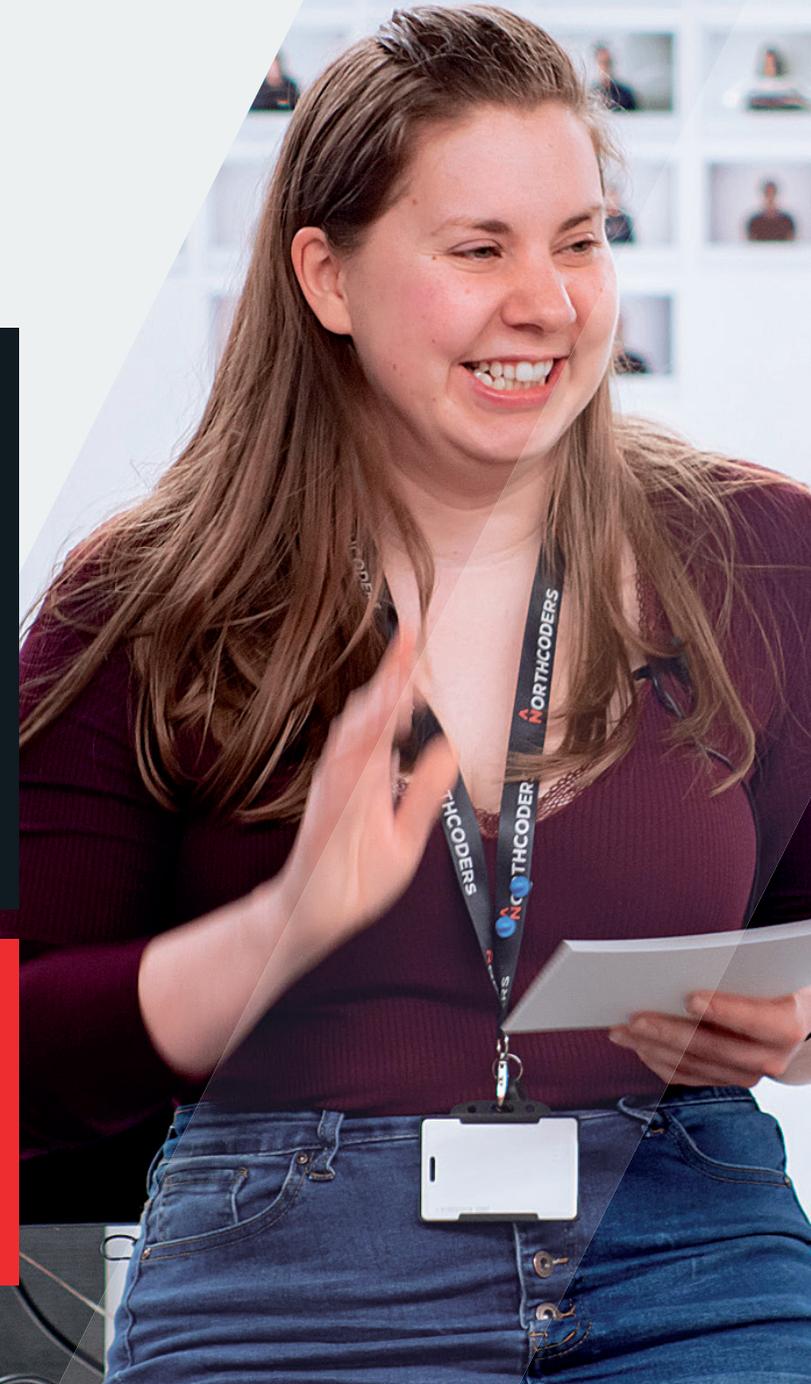
Number of trained to date

787

(2021: 424)

Students enrolled in 2022

1. 653 in 2022.



At a glance

Founded in December 2015, Northcoders has provided digital training programmes through:

1 Training

2 Business solutions

Revenue is derived from:

Individuals
(consumer)

Government

Businesses
(corporates)

Since inception, Northcoders has provided:

1,685
life-changing
outcomes

933
free scholarship
places

123
apprenticeship
courses

407
hiring partners
with employees

Some of our clients:



Our vision:

To deliver life-changing opportunities for people from all walks of life, and provide the tech industry with the skills it needs.

Our values:



We put people first

With empathy and humility, we strive to do the right thing for everyone, even when it's not the easiest path to take.



We champion inclusion

And we actually do it. Diversity is our foundation and our future. Whatever your background; we stand for you.



We strive for excellence

That goes for us as well as our students. So, we get every detail right and take pride in everything we do.



We evolve and adapt

We believe in the power of education to transform lives and futures: our courses continually evolve to embrace new tech.

Northcoders' history

We have achieved great things since we founded Northcoders in 2015, of which we are really proud.



We have changed the lives of over one thousand people, enabling career changes more easily than ever before.



We have market-leading programmes designing and delivering the best digital programmes in the UK with a fantastic and loyal team.



We have created a movement of well-trained people and supported over 400 businesses to build their digital capability.



We have developed a well-recognised and reputable brand across the UK and never compromised on quality.



We have proved that we have a great market offering that has successfully delivered on what was planned at IPO and built credibility with investors.



We know how to overcome challenges, we are bold, resilient, and low have a strong culture.



Why invest in Northcoders?

1 A diversified business model

787

Students enrolled in 2022

- Client base includes individuals and corporates
- Diverse revenue streams – funding on agreed terms from government schemes, student finance providers, corporate budgets and private means
- Increased accessibility through EdAid and apprenticeships
- Courses delivered through a blend of in person and online teaching
- Core offering and bespoke courses
- Courses offer up-skilling or re-skilling aimed at different skill groups

2 Strong market growth drivers

70%

Employers anticipate shortage

- Two-thirds of UK businesses plan to invest in tech training
- Both of the statistics above recognised in government funding and initiatives
- Advances in technology creating new skill needs
- Digital skills increasingly required in all sectors, not just technology firms
- Growing percentage of women and people from diverse backgrounds seeking equality in jobs market
- Historically three times more applicants than places available
- 70% of employers anticipate a shortage, with almost a quarter (24%) expecting it to greatly impact their recruitment

3 Market-leading services and strong brand

Good

OFSTED rating

- Established reputation for excellence – resulting in over 400 companies hiring graduates (called hiring partners)
- Quality of graduates leads to repeat business from hiring partners
- Real world coding education, and a comprehensive range of coding languages
- Students job ready in 14 weeks
- Fully accredited apprenticeship provider rated 'good' by OFSTED
- Challenging entry test and pre-course support generates quality applicants
- High customer satisfaction levels, with excellent reviews

4 Proven scalable platform and growth strategy

1,685

Students trained to date

- Established presence in Manchester, Leeds, Newcastle and Birmingham
- Ultimate goal of presence across the UK and internationally
- Proprietary platform allows scalable streamlining and automation of course elements
- Further developed business solutions model to respond to customer requirements
- 1,685 students already trained

Chair's statement



Shaping the future through commitment to developing tomorrow's tech talent.

"Our first full year as a quoted company on AIM has been hugely successful."

Angela Williams

Non-Executive Chair

Introduction

Our first full year as a quoted company on AIM has been hugely successful. We have been able to grow revenue and build profitability in line with expectations, whilst keeping our core values at the heart of everything we do. We have experienced record demand and have navigated the challenges of the economic climate successfully to put us in a positive position for growth in 2023. As set out at IPO, we have created a presence in many regions across the UK and have been able to focus our efforts on the expansion of our business solutions division. An oversubscribed placing in November 2022, raising £2.1m, has enabled us to set out on our growth path of teaching more technical disciplines. So far in 2022 we have developed courses in Software Engineering, Data Engineering and Q1 2023 has seen the introduction of Cloud Engineering (Dev Ops). Our mission remains strong and we are improving our product offering to remain the solution for individuals and businesses regardless of the economic situation. Our team is well equipped and our processes are refined and working effectively, we are ready for 2023 being our most successful year to date.

In February 2023 we acquired Tech Returners Limited, attracted amongst other things by the opportunity it affords to bring more women back into technology, thereby helping us ensure we embrace the full diversity and opportunity in the technology sector. Tech Returners, which was founded in 2017, provides skilled tech professionals returning to the industry accessible opportunities to refresh their skills. Together we are stronger when it comes to our mission of "closing the digital skills gap for industry, whilst creating life changing outcomes for individuals" and we are excited to see what we can achieve in 2023.

Financial review

2022 has seen growth in revenue, profitability and investment into key areas to ensure that we are ready for further growth in 2023 and beyond. Our 2022 revenue grew to £5.6m from £3.0m in 2021. This marks our highest ever revenue year and indicates our potential for future growth. We reported a 70% gross profit margin, in line with 2021, showing that we have been able to navigate the cost increases as a result of inflation and the cost of living crisis. Our adjusted EBITDA has increased to £0.9m from £0.4m in 2021. The Directors have used adjusted EBITDA as an Alternative Performance Measure (APM) in the preparation of these financial statements.

Chair's statement continued

Financial review continued

EBITDA represents Earnings Before Interest, Tax, Depreciation and Amortisation. The adjusted element removes non-recurring items which are not relevant to the underlying performance and cash generation of the business, in 2022 this comprised of share-based payment expenses.

We now want to build on these results and ensure Northcoders is able to fulfil its potential as we move to the next phase of our growth.

We have a strong foundation in place and, led by a group of inspirational entrepreneurs with a clear strategy and plan, great products and services all underpinned by the culture, values and behaviours of an ever-growing team of highly talented and committed experts, we are well positioned for growth. We are making a genuine difference to individual learners and also to our corporate customers who can grow their own talent supported, and in partnership with, Northcoders. This is where we add significant value to our business customers.

Strategy

Growth remains our ambition, and 2022 has shown that we can achieve growth and develop new and exciting products to ensure that we remain in line with our mission. The growth that we strive for is: growth in the amount of lives that we change through our education and sustainable growth in the amount and range of companies and businesses that we provide solutions to. We now have the infrastructure in place to deliver this on a much larger scale across the UK and beyond to ensure that we reach the people and businesses that need our services the most. I once again need to acknowledge and thank our employees for all of their efforts this year, they have continued to innovate and create great experiences, learning and partnerships that our customers appreciate whilst navigating ever-changing economic and market conditions.

Outlook

Trading in the current year to date has started well and we expect further significant growth in the year ahead with the balance weighted to the second half of the year. I am very much looking forward to continuing working with the Board and the Northcoders team to progress the excellent momentum of the past twelve months, as we continue to implement our growth strategy.

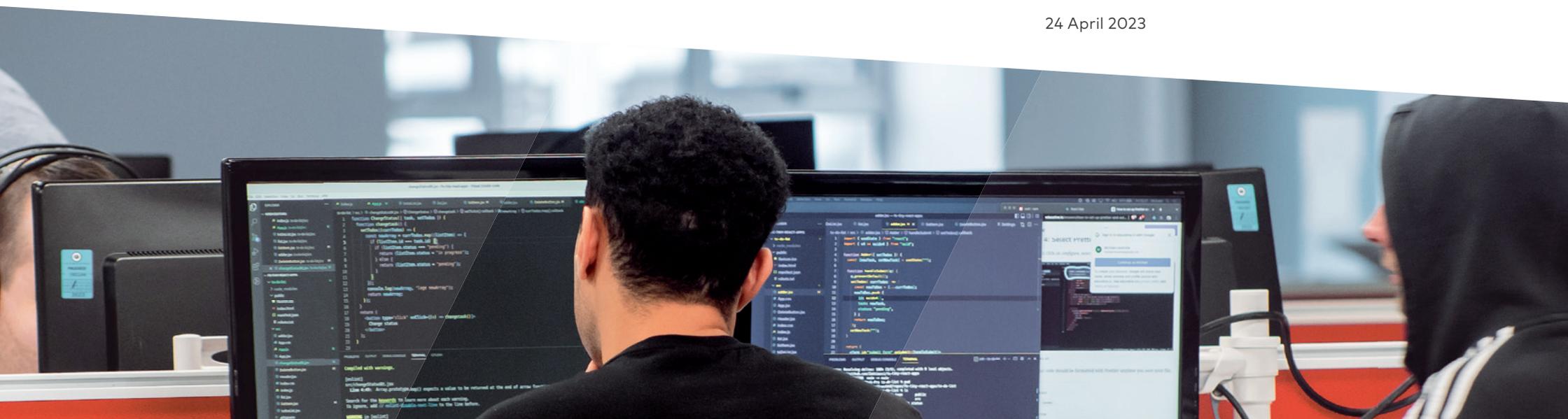
It is a privilege to lead Northcoders as Chair and I am extremely proud of the whole Northcoders' team who have grown the organisation to where it is today, and continue to ensure we are set up for the next exciting phase of our development: to make a difference to the lives of learners across the UK and deliver growth for our shareholders, learners, the businesses we work with and the Northcoders team.

Together, we believe there are exciting times and opportunities ahead!

Angela Williams

Non-Executive Chair

24 April 2023



Chief Executive Officer's review



"Demand for our core products is higher than ever."

Chris Hill

Founder and Chief Executive Officer

Introduction

The financial year ended 31 December 2022 ('FY22' or the 'Period') was a year of growth for Northcoders, growth of existing revenue streams and the addition of new ones. Demand for our core products is higher than ever, our team is bigger than ever and we are now teaching more disciplines with courses in Data Engineering and Cloud Engineering. We are proud to have completed an over subscribed fundraising in November 22 and are excited about the acquisition of Tech Returners Limited which happened in February 2023.

Financial review

The Group delivered a strong performance in 2022 and has maintained profit margins despite the economic downturn and cost of living crisis in the UK. Underlying performance was in line with expectations. Revenue, which comprises consumer revenue and corporate revenue, increased by 83% to £5.6m (2021: £3.0m).

Consumer revenue, which includes core bootcamps and apprenticeship revenues, was £4.9m (2021: £2.8m) and corporate revenue was £0.7m (2021: £0.3m). There has been a shift away from Apprenticeships and Student Finance due to the availability of Department for Education scholarships which is beneficial for cashflow going forwards.

We will however still have these mechanisms available to allow accessibility and to provide a more diverse revenue mix. Gross profit for the year was £3.9m (2021: £2.2m) with a reported gross profit margin (GPM) of 70% (2021: 72%). The cost benefits of the hybrid model and investments into internal software assets have allowed us to increase tech sector wages and pay the whole team a £1,000 cost of living crisis bonus in October 2022, whilst maintaining margins.

EBITDA, adjusted for share-based payments, was £0.9m (2021: £0.4m), being a 125% increase on the prior year and ahead of market expectations.

We are pleased to announce the profit for the year before tax was £0.3m (2021: Loss £0.5m). There was a small tax credit giving a profit for the year of £0.4m (2021: Loss £0.4m). Basic earnings per share was 5.12p per share (2021: Loss 6.13p). Net assets as at 31 December 2022 were £4.6m (FY21: £2.1m) of which cash was £2.8m (2021: £1.6m).

The cash balance at the year end of £2.8m will enable the Company to continue with its plans of introducing new disciplines and moving into new geographical markets. It will also enable the internal development team to continue to develop software to create efficiencies within the teaching model and in turn increase profit margins.

Chief Executive Officer's review continued

Operational review

During 2022 Northcoders has changed the lives of 653 people through our bootcamp style training model. We have continued to prove that you can study and have a successful outcome regardless of where you are in the world through our hybrid/online teaching model. With a record number of students applying (8,470), the demand for our courses is not slowing down, and now with 60 tutors we are in a great position to service this demand.

Operationally, we have been able to scale the business well, with all sectors sharing service areas and the student-to-tutor ratio increasing only gradually, ensuring we maintain quality. We have nurtured relationships with corporates to ensure that there are jobs available for our students on completion of the course and to help bridge the widening digital skills shortage in the UK.

Northcoders Group ended 2022 with a permanent headcount of 101 members of staff compared to the 63 we started the year with. Staff numbers are expected to grow by a further 50 employees in FY23 with the headcount at 31 March 2023 standing at 122. During 2022 our internal development team have been busy building software to differentiate us from competitors and create efficiencies within our internal teams. We have set aside a budget for this work to continue in 2023.

This team also monitors the industry and makes any necessary changes to the curriculum. The entire technical team at Northcoders spends time on rotation in this internal development team. This enables every member of the technical team to stay up-to-date with modern software techniques and processes, enabling Northcoders tutors to deliver the most cutting-edge and relevant methodologies/content to our learners and clients.

2022 also saw the introduction of our new business solutions division. This division monetises the relationships we have with corporates, providing them with solutions to their tech team needs. Developer Incubator (our contract to hire model) has been our most successful product with large, repeated contracts signed with Rolls Royce.

Consumer bootcamps

Consumer bootcamp courses are designed for individuals seeking a career as a software developer and are delivered over a 13-week period. Consumer demand for the Group's core bootcamp courses grew strongly during the period. During 2022 Northcoders have been awarded £5.8m in Department for Education funding. This new scheme of funding has a commitment by the government to be around for the next six years with £1.5 billion allocated to Skills Bootcamps. Northcoders' quality was acknowledged as being one of the companies to have received the largest funding amounts and to have been accepted onto the governments forward looking Dynamic Purchasing Scheme.

We have continued to increase the number of our hiring partners, which now stands at over 400. Additions during the period included BBC, SAGE and Disney. During the period, the Group has also engaged with a new funding partner, Student Finance, allowing more students from a diverse range of backgrounds to benefit from the life-changing education that the Group provides.

Consumer demand for the Group's core bootcamp courses is expected to continue to grow in FY23, especially with the benefit of increased monthly marketing spend and geographic presence. In Q1 2023, we have received 3714 applications, our highest quarter to date. Our graduate average starting salary has increased to £26,756. And we are proud to report diversity statistics of 23% women into tech and 39% non-university educated students.

Apprenticeships

Our Apprenticeship division is servicing students and corporates with recent graduates receiving distinctions. The division has also been through a full OFSTED inspection and we are proud to report a grade of GOOD. We will continue to offer apprenticeships to students when the bootcamp style method of training does not suit.

Business solutions

We have introduced two new corporate-focused products to our business solutions division; "Accelerate" is the hiring of our juniors with the year-round support of our mentors/senior developers and "Incubate" is our "contract to permanent" consultancy model.

2022 has seen investment and growth for our business solutions division, revenue has increased to £0.7m (2021: £0.3m), with the Developer Incubator model receiving high demand. Customers included Rolls Royce and EMaC, with Rolls Royce repeating their contract two times over. The most recent Rolls Royce team contract is worth £0.8m alone and shows promising growth for this product in 2023. Developer Incubator contracts are around twelve months long and therefore also provide us with good, steady, revenue visibility.

Northcoders have also carried out a repeat contract with NHS digital on their graduate academy, along with completing KPMG's graduate academy in 2022. We now feel like the development of this division is complete and that we have a range of products to fulfil the needs of corporates. As explained last year, we are marketing the product for the first time and are pleased that the service is being well received in the industry. We will continue to monitor and make any necessary tweaks as we roll these products out on a larger scale in 2023 through significant investment in marketing and hiring experienced business development professionals.

Chief Executive Officer's review continued

Geographic expansion and hub roll out

As of 2022 Northcoders has a physical hub in Manchester, Leeds, Newcastle and Birmingham, with main offices in Manchester and Leeds. In 2021, coming out of the pandemic we had a strategy for the roll out of physical hubs in many cities across the UK. We are pleased that through online delivery we have been able to create a presence in many more cities across the UK than planned, without the need for physical hubs and the expenditure that comes with them. We currently have funding and students that span the whole of the UK and we have taught international students too. The next geographical focus will be on the London corporate market.

Outlook

The demand for Northcoders' services has never been higher, with another record-breaking month in March 2023. The UK government are putting billions of pounds aside for the provision of skills bootcamps and Northcoders are at the forefront of the funding rounds. Digital transformation remains a priority for business, and corporates are now, more than ever, trying to find new and innovative ways of filling their teams and goals at a time of economic restraint.

Our aim is to fulfil as much as possible of this increase in demand, and help corporates to achieve their goals, whilst creating life-changing opportunities for individuals from all walks of life.

The Group started FY23 with contracted bookings for the year to December 2023 of approximately £5.4m, around 57% of the target revenue for the year. At the end of Q1 2023 revenue visibility stood at £6.1m, approximately 64% of the target revenue for the year. Trading in the year to date has commenced in line with management's expectations and the Board has confidence for the Group's prospects for the remainder of the year.

Chris Hill

Founder and Chief Executive Officer

24 April 2023



Market opportunity

Demand for the Northcoders course is higher than ever with 8,470 applications in 2022.

Demand for software experts pushes IT salaries higher in UK | The Register

Despite a flatlining UK economy, and recessionary clouds gathering, in the tech sector the competition for skilled staff remains intense, even as software job openings reportedly dip on a global scale.

According to hackajob, starting pay for software engineers is 64% above the national average.

Engineers in demand in the UK and throughout the world | Michael

To meet the projected demand, the number of engineering apprentices and graduates will need to double. Engineering companies will need 182,000 people per year with engineering skills running up to 2022, however there is a current shortfall of 55,000 skilled engineering professionals per year.

Why more women in tech will close the digital skills gap | (techuk.org)

And considering UK companies are facing a digital skills shortage crisis – where three million jobs will need to be filled by 2025 – it's critical to start bridging this gender skills gap today.

Immediate action is only way to close UK digital skills gap | Tech Monitor

Recent estimates forecast that the UK will need three million jobs requiring digital skills by 2025. However, 52% of the UK workforce still does not possess such skills according to a Lloyds Bank report.

Our scalable business model

Our aim is to provide the tech industry with the skills it needs, while providing life-changing opportunities for people from all walks of life.

Resource/relationships

Customer experience

Partnering great qualified coders/(people) with employers and organisations who need their digital skills.

Products and services

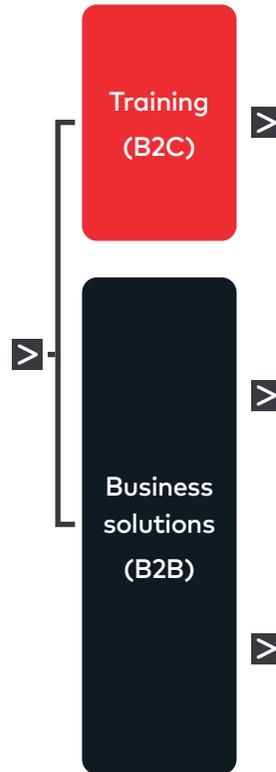
Delivering excellence in training, coding and other new technology solutions for learners and employers.

Great people committed to others development

Working as one team, with a common goal, to enable all our learners to achieve their potential and career ambitions.

Enabling people to learn

Attracting and training people, internally and externally, who have the passion to teach, learn and grow.



Sources of revenue

Bootcamps for individuals

- 12-14-week intense coding bootcamp, online with in-person tutor support
- Entry exam and pre-course support
- 1:8 tutor-to-student ratio
- Job-ready on completion
- Course cost: Avg - £10,000 inc VAT
- Paid in advance, or with finance options available, or via government-funded scholarship schemes

Apprenticeships

- 13-month, on-the-job training course
- Online with in-person tutor support
- Beginner and advanced apprenticeships available
- Good OFSTED rating
- Visible revenue and cash stream for 14 months
- Course cost: £18,000, government funded

Business solutions

- Provides corporates with bespoke, in-house training programmes
- Or off-the-shelf masterclass training programmes
- Also provides teams to deliver specific digital solutions

Underpinned by Our code | see page 15

Growth strategy

Stories from our corporate partners



NHS
Digital

Julie Pinder

Chief People Officer
NHS Digital

// The onboarding academy is a real knowledge springboard for our graduates and helps set them on their career path with NHS Digital."



KPMG

Yasmin De Nardo

Head of Connected Technology Academy
KPMG

// It has been fantastic working with Northcoders over the past few months and to see the entire cohort graduate. The KPMG x Northcoders programme's varied curriculum has advanced each person's tech capabilities and given them new, valuable skills which they can apply to their roles within the business. That is something to celebrate as we continue to inspire, educate and empower young tech talent."



Rolls-Royce

Ian Whitford

Chief Technical Officer
R2 Factory, Rolls-Royce

// We wanted to build a capable software team quickly and have them grow with the business. With the demands on our senior people, we couldn't realistically get that done in-house as recruitment in a competitive market is incredibly time and resource intensive. Northcoders handled all that for us, and the technical mentorship they're providing to the junior developers has made a huge difference to their trajectory. We were impressed with Northcoders' speed and responsiveness."

Key performance indicators (KPIs)

Financial

Revenue

KPI: Revenue per financial year.

£5.6m 2021: £3.0m

Goal/target: We set out to turn over £5.5m in 2022.

Gross profit margin

KPI: Gross profit margin (GPM).

70% 2021: 72%

Goal/target: We have targeted a gross profit of 70% for 2022 and going forward we hope to keep this margin as high as possible.

Adjusted EBITDA

KPI: Adjusted EBITDA per financial year.

Where EBITDA represents earnings before interest, tax, depreciation and amortisation. The adjusted element removes non-recurring items which are not relevant to the underlying performance and cash generation of the business.

£0.9m 2021: £0.4m

Goal/target: We had a target of £0.9m EBITDA for 2022. EBITDA growth has been strong and we target increasing levels with efficiency and cost control measures in place to offset cost increases.

Organisation

Placement rates

KPI: Time taken for students to find jobs after the bootcamp.

58 days 2021: 54 days

Goal/target: We want to keep the time taken for students to find jobs in line with previous years even when we are increasing numbers of graduates per cohort.

Drop-off rate

KPI: A measurement of how many students drop off the course part-way through.

5% 2021: 5%

Goal/target: We want this number to be as low as possible.

Percentage of students into jobs

KPI: A measurement of how many graduates, who are looking, that go into jobs in software after the course.

93% 2021: 94%

Goal/target: To maintain a high percentage of graduates finding work in software after the course.

Society

Women into tech

KPI: The percentage of women and gender minorities choosing to do our course and have a career in the tech industry.

23% 2021: 26%

Goal/target: To increase the number of women and gender minorities that are moving into tech.

Average starting salary

KPI: The average starting salary a graduate goes on to earn.

£26,756 2021: £26,488

Goal/target: To incrementally improve starting salaries of graduates.

Non-university educated

KPI: To enable social mobility, we want to increase the number of students who can enter our industry without having to go to university.

39% 2021: 30%

Goal/target: To increase this proportion year on year.

Environmental, social and governance



Our goal is to create life-changing opportunities within the tech sector for people from all walks of life. That means making tech an accessible and attractive career for everyone.

We champion inclusion. It is part of who we are and why we exist. Our whole team works hard, day in day out, to improve diversity in the tech industry. At a time when technology will define how our world works, it is crucial that people from all walks of life build our future.

A more diverse workforce is a better workforce and we create this for our partners.

In 2022 we have seen a growing percentage of women and people from diverse backgrounds enter the tech industry. We have achieved this through:

- Fully funded DfE scholarships
- Cost of living bursaries
- Discount for women and gender minorities
- Staff training around unconscious bias, imposter syndrome, neurodiversity and more

Environmental, social and governance continued

Our staff members are passionate about ensuring that everyone feels welcome and have what they need to enter the tech industry. We have an internal committee called 'We Code' who are dedicated to overcoming any boundaries or issues that may arise surrounding inclusivity. In 2022 they have developed educational workshops for staff and students to ensure that Northcoders is a supportive and safe place, they have raised money to be able to donate laptops to students for the duration of the course and have developed initiatives around modelling and mentoring.

In February 2023 the Group acquired Tech Returners Limited. Tech Returners' mission is 'to provide skilled tech professionals returning to the industry accessible opportunities to refresh their skills. Through a range of programmes, resources and development tools they help reignite individual's careers - back to and through technology.'

Their business is set up to allow people who have had a career break (mostly women), the skills and confidence that they need to re-enter the workplace.

Other key social and environmental achievements

- We are committed to achieving net zero emissions by 2030
- We plant a tree for every new staff member and graduate
- We have a carbon offset policy
- We train all staff in mental health understanding and approach
- Total workforce: 52% Male, 48% Female & Gender minority
- Pay parity at board and leadership level
- Pay parity overall

Our code:



We put people first

With empathy and humility, we strive to do the right thing for everyone, even when it's not the easiest path to take.



We champion inclusion

Diversity is our foundation and our future. Whatever your age, gender, ethnicity or personal pronoun, we stand for you.



We strive for excellence

That goes for us as well as our students. So we get every detail right and take pride in everything we do.



We evolve and adapt

We believe in the power of education to transform lives and futures, and our courses continually evolve to embrace new tech.

Stakeholders and section 172

The relationships Northcoders holds with all our stakeholders are fundamental to the success of the business and the engagement with each group underpins everything we do. The Board and Northcoders take their commitment to public collaboration and engaging with all stakeholders very seriously.

Our customers (empowering learners)



We are creating life changing outcomes and opportunities for the individual learners we work with. Our 'Northcoders' are the reason that we do, what we do.

Current engagement

We constantly engage with our customers, asking for regular feedback as they move through the course. We have whistleblowing helplines and help centres which students are reminded of weekly. We hold events for our alumni and are in contact with them on social media platforms. We truly believe in the phrase, 'Once a Northcoder, always a Northcoder' and like to ensure that we take feedback from our graduates as they move through the industry.

During the year we have considered our customers when making decisions around funding streams and our shift to allowing more DfE places in place of Apprenticeships. A DfE scholarship allows students to complete our course in a much quicker time and does not require any prior qualifications.

What we hope our key stakeholders will say:

Joining Northcoders was the best decision I have made. I am now in a secure and well-paid role because of NC. I thoroughly enjoyed my experience on the course and it has set me up well for the world of work.

Our partner organisations



We provide highly skilled talent for organisations and employers to address their tech needs and complete their tech teams. We now do this at all levels and can help with part-time tech enablement too.

Current engagement

We work with over 400 hiring partners, offering graduates to businesses for no recruitment fee. Business can advertise their roles on our jobs board and can also present the roles to our current students for when they graduate. We hold events during the year called 'Match me if you can', essentially speed recruitment.

We also work with our partner organisations to ensure that the material that we are teaching is relevant to the world of industry.

We considered our partner organisations when making the decision to expand our business solutions division. We reacted to the need for teams of different abilities and created more products that allow corporates to achieve their digital goals.

What we hope our key stakeholders will say:

Northcoders' graduates leave the course with the knowledge and expertise needed to work in a Junior developer role. Their jobs board is easy to use and the recruitment process was straight forward. I would look to Northcoders when hiring more Juniors and would recommend them to other businesses. Their Developer Incubator product enables us to fulfil our tech roadmap without the upfront hiring of a large team.

Our people



We create the right environment for everybody to be at their best, together as one Northcoders team.

Current engagement

Internal communication has been a large focus for us in 2022. We are very aware that lack of communication within the team could have been a growing pain for us as a business and we have therefore focused on regular all team meetings and social gatherings to ensure that the culture remains within the team. During our town hall meetings we enable anonymous feedback from all members of the team. We also have internal committees within our team, such as the group 'We Code' to ensure that the views and passions of all team members are heard and met.

We considered our team when deciding to complete on the acquisition of Tech Returners Limited. The shared passion for creating diversity in tech provides more opportunities for our team to implement change and drive accessibility.

What we hope our key stakeholders will say:

Northcoders provides me with an environment to learn, grow, be listened to and have a chance to shape my own destiny. I have a lot of opportunities within the Northcoders Group. I am part of an environment where I am able to be my full self and I am accepted.

Stakeholders and section 172 continued

Our communities



We build strong, embedded and lasting relationships with the communities that we are involved with. Whether this be community charitable organisations, government organisations or local tech meet ups.

Current engagement

We work with local charities and businesses who align with our values and mission. We work with them through sponsorships, through allowing them to use our premises and through time spent advising them on various governors boards etc. Some of these organisations include, Innovate Her, Code and Stuff.

What we hope our key stakeholders will say:

Northcoders are the first people we think of when talking about the future. They live up to their values and we are proud to work with them. They always try to help where they can.

Our shareholders



We create value for our shareholders and aim to instil confidence in our investors and win their trust in our business. We will always consider this major stakeholder when making decisions.

Current engagement

Shareholders can contact the Company at any time using the Investor Relations email and on the website. The CEO and CFO offer presentations and meeting opportunities at Interim and FY results.

Shareholder value is considered when deciding on acquisitions such as Tech Returners Limited, we worked to ensure that the transaction would create future value for our shareholders before going ahead.

What we hope our key stakeholders will say:

They are an ethical investment that worked and is a valuable investment for us. The shares are performing well. I would love to buy more!

Risks and uncertainties

Principal

Mitigation

Financial risks

Revenue and profitability

Risk level: ●

If the Group is unable to achieve or sustain profitability, the business could be severely harmed.

Operating results may fluctuate as a result of a number of factors, many of which are beyond its control.

If results fall below expectations, the trading price of the ordinary shares may decline significantly.

If the Group does not realise sufficient revenue levels, it may require additional working capital, which may not be available on attractive terms, if at all.

Management constantly reviews the budget analysis and forecasts are flexed monthly in line with market expectations. All financials are reviewed in monthly Board and operating board meetings. Sales teams hold weekly KPI meetings.

Operational risks

ESFA and Ofsted inspections

Risk level: ●

Northcoders' TechEd education business trades in a heavily regulated arena with inspections from Ofsted and the Education and Skills Funding Agency (ESFA). If the Company receives a bad Ofsted rating, this could tarnish the reputation of the bootcamp and could even cause removal of the licence.

The team works hard to ensure we are fully compliant with all requirements. We have hired a compliance officer to ensure all students meet regulatory standards. The Group also maintains diverse revenue streams to ensure that removal of a licence would not cause the business to shut down. The risk of this is now however low as we have just had a successful OFSTED inspection and have been rated 'GOOD'.

Economic downturn

Risk level: ●

A downturn in the economy could force consumers to spend less and could also cause reduced hiring/hiring freezes amongst our partner businesses. The cost of living crisis could also prevent people from being able to take three months off work to do the course.

Ensure that we apply for as much DfE funding as possible so that we can give away free places. Utilise apprenticeships where needed to aid the needs of the students and our partner companies. Have Developer Incubator products available to support companies with hiring freezes.

Risks and uncertainties continued

Principal

Mitigation

Operational risks continued

Ability to recruit and retain skilled personnel

Risk level: ●

There is a huge digital skills gap in the industry, which could cause issues when wanting to grow the tech team. If the Group cannot recruit the right people, it will struggle to grow in line with forecasts.

Northcoders offers a very attractive employment package, with a 4.5-day working week, pension and holidays above the national average, employee assistance programmes and private healthcare insurance. We strive to ensure that our staff members are looked after while at work, and also provide a continuing professional development budget for all employees. We employ tutors directly off the bootcamp and have made sure our classroom teaching model relies more on high-level lecturers who have share-options agreements in place.

Privacy or data protection failure

Risk level: ●

The Group collects, maintains, transmits and stores data about its customers and employees, including personally identifiable information. However, the Group's security measures may not detect or prevent all attempts to breach such security measures and protocols. A breach of such security measures and protocols could result in third parties gaining unauthorised access to customer and/or employee data stored by the Group, which could expose the Group to litigation, regulatory action and other potential issues.

The Group has a dedicated data protection officer who ensures that systems are in place to prevent a breach. The whole Northcoders team also has yearly data protection and general data protection regulation training. A new Head of IT has also been recruited to ensure cyber security compliance.

Strategic risks

Competition

Risk level: ●

Another coding bootcamp could replicate what we are providing in a better way. This would cause customers to choose the competition and we would struggle for sales.

Northcoders ensures its product is the market leader by constantly reviewing the course curriculum and changing what we teach in line with changes in the industry. We also make sure we continue to develop our offerings and maintain good legal control of IP.

Governance

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Board of Directors



Angela Williams

Non-Executive Chair

Appointed to the Board: 2022

Angela is an experienced Non-Executive Director with UK and international plc experience, working with both business-to-business and business-to-consumer companies across a range of sectors throughout her 30-year career. She has held senior executive roles for companies such as British Airways, Sodexo, Post Office, Centrica and Land Securities plc, and is the Chief People Officer for Corsearch Inc., offering her transformation, technology and people change expertise. Angela is also a Non-Executive Director with AND Digital.

Key strengths:

- Leadership
- Governance
- People change and transformation



Chris Hill

Co Founder & Chief Executive Officer

Appointed to the Board: 2016

Chris founded Northcoders in 2016 after experiencing first-hand the challenges businesses have in hiring competent, work-ready software engineers in his previous role at Sky.

Prior to Northcoders, Chris was a software developer working for companies of various sizes and across various business sectors.

Chris's commercial experience in software development helps to shape Northcoders' curriculum and to understand the high-level requirements of Northcoders' most-innovative programmes.

Key strengths:

- Hands on Leadership
- Visionary
- Passionate



Amul Batra

Co Founder & Chief Partnerships Officer

Appointed to the Board: 2018

Prior to joining Northcoders as a Director in 2018, Amul spent 20 years in the music industry, latterly as Managing Director of Fwinki Music, a music management and consultancy company. He left music to set up a tech start-up and elected to sign up to Northcoders' first ever cohort as a student on Cohort 1, Amul was attracted by the wider Northcoders business proposition and became an early investor and co-founder of Northcoders. He is responsible for critical-account business development and has played a vital role in securing many of Northcoders' contracts with businesses.

Key strengths:

- Confident
- Enthusiastic
- Creative



Charlotte Prior

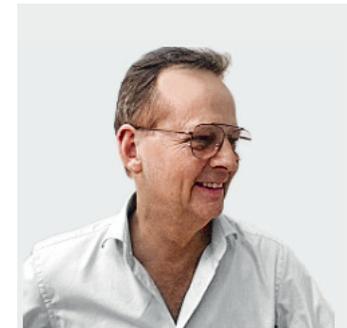
Chief Financial Officer

Appointed to the Board: 2021

Charlotte joined Northcoders in August 2018. She has over ten years' experience in finance roles ranging from the construction industry to a registered charity. Charlotte is a Fellow of the Chartered Institute of Management Accountants (CIMA). She is responsible for managing the Finance and HR functions of the Group and ensures that management and the Board have all the information that they need to plan and make informed strategic decisions.

Key strengths:

- Financial modelling and forecasting
- Risk management and planning
- Financial reporting



Nick Parker

Non-Executive Director

Appointed to the Board: 2021

Nick, a qualified chartered accountant, is an experienced public company Director with strong financial acumen obtained over 30 years working with public and private companies. Previous roles have included being CEO of Sheffield Wednesday Football Club plc and Chief Financial Officer of Dyson Group plc.

Nick has been working with Northcoders for the past three years and was appointed a Non-Executive Director on Admission.

Key strengths:

- Fundraising
- Mergers and acquisitions
- Risk management

Corporate governance report



Angela Williams
Non-Executive Chair

We expect all our Directors, employees and suppliers to act with honesty, integrity and fairness. Our business principles set out the standards we set ourselves to ensure we operate lawfully, with integrity and with respect for others.

Legislative overview

As an AIM listed company, we are required to provide details of a recognised corporate governance code that the Board has decided to apply, together with an explanation of how the Company complies with that code, and where it departs from its chosen code and an explanation for the reasons for doing so. The Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code. Our report sets out in broad terms how we comply at this point in time. We have set out how we follow the ten principles on investors.northcodersgroup.com/investors/corporate-governance

Northcoders sticks by its beliefs that culture is key to creating a sustainable, growing business. This culture supports the Company's core mission of closing the digital skills gap whilst creating life-changing opportunities for individuals. We have a clear business model and growth strategy to expand our business and offering. It is the Board's job to ensure that Northcoders is managed for the long-term benefit of all our clients, staff, shareholders, and our other key stakeholders. Sensible corporate governance is an important part of that job, reducing risk and adding value to our business. The Board considers that it does not depart from any of the principles of the QCA Code.

Audit Committee report



Nick Parker

Chair of the Audit Committee

On behalf of the Audit Committee, I am pleased to present the Audit Committee report for Northcoders Group PLC 2023. The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and monitored, through the internal control systems and the external auditor. During the year the Committee focused on the identification and management of the risks of the Group and the internal audit process to give assurance over the Group's internal controls and processes.

Committee meetings

The Audit Committee comprises of the Non-Executive Directors of the Company. The Audit Committee is chaired by Nick Parker. Nick is a member of the Institute of chartered accountants in England and Wales. The Committee is required to meet at least three times a year and the table on the left sets out the number of Committee meetings each member attended during the year.

Roles and responsibilities

The role of the Committee is to:

- monitor the integrity of the financial statements and activities of the Company, including formal announcements relating to its financial performance, and any significant financial reporting judgements;
- review and monitor the effectiveness of the Company's internal controls, financial and risk management systems and processes;
- review and monitor the effectiveness of the Company's internal audit function including the approval of the annual internal audit plan;
- consider and review all internal audit reports; and
- make recommendations to the Board in relation to the appointment, independence, objectivity and the effectiveness of the external audit process.

Audit Committee report continued

Activities of the Committee

During the year the Committee undertook the following:

- reviewed and discussed with the external auditor the Group's results for the financial year ending 31 December 2022;
- reviewed the Group's financial policies and procedures
- reviewed reports from management covering various aspects of the Company's operations, controls and procedures, and agreed actions for management to take from findings in the reports;
- reviewed the Group's risk management framework and internal controls;
- reviewed auditor's fees for the year 2022 and compared this to other quotations, and
- reviewed and agreed the external auditor's plan, in advance of their audit for the financial year ended 31 December 2022.

Risk management

The Board has delegated responsibility for monitoring the financial reporting process and reviewing the effectiveness of the Group's internal controls to the Audit Committee. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve the business objectives and The Board can only provide reasonable, and not absolute, assurance against material loss, errors or fraud. The Audit Committee reviews the risk register at each meeting and reports its findings to the Board and the Board reviews the risk profile of the organisation on a regular basis at every Board meeting.

When analysing risk we consider the likelihood and impact on the Group after taking into account appropriate mitigating controls. The risk registers for each business are used to update the Group risk register. The Executive Directors review the Group risk register at each Board meeting. Risk appetite and tolerance are also reviewed and discussed at Board and Audit Committee meetings on a regular basis/twice per year or as market changes or pressures evolve.

Internal audit

Internal audit plays an important part in monitoring the effectiveness of internal controls. The internal audit function is carried out by Executive Directors who report to the Audit Committee. The Audit Committee requests follow-up reviews where control deficiencies are noted. During the year the Audit Committee approved the internal audit plan for the year.

Significant accounting matters

The significant issues considered by the Committee during the year were:

- revenue recognition, specifically the timing of recognising revenue, given both the length of the contracts and future contractual obligations;
- intangible asset classification, along with ensuring sufficient timesheet records; and
- future values of EdAid and student finance payments.

External auditor

The Group's external auditor is currently Haysmacintyre LLP. Haysmacintyre audited the Group's HFI on their admission to AIM in July 2021; a separate team within Haysmacintyre have carried out the FY21 and FY22 audit. The independence of the external auditor is essential to ensure the integrity of the Group's published financial information. During the year the Committee reviewed and approved the audit plan. The auditor's assessment of materiality and financial reporting risk areas were discussed and challenged if necessary. The Company also reviewed the audit fee before commencing with Haysmacintyre for FY22. The Audit Committee found the fees to be competitive.

Non-audit services

The award of non-audit services to the external auditor is subject to controls agreed by the Audit Committee. The Audit Committee recognises that the auditor may be best placed to provide some non-audit services and these are subject to formal approval by the Audit Committee. Details of the audit and non-audit fees incurred are disclosed in note 8 to the financial statements.

Nick Parker

Chair of the Audit Committee

24 April 2023

Remuneration Committee



Angela Williams
Non Executive Chair

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing base compensation and all remuneration arrangements for the Executive Directors and Chairman of the Company. The Remuneration Committee comprises Angela Williams (Chair) and Nick Parker.

Introduction

The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis and is guided by an approved remuneration policy and considers relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team. The Remuneration Committee additionally links part of key management remuneration to the Company's financial and operational performance. They also review the overall remuneration approach for all employees.

Components of the remuneration package of Executive Directors

The principal components of the Executive Directors' remuneration packages are base salary, a potential performance-related bonus in the form of cash and medium and long-term incentives in the form of share options, pension contributions and other benefits (such as private medical insurance).

Performance-related bonus

The Remuneration Committee, in discussion with the Executive Directors, establishes performance criteria at the beginning of each financial year that are aligned with the Company's strategic objectives and are designed to be an incentive for delivery while also being challenging. Annual bonuses are payable at the discretion of the Remuneration Committee.

Remuneration Committee continued

Components of the remuneration package of Executive Directors continued

Pension arrangements

Pension eligibility is provided to Executive Directors via a cash contribution to the individuals' personal pension schemes.

Other benefits

Other benefits for Executive Directors include private medical insurance, which is provided by an external provider (currently Vitality Health).

Remuneration of the Chairman and Non-Executive Directors

It is the Company's policy to provide fees that attract and retain skilled individuals with the appropriate experience who can add value to the Board. Fees are reviewed on an annual basis to ensure they remain competitive and adequately reflect the time commitments and overall contribution to the role. The Remuneration Committee is responsible for making recommendations to the Board on the fees payable to the Chairman and the Non-Executive Directors. To ensure independence, any proposed changes are reviewed by the Executive Board members and aligned with the market rates for equivalent Non-Executive Director roles.

Emoluments of Directors

Details of the nature and amount of each element of the emoluments of each Director who served during the year ended 31 December 2022 are as follows:

| | Salary £ | Share option | Benefits in kind £ | Pension £ | Total 2022 £ | Total 2021 £ |
|--|----------------|-----------------|--------------------------|--------------|--------------------|--------------------|
| Mr A Batra | 127,250 | — | 1,370 | 1,468 | 130,088 | 129,683 |
| Mr C D Hill | 153,812 | — | 781 | 1,468 | 156,061 | 218,600 |
| Ms C Prior | 132,714 | 28,918 | 307 | 1,468 | 163,407 | 74,875 |
| Mrs S Lindsay (resigned 4 January 2022) | 357 | — | — | — | 357 | 30,563 |
| Mr A N Parker | 35,000 | — | — | — | 35,000 | 14,583 |
| Ms A M Williams (appointed 5 January 2022) | 53,131 | — | — | 3,302 | 56,433 | — |
| Total | 502,264 | 28,918 | 2,458 | 7,706 | 541,346 | 478,671 |

Remuneration Committee continued

Directors' interests

The interests of the Directors holding office at 31 December 2022 in the shares of the Company are set out below:

| Ordinary shares of £0.01 each | 31 December 2022 |
|-------------------------------|---------------------|
| Sandra Lindsay | — |
| Chris Hill | 1,504,080 |
| Amul Batra | 949,413 |
| Charlotte Prior | — |
| Angela Williams | 2,710 |
| Nick Parker | 62,778 |

The Company's shares were admitted to trading on AIM on 27 July 2021. The market price of the Company's shares at 31 December 2022 was 310p and the range during the period from admission to the end of the reporting period was 225p to 375p per share.

On behalf of the Board.

Angela Williams

Chair of the Remuneration Committee

24 April 2023

Directors' report

Directors

Those who served as Directors during the financial year 2022 are:

- Angela Williams (appointed 5 January 2022);
- Chris Hill;
- Sandra Lindsay (resigned 4 January 2022);
- Amul Batra;
- Charlotte Prior; and
- Nick Parker.

Results and dividends

The profit after taxation for the year ended 31 December 2022 was £0.4m. The Board is not recommending the payment of a final dividend in respect of the year ended 31 December 2022.

Directors' interests

Directors' interests at 31 December 2022 in the shares and share options of the Company are shown in the Directors' remuneration report on page 26.

Financial instruments

The Company's principal financial instruments comprise cash balances and other payables and receivables that arise in the normal course of business. The risks associated with these financial instruments are disclosed in note 25 to the financial statements.

Future developments

Further information regarding the future developments of the Company is contained in the strategic report, which forms part of this annual report.

Directors' liabilities

Subject to the conditions set out in the Companies Act 2006, the Company has arranged appropriate Directors' and Officers' liability insurance to indemnify the Directors against liability in respect of proceedings brought by third parties. Such provisions remain in force at the date of this report.

Disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing this report, of which the auditor is unaware. Having made enquiries of fellow Directors, each Director has taken all the steps that he/she ought to have taken as a Director in order to have made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of the auditor

In accordance with section 489 of the Companies Act 2006, a resolution to re-appoint Haysmacintyre will be proposed at the next annual general meeting.

Board committees

Information on the Audit and Remuneration Committees is included in the corporate governance section of the annual report on pages 23 to 27.

Directors' report continued

Annual general meeting

The annual general meeting will be held on 1 June 2023 as stated in the notice that accompanies this annual report. Certain matters required to be disclosed in the Directors' report have been omitted as they are included in the Chief Executive Officer's review, the strategic report and within the notes to the financial statements.

Going concern

In preparing the financial statements, the Directors have considered the principal risks and uncertainties facing the business, along with the Group's objectives, policies and processes for managing its exposure to financial risk. In making this assessment the Directors have prepared cash flow forecasts for the foreseeable future, being a period of at least twelve months from the date of approval of the financial statements.

Forecasts are adjusted for reasonable sensitivities that address the principal risks and uncertainties to which the Group is exposed, thus creating a number of different scenarios for the Board to challenge, including a 'stress' case scenario of losing the apprenticeship licence and associated revenues. However, in this scenario there would be increased tutor capacity and the Directors would expect bootcamp numbers and bootcamp revenue to increase.

Overall, the Directors do not believe this to cause a material uncertainty around going concern. At the time of approving the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Payment of suppliers

The Company has set processes in place within the accounts department to ensure that suppliers are paid on time.

Directors and Officers liability insurance

The Company maintains a Directors and Officers liability insurance policy.

Diversity

Northcoders is committed to encouraging diversity and promoting a diverse culture where every employee is treated with respect. We strive to create an environment where every member is valued for their individual contribution, an environment free of bullying, harassment, victimisation and unlawful discrimination. We have a Diversity & Inclusion Policy in place to ensure that the Company remains a welcoming place to work and safer recruitment training to ensure that this is reflected in our recruitment processes. It is a key objective to ensure that all employees are helped and encouraged to fulfil their potential and to ensure that Northcoders remains a safe and welcoming place to work.

By order of the Board.

Charlotte Prior

Chief Financial Officer

24 April 2023

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with UK Adopted International Accounting Standards and applicable law.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period.

In preparing the Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's and the Group's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the strategic report and Directors' report, and other information included in the annual report and financial statements, are prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Northcoders Group PLC website is the responsibility of the Directors; the work carried out by the auditor does not involve the consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred in the accounts when they are presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

Financial statements

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Auditor's report

To the Members of Northcoders Group PLC

Opinion

We have audited the financial statements of Northcoders Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Group Statement of Comprehensive Income, the Group and Company Statement of Financial Position, the Group and Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the period then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

An overview of the scope of our audit

As the Group comprises a parent holding company and two trading subsidiaries the scope of our work was the audit of the financial statements of the Group and its trading subsidiaries. The scope of the audit and our audit strategy was developed by using our audit planning process to obtain and update our understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement at the group level. Audit work to respond to the assessed risks was performed directly by the audit engagement team who performed full scope audit procedures on the parent company and the group as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Auditor's report continued

To the Members of Northcoders Group PLC

Key audit matter

Fraud in revenue recognition (Group)

The Group has a number of revenue streams. Details of the accounting policies applied are given in note 1.5.

We consider there to be a significant risk of misstatement of the financial statements related to transactions occurring close to the year end, as transactions could be recorded in the incorrect financial period (cut off).

Management make judgements in relation to revenue recognition for software engineering projects under IFRS 15. These include determining Northcoders' performance obligations in its contracts with customers and whether as at the reporting date, the group has completed its performance obligations.

Capitalisation of R&D costs

There is a risk that the amounts are not capitalised in line with IAS 38 and lead to material misstatement in the financial statements.

The Group continued to invest in its app, software and course content as set out in note 15.

We focused on this area due to the size of the costs capitalised and the fact that there was judgement involved in assessing whether the criteria set out in accounting standards for the capitalisation for elements of these costs had been met.

How our scope addressed this matter

In order to address the risks associated with these revenue streams we tested a sample of contracts to assess whether:

- revenue had been recognised in accordance with the Group's accounting policy and IFRS 15 requirements;
- revenue was recognised appropriately based on whether the Group had completed its performance obligations under the contract prior to the reporting date by reference to its obligations stated in the customer contracts, correspondence with customers on software development projects, and discussions with the project managers;
- revenue was recognised appropriately based on whether Northcoders had completed its performance obligations under the contract prior to the reporting date by reference to its obligations stated in the customer contracts and taught hours for bootcamp revenue; and
- any other terms within the contracts had any material accounting or disclosure implications.

We also performed a cash to revenue reconciliation, tested a sample of sales raised one month either side of the year-end, agreed a sample of refunds in the period to support, obtained and critically evaluated management's paper on revenue recognition policy and whether this was in line with IFRS 15.

We selected a sample of assets to agree to support and test against the recognition criteria of IAS 38.

Our testing approach covered capitalisation of employee time for internal staff and external contractors. We obtained an understanding of various selected capitalised projects, tested time charged back to timesheet data and independently assessed whether sufficient economic benefits were likely to flow from the projects to support the values capitalised. Our testing did not identify any material costs which had been inappropriately capitalised.

We confirmed that amortisation on these projects was consistent with the Group's accounting policies.

Auditor's report continued

To the Members of Northcoders Group PLC

Our application of materiality

The scope and focus of our audit were influenced by our risk assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Materiality for the financial statements as a whole was set at £51,200, determined by reference to 5% of group Adjusted EBITDA. We have reported to the audit committee any corrected or uncorrected misstatements arising exceeding £2,560. Performance materiality was set at £38,400, being 75% of materiality.

Adjusted EBITDA is defined as earnings before finance costs, taxation, depreciation, amortisation and exceptional items relating to the IPO.

Component materiality for the parent company and Northcoders Limited (subsidiary) was capped at £46,000, with reference to a benchmark of group materiality. For Northcoders TechEd Limited (subsidiary) materiality was determined by reference to 2% of its revenue. All three entities were subject to statutory audits in their own rights, however the materiality calculated for the parent and Northcoders Limited was more than component materiality and as such component materiality was used for the individual audits.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the group and the company's business model and reviewed the Directors' assessment of how those risks affect the group and the company's financial resources or ability to continue operations over the going concern period. We considered the likely cash inflows and outflows over the going concern assessment period and assessed the risk that the group and the company would be unable to meet their liabilities as they fall due. We scrutinised the reasonableness of assumptions applied to the cash flow forecasts and sensitised such forecasts against various scenarios which could come to realisation. We reviewed and assessed management's going concern memo and discussed this with the Board. We considered post balance sheet date performance and other wider factors in concluding our assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Auditor's report continued

To the Members of Northcoders Group PLC

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 30, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine 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, the Directors are responsible for assessing the group's and the parent 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 the Directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory requirements for the business and trade regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, income tax, payroll tax and sales tax.

Auditor's report continued

To the Members of Northcoders Group PLC

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud continued

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Inspecting correspondence with regulators and tax authorities;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries which shared key risk characteristics; and
- Challenging assumptions and judgements made by management in their critical accounting estimates.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gareth Ogden

(Senior Statutory Auditor)

For and on behalf of Haysmacintyre LLP
Statutory Auditors
10 Queen Street Place
London
EC4R 1AG

24 April 2023

Group statement of comprehensive Income

For the year ended 31 December 2022

| | Notes | 2022 £ | 2021 £ |
|--|-------|------------------|------------------|
| Revenue | 4 | 5,598,863 | 3,010,357 |
| Cost of sales | | (1,656,938) | (848,392) |
| Gross profit | | 3,941,925 | 2,161,965 |
| Other operating income | | 12,000 | 144,749 |
| Expenditure | | (3,046,292) | (1,947,239) |
| Adjusted EBITDA | 6 | 907,633 | 359,475 |
| Depreciation | | (171,521) | (118,892) |
| Amortisation | | (85,167) | (134,755) |
| Share-based payments | 28 | (203,607) | (114,341) |
| Total administrative expenses | | (3,506,587) | (2,315,227) |
| Exceptional items | 5 | — | (421,289) |
| Operating profit/(loss) | 7 | 447,338 | (429,802) |
| Investment revenues | 11 | 11,765 | 8,574 |
| Finance costs | 12 | (112,674) | (102,360) |
| Profit/(loss) before taxation | | 346,429 | (523,588) |
| Taxation credit | 13 | 13,109 | 165,464 |
| Profit/(loss) for the year | | 359,538 | (358,124) |
| Other comprehensive income: | | | |
| Items that will not be reclassified to profit or loss | | | |
| Tax relating to items not reclassified | | 8,814 | (5,089) |
| Total items that will not be reclassified to profit or loss | | 8,814 | (5,089) |
| Total other comprehensive profit/(loss) for the year | | 8,814 | (5,089) |
| Total comprehensive profit/(loss) for the year | | 368,352 | (363,213) |

Total comprehensive profit/(loss) for the year is all attributable to the owners of the Parent Company. All profit/(loss) after taxation arise from continuing operations.

| | Notes | 2022 £ | 2021 £ |
|----------------------------|-------|-----------|-----------|
| Earnings per share | 14 | | |
| Basic (pence per share) | | 5.12 | (6.13) |
| Diluted (pence per share) | | 5.02 | (6.13) |
| Adjusted (pence per share) | | 8.02 | 3.04 |

The notes on pages 44 to 74 form part of the Group financial statements.

Group statement of financial position

As at 31 December 2022

| | Notes | 2022 £ | 2021 £ |
|--------------------------------|-------|------------------|------------------|
| Non-current assets | | | |
| Intangible assets | 15 | 871,845 | 495,071 |
| Property, plant and equipment | 16 | 416,727 | 525,067 |
| Deferred tax asset | 26 | 330,837 | 256,350 |
| | | 1,619,409 | 1,276,488 |
| Current assets | | | |
| Contract assets | 18 | 1,947,922 | 801,119 |
| Trade and other receivables | 19 | 909,010 | 615,026 |
| Current tax recoverable | | 82,309 | 143,042 |
| Cash and cash equivalents | | 2,777,273 | 1,564,645 |
| | | 5,716,514 | 3,123,832 |
| Current liabilities | | | |
| Trade and other payables | 22 | 665,575 | 467,282 |
| Borrowings | 21 | 391,367 | 219,386 |
| Lease liabilities | 23 | 196,243 | 181,043 |
| Contract liabilities | 24 | 5,239 | 21,813 |
| | | 1,258,424 | 889,524 |
| Net current assets | | 4,458,090 | 2,234,308 |
| Non-current liabilities | | | |
| Borrowings | 21 | 740,223 | 512,602 |
| Lease liabilities | 23 | 464,833 | 711,524 |
| Deferred tax liabilities | 26 | 230,713 | 134,474 |

| | Notes | 2022 £ | 2021 £ |
|-------------------------|-------|------------------|------------------|
| | | 1,435,769 | 1,358,600 |
| Net assets | | 4,641,730 | 2,152,196 |
| Equity | | | |
| Called up share capital | 29 | 76,889 | 69,444 |
| Share premium account | 30 | 4,801,444 | 2,891,314 |
| Merger reserve | | 500 | 500 |
| Share option reserve | | 228,480 | 134,715 |
| Other reserve | 32 | (50,000) | (50,000) |
| Retained earnings | | (415,583) | (893,777) |
| Total equity | | 4,641,730 | 2,152,196 |

The financial statements were approved by the Board of Directors and authorised for issue on date and are signed on its behalf by:

Mr C D Hill

Director

Company Registration No. 13378742

The notes on pages 44 to 74 form part of the Group financial statements.

Company statement of financial position

As at 31 December 2022

| | Notes | 2022 | | 2021 | |
|--|-------|-----------|-----------|-----------|-----------|
| | | £ | £ | £ | £ |
| Non-current assets | | | | | |
| Investments | 37 | | 317,949 | | 114,341 |
| Current assets | | | | | |
| Trade and other receivables | 38 | 4,406,187 | | 2,657,865 | |
| Current liabilities | | | | | |
| | | | | (38,566) | |
| Net current assets | | | 4,406,187 | | 2,619,299 |
| Total assets less current liabilities | | | 4,724,136 | | 2,733,640 |
| Equity | | | | | |
| Called up share capital | 42 | | 76,889 | | 69,444 |
| Share premium account | 30 | | 4,801,444 | | 2,891,314 |
| Other reserves | | | (50,000) | | (50,000) |
| Share option reserve | | | 228,480 | | 134,715 |
| Retained earnings | | | (332,677) | | (311,833) |
| Total equity | | | 4,724,136 | | 2,733,640 |

As permitted by section 408 Companies Act 2006, the Company has not presented its own income statement and related notes. The Company's loss for the period was £130,686 (2021: £323,817).

The financial statements were approved by the Board of Directors and authorised for issue on date and are signed on its behalf by:

Mr C D Hill

Director

Company Registration No. 13378742

The notes on pages 44 to 74 form part of these parent financial statements.

Group statement of changes in equity

For the year ended 31 December 2022

| | Notes | Share capital £ | Share premium account £ | Share option reserve £ | Other reserve £ | Merger reserve £ | Retained (deficit)/ earnings £ | Total £ |
|---|-------|--------------------|----------------------------|---------------------------|--------------------|---------------------|-----------------------------------|------------|
| Balance at 1 January 2021 | | — | — | — | — | 187,591 | (729,639) | (542,048) |
| Year ended 31 December 2021: | | | | | | | | |
| Loss for the year | | — | — | — | — | — | (358,124) | (358,124) |
| Other comprehensive income: | | | | | | | | |
| Tax relating to other comprehensive income | | — | — | — | — | — | (5,089) | (5,089) |
| Loss and total comprehensive loss for the year | | — | — | — | — | — | (363,213) | (363,213) |
| Issue of share capital | 29 | 19,444 | 3,480,555 | — | — | — | — | 3,499,999 |
| Costs of float set against premium | 29 | — | (589,241) | — | — | — | — | (589,241) |
| Merger reserve transfer | | — | — | — | — | (187,091) | 187,091 | — |
| Share options and warrants expense | 31 | — | — | 146,699 | — | — | — | 146,699 |
| Share-for-share exchange | 32 | 50,000 | — | — | (50,000) | — | — | — |
| Cancellation of share options | | — | — | (11,984) | — | — | 11,984 | — |
| Balance at 31 December 2021 | | 69,444 | 2,891,314 | 134,715 | (50,000) | 500 | (893,777) | 2,152,196 |
| Year ended 31 December 2022: | | | | | | | | |
| Profit for the year | | — | — | — | — | — | 359,538 | 359,538 |
| Other comprehensive income: | | | | | | | | |
| Tax adjustments on share-based payments | | — | — | — | — | — | 8,814 | 8,814 |
| Total comprehensive income for the year | | — | — | — | — | — | 368,352 | 368,352 |
| Issue of share capital | 29 | 7,445 | 2,076,387 | — | — | — | — | 2,083,832 |
| Costs of issue set against premium | | — | (166,257) | — | — | — | — | (166,257) |
| Share options expense | 31 | — | — | 203,607 | — | — | — | 203,607 |
| Cancellation of share options | 31 | — | — | (21,547) | — | — | 21,547 | — |
| Share options exercised | 31 | — | — | (88,295) | — | — | 88,295 | — |
| Balance at 31 December 2022 | | 76,889 | 4,801,444 | 228,480 | (50,000) | 500 | 415,583 | 4,641,730 |

The notes on pages 44 to 74 form part of the Group financial statements.

Company statement of changes in equity

For the year ended 31 December 2022

| | Notes | Share capital £ | Share premium account £ | Other reserve £ | Share option reserve £ | Retained (deficit)/ earnings £ | Total £ |
|--|-------|--------------------|----------------------------|--------------------|---------------------------|-----------------------------------|------------|
| Balance at 6 May 2021 | | — | — | — | — | — | — |
| Loss and total comprehensive income | | — | — | — | — | (323,817) | (323,817) |
| Issue of share capital | 42 | 19,444 | 3,480,555 | — | — | — | 2,960,758 |
| Costs of float set against premium | | — | (589,241) | — | — | — | — |
| Share options and warrants expense | | — | — | — | 146,699 | — | 146,699 |
| Share-for-share exchange | 42 | 50,000 | — | (50,000) | — | — | — |
| Cancellation of share options | | — | — | — | (11,984) | 115,984 | — |
| Balance at 31 December 2021 | | 69,444 | 2,891,314 | (50,000) | 134,715 | (311,833) | 2,733,640 |
| Year ended 31 December 2022 | | | | | | | |
| Loss and total comprehensive income for the period | | — | — | — | — | (130,686) | (130,686) |
| Issue of share capital | 42 | 7,445 | 2,076,387 | — | — | — | 2,083,832 |
| Costs of issue set against premium | | — | (166,257) | — | — | — | (166,257) |
| Share options and warrants expense | | — | — | — | 203,607 | — | 203,607 |
| Cancellation of share options | | — | — | — | (21,547) | 21,547 | — |
| Share options exercised | | — | — | — | (88,295) | 88,295 | — |
| Balance at 31 December 2022 | | 76,889 | 4,801,444 | (50,000) | 228,480 | (332,677) | 4,724,136 |

The notes on pages 44 to 74 form part of the Group financial statements.

Group statement of cash flows

For the year ended 31 December 2022

| | Notes | 2022 | | 2021 | |
|---|-------|------|-------------|------|-------------|
| | | £ | £ | £ | £ |
| Cash flows from operating activities | | | | | |
| Profit for the year after tax | | | 359,538 | | (358,124) |
| Adjustment for non-cash items: | | | | | |
| Taxation credited | | | (13,109) | | (165,464) |
| Finance costs | | | 112,674 | | 102,360 |
| Investment revenues | | | (11,765) | | (8,574) |
| Equity settled share-based payment and warrants expense | | | 203,607 | | 146,699 |
| Amortisation of intangible assets | | | 85,167 | | 134,755 |
| Depreciation of property, plant and equipment | | | 171,521 | | 118,892 |
| | | | 907,633 | | (29,456) |
| Increase in contract assets and trade and other receivables | | | (1,435,445) | | (1,117,345) |
| Increase/(decrease) in trade and other payables | | | 178,377 | | (152,740) |
| Cash absorbed by operations | | | (349,435) | | (1,299,541) |
| Tax refunded | | | 104,408 | | 211,701 |
| Net cash outflow from operating activities | | | (245,027) | | (1,087,840) |
| Investing activities | | | | | |
| Capitalised development costs | | | (461,941) | | (268,537) |
| Purchase of property, plant and equipment | | | (63,181) | | (42,706) |
| Investment revenues received | | | 9,766 | | 8,574 |
| Net cash used in investing activities | | | (515,356) | | (302,669) |
| Financing activities | | | | | |
| Proceeds from issue of shares | | | 1,917,575 | | 2,910,758 |
| Proceeds from borrowings | | | 962,500 | | — |
| Repayment of bank loans and borrowings | | | (573,087) | | (162,961) |
| Payment of lease liabilities | | | (231,491) | | (215,954) |
| Interest paid | | | (102,486) | | (102,360) |
| Net cash generated from financing activities | | | 1,973,011 | | 2,429,483 |
| Net increase in cash and cash equivalents | | | 1,212,628 | | 1,038,974 |
| Cash and cash equivalents at beginning of year | | | 1,564,645 | | 525,671 |
| Cash and cash equivalents at end of year | | | 2,777,273 | | 1,564,645 |

The notes on pages 44 to 74 form part of the Group financial statements.

Note to the statement of cash flows

For the year ended 31 December 2022

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | At 1 January 2022 £ | Financing cash flows £ | New leases/loans £ | Other movements ¹ £ | At 31 December 2022 £ |
|---------------------------|---------------------------|------------------------------|--------------------------|--------------------------------------|-----------------------------|
| Bank loans and borrowings | 731,988 | (573,087) | 962,500 | 10,187 | 1,131,588 |
| Lease liabilities | 892,567 | (231,491) | — | — | 661,076 |
| Total | 1,624,555 | (804,578) | 962,500 | 10,187 | 1,792,664 |

| | At 1 January 2021 £ | Financing cash flows £ | New leases £ | Other movements ² £ | At 31 December 2021 £ |
|---------------------------|---------------------------|------------------------------|--------------------|--------------------------------------|-----------------------------|
| Bank loans and borrowings | 885,950 | (162,961) | — | 8,999 | 731,988 |
| Lease liabilities | 730,662 | (215,954) | 389,687 | (11,828) | 892,567 |
| Total | 1,616,612 | (378,915) | 389,687 | (2,829) | 1,624,555 |

- Other movements in the year ended 31 December 2022 includes:
 - unwinding of arrangement fees of £10,187 on other loans.
- Other movements in the year ended 31 December 2021 includes:
 - unwinding of present value adjustment of £8,999 to bank loans; and
 - accrual for rent due but unpaid on lease liabilities.

Notes to the Group financial statements

For the year ended 31 December 2022

1 Accounting policies

Company information

Northcoders Group Plc is a public company limited by shares incorporated in England and Wales. The registered office is Manchester Technology Centre, Oxford Road, Manchester, Lancashire, M1 7ED. The Company's principal activities and nature of its operations are disclosed in the Directors' report.

The Group consists of Northcoders Group Plc and all of its subsidiaries.

1.1 Accounting convention

The Group financial statements have been prepared in accordance with UK Adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Group. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The individual Parent Company meets the definition of a qualifying entity under FRS 101 Reduced Disclosure Framework. As permitted by FRS 101, the Company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- (a) the requirements of IFRS 7 'Financial Instruments: Disclosure';
- (b) the requirements within IAS 1 relating to the presentation of certain comparative information;
- (c) the requirements of IAS 7 'Statement of Cash Flows' to present a statement of cash flows;
- (d) paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but it not yet effective); and
- (e) the requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions and balances between two or more members of a Group.

As permitted by section 408 Companies Act 2006, the Company had not presented its own Statement of Comprehensive Income. The Company's loss for the period was £130,686 (2021: £323,817).

1.2 Business combinations

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the twelve months following the acquisition date.

1.3 Basis of consolidation

The consolidated Group financial statements consist of the financial statements of the Parent Company, Northcoders Group Plc, together with all entities controlled by the Parent Company (its subsidiaries) as detailed in note 17.

All financial statements are made up to 31 December 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are consolidated in the Group's financial statements from the date that control commences until the date that control ceases.

The Group applied the principles of merger accounting in consolidating the results, as Northcoders Group Plc was only incorporated on 6 May 2021 and control of Northcoders Limited was acquired by Northcoders Group Plc via a share-for-share exchange on 24 June 2021. Merger accounting requires that the results of the Group are presented as if the Group has always been in its present form, and does not require a re-evaluation of fair values as at the point of acquisition. Accordingly, as a result of this merger accounting, a merger reserve is recognised within equity which represents the difference between the net assets of the Group and the retained profits recognised by the Group as at 24 June 2021.

Notes to the Group financial statements continued

For the year ended 31 December 2022

1 Accounting policies continued

1.4 Going concern

In preparing the financial statements, the Directors have considered the principal risks and uncertainties facing the business, along with the Group's objectives, policies and processes for managing its exposure to financial risk. In making this assessment the Directors have prepared cash flow forecasts for the foreseeable future, being a period of at least twelve months from the date of approval of the financial statements.

Forecasts are adjusted for reasonable sensitivities that address the principal risks and uncertainties to which the Group is exposed, thus creating a number of different scenarios for the Board to challenge including a "stress" case scenario of losing the apprenticeship licence and associated revenues. However, in this case scenario there would be increased tutor capacity and the Directors would expect bootcamp numbers and bootcamp revenue to increase. Overall the Directors do not believe this to cause a material uncertainty around going concern.

At the time of approving the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.5 Revenue

Revenue from providing services is recognised in the accounting period in which the services are rendered. Services are typically provided over short periods of time, spanning typically a few months at most. However, for fixed-price contracts that span accounting periods, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. Where the Group has contracts where the period between the transfer of the promised services to the customer and payment exceeds one year, the Group adjusts transaction price for the time value of money.

Revenue is determined as follows:

- for consumer bootcamps, income is received in advance of the service being provided and is recognised on a pro-rata basis across the course delivery, based on delivery dates for those courses. Any income received in advance is recognised as deferred revenue. Apprenticeship income is a funding mechanism for the consumer revenue stream. The Group receives lump-sum drawdowns at regular intervals, which typically are billed in arrears resulting in accrued income. In addition, the Group receives a contingent success fee, payable at the end. The Group makes an assessment of the probability of success and accrues this on a percentage of completion basis as the course progresses; and
- for corporate solutions, amounts are invoiced in arrears for development work performed along with any associated costs, based on the number of hours spent on each contract at agreed contractual rates for those delivering the course. Where appropriate, any amounts to be invoiced are recognised as accrued revenue, and any amounts invoiced in advance are recognised as deferred revenue, in line with performance obligations per contracts with customers.

Determining the transaction price

The Group's revenue on over-time sales is generally based on fixed price contracts but these are subject to more variability as a result of the nature of the contract. Any variable consideration is constrained in estimating contract revenue as is highly probable that there will not be a future reversal in the amount of revenue recognised when the final amounts of any variations has been determined.

Allocating amounts to performance obligations

Where the contracts include multiple performance obligations, which are determined to be separate performance obligations, the transaction price will be allocated to each performance obligation based on the standalone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Notes to the Group financial statements continued

For the year ended 31 December 2022

1 Accounting policies continued

1.6 Intangible assets other than goodwill

The Group's other intangible assets are stated at cost less accumulated amortisation and impairment losses. Where assets are acquired through business combinations, the Group uses an appropriate fair value technique in order to determine cost. Intangible assets are tested annually for impairment or otherwise when circumstances change.

Amortisation begins when an asset is acquired or becomes available for use and is calculated on a straight-line basis to allocate the cost of assets over their estimated useful lives as follows:

| | |
|-------------------|--------------------------|
| Licence | four years straight line |
| Development costs | ten years straight line |

The Directors have undertaken an assessment of the estimated useful life of development costs and subsequently the estimation has changed from four years to ten years.

1.7 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|------------------------|----------------------------|
| Leasehold improvements | Over the term of the lease |
| Fixtures and fittings | 25% straight line |
| Computers | 33% straight line |
| Right of use assets | Over the term of the lease |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.8 Non-current investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the Parent Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the Group has a long-term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.9 Impairment of tangible and intangible assets

At each reporting end date, the Group reviews the carrying amounts of its tangible and intangible 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Notes to the Group financial statements continued

For the year ended 31 December 2022

1 Accounting policies continued

1.9 Impairment of tangible and intangible 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 recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial assets

Financial assets are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognised initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (e.g. trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Financial assets at fair value through other comprehensive income

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The Group recognises lifetime expected credit losses (ECL) for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for facts that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast Director of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Notes to the Group financial statements continued

For the year ended 31 December 2022

1 Accounting policies continued

1.11 Financial assets continued

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.12 Financial liabilities

The Group recognises financial debt when the Group becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled, or they expire.

1.13 Equity instruments

Equity instruments issued by the Parent Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer payable at the discretion of the Company.

Share capital represents the nominal value of shares that have been issued.

Share premium represents the excess of the subscription price over the par value of shares issued.

Share option reserve relates to amounts recognised for the fair value of share options and warrants granted in accordance with IFRS 2.

Other reserve represents the nominal value of the share for share exchange, as explained further in note 32.

Merger reserve represents the carrying value of the investment in the subsidiary undertaking at the point of the share for share exchange, as explained further in note 32.

Retained earnings include all current and prior period retained earnings.

1.14 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Notes to the Group financial statements continued

For the year ended 31 December 2022

1 Accounting policies continued

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.17 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1.18 Leases

At inception, the Group assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the Group is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the Group's estimate of the amount expected to be payable under a residual value guarantee; or the Group's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Group financial statements continued

For the year ended 31 December 2022

1 Accounting policies continued

1.18 Leases continued

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of twelve months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1.19 Grants

Grants for revenue expenditure are credited in the income statement as other operating income in the period in which the expenditure for which they are intended to contribute towards has been incurred.

1.20 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised standards and interpretations have been adopted by the Group and have an effect on the current period or a prior period or may have an effect on future periods:

- amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract;
- amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use;
- amendments to IFRS 3 'Reference to the Conceptual Framework';
- amendment to IFRS 1 'First-time Adoption of International Financial Reporting Standards - Subsidiary as a First-time Adopter';
- amendment to IFRS 9 'Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities'.

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the UK):

| | Effective date – period beginning on or after |
|--|--|
| IFRS 17 'Insurance Contracts' and subsequent withdrawal of IFRS 4 'Insurance Contracts' and amendments to IFRS 17 | 1 January 2023 ¹ |
| Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12 Income Taxes) | 1 January 2023 ¹ |
| Amendments to IFRS 10 and IAS 28 Sale of contribution of assets between an investor and its Associate or Joint Venture | 1 January 2023 ¹ |
| Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) | 1 January 2023 ¹ |
| Definition of an Accounting Estimate (Amendments to IAS 8) | 1 January 2023 ¹ |
| Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) | 1 January 2024 ¹ |
| Amendments to IAS 1 Presentation of Financial Statements - Non-current Liabilities with Covenants | 1 January 2024 ¹ |
| Amendments to IAS 1 Presentation of Financial Statements - Deferral of Effective Date Amendment (published 15 July 2020) | 1 January 2024 ¹ |
| Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) (published 23 January 2020) | 1 January 2024 ¹ |

1. These standards, amendments and interpretations have not yet been endorsed by the UK and the dates shown are the expected dates.

The adoption of all above standards is not expected to have any impact on the Group's financial statements.

Notes to the Group financial statements continued

For the year ended 31 December 2022

3 Critical accounting estimates and judgements

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Capitalisation of development costs

The Group recognises as intangible fixed assets development costs that are considered to meet the relevant capitalisation criteria. The measurement of such costs and assessment of their eligibility in line with the appropriate capitalisation criteria requires judgement and estimation around the time spent by eligible staff on development, expectations around the ability to generate future economic benefit in excess of cost and the point at which technical feasibility is established.

Useful lives and impairment of non-current assets (including right of use assets)

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the Group's accounting policy. The selection of these estimated lives requires the exercise of management judgement. Useful lives are regularly reviewed and should management's assessment of useful lives shorten/increase then depreciation charges in the financial statements would increase/decrease and carrying amounts of tangible assets would change accordingly.

The Group is required to consider, on an annual basis, whether indications of impairment relating to such assets exist and if so, perform an impairment test. The recoverable amount is determined based on the higher of value-in-use calculations or fair value less costs to sell. The use of value-in-use method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. The Directors are satisfied that all recorded assets will be fully recovered from expected future cash flows. Details of the inputs to this are provided in note 15.

Change of accounting estimate

At the year end the Directors have undertaken an assessment of the estimated useful life of development costs and subsequently the estimation of useful economic life has changed from four years to ten years. This change in accounting estimate is an adjustment of the carrying amount of an asset or liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. As it results from new information or new developments it is only recognised as a prospective adjustment.

Deferred tax

The Group makes provision for anticipated tax consequences based on the likelihood of whether additional taxes may arise. The Group recognises deferred tax assets to the extent to which it expects to be able to utilise the balances against future taxable profits.

Key sources of estimation uncertainty

Incremental borrowing rates applied to calculate lease liabilities

The Group has used the incremental borrowing rate to calculate the value of the lease liabilities relating to its property lease liabilities recognised under IFRS 16. The discount rate used reflects the estimated risks associated with borrowing against similar assets by the Group, incorporating assumptions for similar terms, security and funds at that time.

The carrying amounts of such liabilities is disclosed within note 28.

Share-based payments

The determination of the fair values of EMI options and warrants has been made by reference to the Black-Scholes model. The input with the greatest amount of estimation being the volatility of the Company's share price which has been derived via benchmarking against similar companies in the industry. Other key inputs are set out in note 54.

Expected credit losses

The amount recognised as a provision is the best estimate of the expected credit loss that the Group is projected to incur on receivables. Each year end the Directors assess the risks and uncertainties surrounding receivable balances and use expected loss rates based on the historical credit losses experienced by the Group. Further details on the assumptions made are disclosed in note 35.

Notes to the Group financial statements continued

For the year ended 31 December 2022

4 Revenue

IFRS 8 'Operating Segments' requires operating segments to be identified on the basis of internal reports of the Group that are regularly reviewed by the Group's chief operating decision maker. The chief operating decision maker of the Group is considered to be the Board of Directors.

The Group has operating segments as follows:

- consumer bootcamps and apprenticeships – individuals go through a selection process and a 13-week coding bootcamp programme to the point where they are in-demand, career ready Junior Software Engineers. Existing employees of businesses can undertake a 13-month 'On the Job' apprenticeship programme for junior software engineers. This is delivered with an on-programme assessment to one or more apprentices utilising government-backed funding from the Education and Skills Funding Agency (ESFA). All training income is deferred or accrued as appropriate in order to recognise this on a percentage of completion basis, which is typically on a straight line period over the delivery of the course;
- corporate solutions – on completion of a course, the Group may seek to place an individual with an employer and such placement fees are included in this segment. No such fees have been recognised in the current year, and in the prior year such fees were invoiced directly to the employer. The Group has decided to not charge these fees going forward. This segment further includes practical developments created on behalf of other companies who engage the Group and also bespoke training programmes delivered to large groups from selected organisations; and
- central – where revenues or costs cannot be meaningfully allocated to either primary operating segment, these are allocated to the Central segment.

Due to the specific nature of the Group's market, each component of revenue naturally falls within one of these segments. The operating segments are monitored by the Group's chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results. All assets, liabilities and revenues are located in, or derived in, the United Kingdom.

The revenues are allocated to the following operating segments:

| Revenue analysed by class of business | 2022 £ | 2021 £ |
|--|------------------|------------------|
| Consumer bootcamps and apprenticeships | 4,866,454 | 2,757,020 |
| Corporate solutions | 732,409 | 253,337 |
| | 5,598,863 | 3,010,357 |

The Group further sub-analyses the consumer bootcamps and apprenticeships segment to distinguish between the funding mechanism for the consumer revenue stream. This split does not represent individual operating segments as defined in IFRS 8, however the Directors have presented the split in order to provide relevant information for the purposes of these financial statements. This is split as follows:

| | 2022 £ | 2021 £ |
|--|------------------|------------------|
| Training excluding apprenticeship income | 4,177,900 | 1,724,117 |
| Apprenticeship training income | 688,554 | 1,032,903 |
| | 4,866,454 | 2,757,020 |

Notes to the Group financial statements continued

For the year ended 31 December 2022

4 Revenue continued

The results of the Group are allocated to the following operating segments consistent with the requirements of IFRS 8:

| Year ended 31 December 2022: | Consumer £ | Corporate £ | Central £ | Total £ |
|---|---------------|----------------|--------------|-------------|
| Revenue | 4,866,454 | 732,409 | — | 5,598,863 |
| Cost of sales | (1,452,254) | (204,684) | — | (1,656,938) |
| Gross profit | 3,414,200 | 527,725 | — | 3,941,925 |
| Operating costs | (72,392) | (12,775) | (3,421,420) | (3,506,587) |
| Other operating income | — | — | 12,000 | 12,000 |
| Exceptional costs | — | — | — | — |
| Operating profit | 3,341,808 | 514,950 | 3,409,420 | 447,338 |
| Net finance costs | — | — | (100,909) | (100,909) |
| Profit/(loss) before taxation | 3,341,808 | 514,950 | (3,510,329) | 346,429 |
| Year ended 31 December 2021: | Consumer £ | Corporate £ | Central £ | Total £ |
| Revenue | 2,757,020 | 253,337 | — | 3,010,357 |
| Cost of sales | (721,133) | (127,259) | — | (848,392) |
| Gross profit | 2,035,887 | 126,078 | — | 2,161,965 |
| Operating costs | (114,542) | (20,213) | (2,180,472) | (2,315,227) |
| Other operating income | — | — | 144,749 | 144,749 |
| Exceptional costs | — | — | (421,289) | (421,289) |
| Operating profit | 1,921,345 | 105,865 | 2,457,012 | 429,802 |
| Net finance costs | — | — | (93,786) | (93,786) |
| Profit/(loss) before taxation | 1,921,345 | 105,865 | (2,550,798) | (523,588) |
| Revenue analysed by geographical market | | | 2022 £ | 2021 £ |
| United Kingdom | | | 5,598,863 | 3,010,357 |
| Other significant revenue | | | 2022 £ | 2021 £ |
| Grants received | | | 12,000 | 144,749 |

Notes to the Group financial statements continued

For the year ended 31 December 2022

4 Revenue continued

Consumer revenue includes undiscounted EdAid sales of £5,208 (2021: £156,733) of which some of these contain a financing element. EdAid sales are governed by a formal credit agreement facilitated by a third party. An adjustment of £nil (2021: £10,064) has been recognised in finance income to reflect the discounted element based on expected repayment profiles inherent in the agreement at date of invoice.

Grants received comprises the following:

- government grant for COVID-19 job retention scheme grant and business rates relief grant totalling £nil (2021: £127,617) which are credited to the income statement in the period in which the expenditure for which they are intended to contribute towards has been incurred;
- Leeds Enterprise Partnership claim of £nil (2021: £17,132) received from West Yorkshire Combined Authority as an incentive for opening the Leeds office. There were no future performance obligations attached to the grant and therefore amount is credited to the income statement in the period in which it was received. Since this is not considered to be part of the main revenue generating activities, this is presented separately from revenue as other income; and
- Education and Skills Funding Agency grant of £12,000 (2021: £nil) received for the hire of apprentices.

Revenue from customers who individually accounted for more than 10% of total Group revenue amounted to £4,845,368 (2021: £1,042,967) from one customer (2021: one customer).

Assets and liabilities related to contract with customers:

The Group has recognised the following assets and liabilities related to contracts with customers:

| | 2022 £ | 2021 £ |
|---|-----------|-----------|
| Contract assets | | |
| At 1 January | 801,119 | 19,030 |
| Transfers in the year from contract assets to trade receivables | (801,119) | (19,030) |
| Excess of revenue recognised over cash (or rights to cash) being recognised during the year | 1,947,922 | 801,119 |
| At 31 December (note 18) | 1,947,922 | 801,119 |
| Contract liabilities | | |
| At 1 January | 21,813 | 120,388 |
| Amounts recognised as revenue during the year | (21,813) | (120,388) |
| Amounts received in advance of performance and not recognised as revenue during the year | 5,239 | 21,813 |
| At 31 December (note 24) | 5,239 | 21,813 |

Contract assets and contract liabilities are both shown on the face of the statement of financial position. They arise from the Group's contracts because cumulative payments received from customers at each balance sheet date do not necessarily equal the amount of revenue recognised on the contracts.

Notes to the Group financial statements continued

For the year ended 31 December 2022

5 Exceptional items

| | 2022 £ | 2021 £ |
|-------------|-----------|-----------|
| Expenditure | | |
| IPO costs | — | 421,289 |

IPO costs comprise of expenditure relating to the Group's listing and include; PR and marketing, IPO related bonus accrual, IFRS conversion and preparation of Historical Financial Information, investor relation website, tax structuring, audit and consultancy expenditure. As these costs relate to the Group's admission to trading on AIM, which occurred on 27 July 2021, the costs have been recognised at this point in time and are classified as exceptional in these financial statements.

6 Adjusted EBITDA

The Directors have used an Alternative Performance Measure (APM) in the preparation of these financial statements. The Consolidated Income Statement has presented Adjusted EBITDA, where EBITDA represents Earnings Before Interest, Tax, Depreciation and Amortisation. The adjusted element removes non-recurring items which are not relevant to the underlying performance and cash generation of the business. Non-recurring items for the prior period consist of IPO related costs. There are no exceptional costs for the current year.

The Directors have presented this APM because they feel it most suitably represents the underlying performance and cash generation of the business, and allows comparability between the current and comparative period in light of the rapid changes in the business (most notably its admission to AIM and associated costs), and will allow an ongoing trend analysis of this performance based on current plans for the business.

7 Operating loss

| Operating profit/(loss) for the year is stated after charging/(crediting): | 2022 £ | 2021 £ |
|---|-----------|-----------|
| Government grants | (12,000) | (144,749) |
| Fees payable to the Company's auditor for the audit of the Company's financial statements | 75,000 | 52,250 |
| Depreciation of property, plant and equipment | 171,521 | 118,892 |
| Amortisation of intangible assets (included within administrative expenses) | 85,167 | 134,755 |
| Share-based payments | 203,607 | 114,341 |

8 Auditor's remuneration

| Fees payable to the Company's auditor and associates: | 2022 £ | 2021 £ |
|---|-----------|-----------|
| For audit services | | |
| Audit of the Group and subsidiary undertakings | 75,000 | 52,250 |

Notes to the Group financial statements continued

For the year ended 31 December 2022

9 Employees

The average monthly number of persons (including Directors) employed by the Group during the year was:

| | 2022 Number | 2021 Number |
|-------------------------------|----------------|----------------|
| Executive Directors | 3 | 3 |
| Non-Executive Directors | 2 | 2 |
| Administration and operations | 32 | 15 |
| Client service delivery | 50 | 28 |
| Total | 87 | 48 |

| Their aggregate remuneration comprised: | 2022 £ | 2021 £ |
|---|------------------|------------------|
| Wages and salaries | 3,095,713 | 1,837,508 |
| Social security costs | 315,711 | 179,818 |
| Pension costs | 191,136 | 52,692 |
| | 3,602,560 | 2,070,018 |

In addition to the above, further employee costs have been incurred as part of the development costs, as disclosed in note 15. The total employment costs which have been capitalised as development are:

| | 2022 £ | 2021 £ |
|-----------------------|----------------|----------------|
| Wages and salaries | 358,439 | 178,978 |
| Social security costs | 44,805 | 10,925 |
| Pension costs | 16,130 | 3,933 |
| | 419,374 | 193,836 |

10 Directors' remuneration

| | 2022 £ | 2021 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 504,722 | 477,808 |
| Amounts receivable under long-term incentive schemes | 28,918 | 10,669 |
| Company pension contributions to defined contribution schemes | 7,706 | 863 |
| | 541,346 | 489,340 |

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to four (2021: three). No pension contributions have been recognised for Mr A N Parker.

Remuneration disclosed above includes the following amounts paid to the highest paid Director:

| | 2022 £ | 2021 £ |
|---|-----------|-----------|
| Remuneration for qualifying services | 161,939 | 217,950 |
| Company pension contributions to defined contribution schemes | 1,468 | — |

Notes to the Group financial statements continued

For the year ended 31 December 2022

10 Directors' remuneration continued

During the year to 31 December 2022 the Directors received remuneration as follows:

| Director | Salary £ | Share options £ | Benefits in kind £ | Pension £ | Total £ |
|--|-------------|--------------------|-----------------------|--------------|------------|
| Mr A Batra | 127,250 | — | 1,370 | 1,468 | 130,088 |
| Mr C D Hill | 153,812 | — | 781 | 1,468 | 156,061 |
| Ms C Prior | 132,714 | 28,918 | 307 | 1,468 | 163,407 |
| Mrs S Lindsay (resigned 4 January 2022) | 357 | — | — | — | 357 |
| Mr A N Parker | 35,000 | — | — | — | 35,000 |
| Ms A M Williams (appointed 5 January 2022) | 53,131 | — | — | 3,302 | 56,433 |
| | 502,264 | 28,918 | 2,458 | 7,706 | 541,346 |

During the year to 31 December 2021 the Directors received remuneration as follows:

| Director | Salary £ | Share options £ | Benefits in kind £ | Pension £ | Total £ |
|---------------|-------------|--------------------|-----------------------|--------------|------------|
| Mr A Batra | 128,568 | — | 1,115 | — | 129,683 |
| Mr C D Hill | 217,950 | — | 650 | — | 218,600 |
| Ms C Prior | 74,434 | 10,669 | 258 | 183 | 85,544 |
| Mrs S Lindsay | 30,250 | — | — | 313 | 30,563 |
| Mr A N Parker | 14,583 | — | — | — | 14,583 |
| Ms A E Sharp | 10,000 | — | — | 367 | 10,367 |
| | 475,785 | 10,669 | 2,023 | 863 | 489,340 |

The Directors of the Company control 32.76% (2021: 36.87%) of the voting shares of the Company and hold 75,000 (2021: 75,000) EMI share options. No Directors exercised share options during the year.

Notes to the Group financial statements continued

For the year ended 31 December 2022

11 Investment revenues

| | 2022 | 2021 |
|-----------------------|--------|-------|
| | £ | £ |
| Interest income | | |
| Other interest income | 11,765 | 8,574 |

Other interest income includes £nil (2021: £460) of interest on overdrawn Directors' loan accounts, which were fully settled prior to the Group's admission to AIM.

12 Finance costs

| | 2022 | 2021 |
|--|---------|---------|
| | £ | £ |
| Interest on bank borrowings and overdrafts | 74,387 | 74,744 |
| Interest on lease liabilities | 38,287 | 36,616 |
| Other interest payable | — | (9,000) |
| Total interest expense | 112,674 | 102,360 |

All interest costs are on financial liabilities measured at amortised cost.

13 Taxation

| | 2022 | 2021 |
|--|-----------------|------------------|
| | £ | £ |
| Current tax | | |
| UK corporation tax on profits for the current period | (82,309) | (108,800) |
| Adjustments in respect of prior periods | 38,634 | (4,143) |
| Total UK current tax | (43,675) | (112,943) |
| Deferred tax | | |
| Origination and reversal of temporary differences | 30,566 | (21,390) |
| Changes in tax rates | — | (31,131) |
| | 30,566 | (52,521) |
| Total tax charge/(credit) | (13,109) | (165,464) |

The charge/(credit) for the year can be reconciled to the profit/(loss) per the income statement as follows:

| | 2022 | 2021 |
|---|-----------------|------------------|
| | £ | £ |
| Profit/(loss) before taxation | 346,429 | (523,588) |
| Expected tax credit based on a corporation tax rate of 19% (2021: 19%): | 65,822 | (99,482) |
| Effect of expenses not deductible in determining taxable profit | 2,357 | 37,513 |
| Adjustment in respect of prior years | 38,634 | (4,060) |
| Effect of change in UK corporation tax rate | — | (37,243) |
| Research and development tax credit | (122,390) | (78,663) |
| Share-based payment charge | (11,566) | (3,864) |
| Other | 14,034 | 20,335 |
| Taxation credit for the year | (13,109) | (165,464) |

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

| | 2022 | 2021 |
|--|---------|-------|
| | £ | £ |
| Deferred tax arising on: | | |
| Actuarial differences recognised as other comprehensive income | (8,814) | 5,089 |

The UK corporation tax rate was 19% throughout the year.

In the March 2021 Budget, a change to the future UK corporation tax rate was announced, indicating that the rate will increase to 25% from April 2023. This was substantively enacted on 24 May 2021. Deferred tax balances at the reporting date are therefore measured at 25% (2021: 25%).

Notes to the Group financial statements continued

For the year ended 31 December 2022

14 Earnings per share

| | 2022 £ | 2021 £ |
|---|-----------|-----------|
| Number of shares | | |
| Weighted average number of ordinary shares for basic earnings per share | 7,019,909 | 5,841,706 |
| - Weighted average number outstanding share options | 135,565 | — |
| - Weighted average number outstanding warrants | 11,445 | — |
| Weighted average number of ordinary shares for diluted earnings per share | 7,166,919 | 5,841,706 |
| Earnings (all attributable to equity shareholders of the Company) | | |
| Continuing operations | | |
| Profit/(loss) for the period from continued operations | 359,538 | (358,124) |
| Earnings per share for continuing operations | | |
| Basic earnings per share (pence per share) | 5.12 | (6.13) |
| Diluted earnings per share (pence per share) | 5.02 | (6.13) |

In the comparative year the Group incurred losses and as such has not presented any dilutive shares in accordance with IAS 33 'Earnings per share'. The diluted earnings per share is therefore the same as the basic earnings per share.

The Group does have a number of share options and warrants that would dilute the earnings per share should the Group become profitable, details of which are given in note 28. As the Group is now profitable in the current year, these have been taken into account for the diluted earnings per share above and considered below in adjusted earnings per share.

Adjusted earnings per share

The Directors use adjusted earnings before exceptional costs and share-based payment expenses. This creates an alternative performance measure which the Directors believe reflects a fair estimate of ongoing profitability and performance. The calculated Adjusted Earnings for the current period of accounts is as follows:

| | 2022 £ | 2021 £ |
|---|-----------|-----------|
| Number of shares | | |
| Weighted average number of ordinary shares for basic earnings per share | 7,019,909 | 5,841,706 |
| Effect of dilutive potential ordinary shares: | | |
| - Weighted average number outstanding share options | 135,565 | 148,487 |
| - Weighted average number outstanding warrants | 11,445 | 27,293 |
| Weighted average number of ordinary shares for diluted earnings per share | 7,166,919 | 6,017,486 |
| Adjusted earnings | | |
| Profit/loss for the period | 359,538 | (358,124) |
| Adjusted for: | — | — |
| Exceptional costs | — | 421,289 |
| Share-based payment expense | 203,607 | 114,341 |
| Adjusted earnings for basic and diluted earnings per share | 563,145 | 177,506 |
| Adjusted earnings per share | | |
| Basic earnings per share (pence per share) | 8.02 | 3.04 |
| Diluted earnings per share (pence per share) | 7.86 | 2.95 |

For adjusted earnings per share the effects of the share options and warrants has been shown in the diluted weighted average number of shares as the adjusted earnings show a profit.

Notes to the Group financial statements continued

For the year ended 31 December 2022

15 Intangible assets

| | Development costs £ | Licence £ | Total £ |
|------------------------------------|---------------------------|----------------|------------------|
| Cost | | | |
| At 1 January 2021 | 325,052 | 101,899 | 426,951 |
| Additions – internally generated | 268,537 | – | 268,537 |
| At 31 December 2021 | 593,589 | 101,899 | 695,488 |
| Additions – internally generated | 461,941 | – | 461,941 |
| At 31 December 2022 | 1,055,530 | 101,899 | 1,157,429 |
| Amortisation and impairment | | | |
| At 1 January 2021 | 65,662 | – | 65,662 |
| Charge for the year | 109,280 | 25,475 | 134,755 |
| At 31 December 2021 | 174,942 | 25,475 | 200,417 |
| Charge for the year | 59,692 | 25,475 | 85,167 |
| At 31 December 2022 | 234,634 | 50,950 | 285,584 |
| Carrying amount | | | |
| At 31 December 2022 | 820,896 | 50,949 | 871,845 |
| At 31 December 2021 | 418,647 | 76,424 | 495,071 |
| At 31 December 2020 | 259,390 | 101,899 | 361,289 |

Development costs comprise employee costs of £419,373 (2021: £193,386) (note 9) and software development consultancy costs of £42,568 (2021: £74,701).

The licence intangible asset arose when Northcoders Limited acquired the share capital of Northcoders TechEd Limited on 14 December 2020. The licence has an estimated useful life of four years from acquisition.

The Group tests intangible assets for impairment annually. Assets are assessed for impairment by comparing the carrying values with the value-in-use calculation, which is determined by calculating the net present value (NPV) of future cash flows arising from the intangible assets.

The NPV of future cash flows is based on budgets and forecasts to 2024, using growth rates based on projections, which are based on market expectations for the Group.

The Company has no intangible assets as at 31 December 2022 or 31 December 2021.

Notes to the Group financial statements continued

For the year ended 31 December 2022

16 Property, plant and equipment

| | Leasehold improvements £ | Fixtures and fittings £ | Computers £ | Right of use assets £ | Total £ |
|--|-----------------------------|----------------------------|----------------|--------------------------|------------|
| Cost | | | | | |
| At 1 January 2021 | 113,116 | 133,783 | 82,890 | 782,809 | 1,112,598 |
| Additions | 3,280 | 2,748 | 44,196 | 389,687 | 439,911 |
| Disposals | (7,518) | — | — | — | (7,518) |
| At 31 December 2021 | 108,878 | 136,531 | 127,086 | 1,172,496 | 1,544,991 |
| Additions | — | 4,347 | 58,834 | — | 63,181 |
| At 31 December 2022 | 108,878 | 140,878 | 185,920 | 1,172,496 | 1,608,172 |
| Accumulated depreciation and impairment | | | | | |
| At 1 January 2021 | 83,841 | 76,076 | 57,549 | 683,566 | 901,032 |
| Charge for the year | 6,793 | 29,089 | 22,343 | 60,667 | 118,892 |
| At 31 December 2021 | 90,634 | 105,165 | 79,892 | 744,233 | 1,019,924 |
| Charge for the year | 3,977 | 20,652 | 32,106 | 114,786 | 171,521 |
| At 31 December 2022 | 94,611 | 125,817 | 111,998 | 859,019 | 1,191,445 |
| Carrying amount | | | | | |
| At 31 December 2022 | 14,267 | 15,061 | 73,922 | 313,477 | 416,727 |
| At 31 December 2021 | 18,244 | 31,366 | 47,194 | 428,263 | 525,067 |
| At 31 December 2020 | 29,275 | 57,707 | 25,341 | 99,243 | 211,566 |

IFRS 16 has been adopted and leased assets are presented as right of use assets above.

Payments in respect of short-term and/or low value leases (where leases have a value of less than £5,000, or less than twelve months or no minimum contract term) continue to be charged to the income statement on a straight-line basis over the term of the lease.

The right of use assets are depreciated over the shorter of the asset's useful life and the lease term, on a straight-line basis. The leases are discounted at the Group's incremental borrowing rate on the date of lease inception, which ranges between 3.9%-5.5%.

Further details on the Group's leases are given in note 23.

The Company has no items of property, plant and equipment as at 31 December 2022 or 31 December 2021.

Notes to the Group financial statements continued

For the year ended 31 December 2022

17 Subsidiaries

Details of the Company's subsidiaries at 31 December 2022 are as follows:

| Name of undertaking | Registered office | Principal activities | Class of shares held | % held | |
|----------------------------|--------------------------------|---|----------------------|--------|----------|
| | | | | Direct | Indirect |
| Northcoders Limited | England and Wales ¹ | Provision of software development training courses. | Ordinary | 100.00 | — |
| Northcoders Teched Limited | England and Wales ¹ | Provision of software development training courses. | Ordinary | — | 100.00 |

1. The registered office address is: Manchester Technology Centre, Oxford Road, Manchester, M1 7ED.

On 8 February 2023 the Group acquired Tech Returners Limited, as detailed further in note 34.

18 Contract assets

| | 2022 Period end £ | 2021 Period end £ | 2021 Period start £ |
|-----------------------|-------------------------|-------------------------|---------------------------|
| Contracts in progress | | | |
| Contract assets | 1,947,922 | 801,119 | 19,030 |

Further details in note 4.

19 Trade and other receivables

| | 2022 £ | 2021 £ |
|--------------------------------------|-----------|-----------|
| Trade receivables | 729,118 | 626,455 |
| Provision for bad and doubtful debts | (45,650) | (56,765) |
| | 683,468 | 569,690 |
| VAT recoverable | 3,343 | — |
| Other receivables | 116,135 | 3,215 |
| Prepayments | 106,064 | 42,121 |
| | 909,010 | 615,026 |

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. Included within trade receivables are undiscounted EdAid receivables of £82,101 (2021: £146,714). EdAid receivables are governed by a formal credit agreement facilitated by a third party. Some of the amounts receivable are subject to interest income which is charged at the official rate of RPI inflation. There is a discounted financing agreement implicit in the revenue recognition under IFRS 15, which has been calculated using an estimated discount rate of 7%. The cumulative discount recognised and not yet unwound as at the year end is £nil (2021: £2,999).

Notes to the Group financial statements continued

For the year ended 31 December 2022

20 Trade receivables – credit risk

Fair value of trade receivables

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

| | 2022 £ | 2021 £ |
|---|-----------|-----------|
| Ageing of past due but not impaired receivables | | |
| Current | 144,219 | 319,884 |
| Past due 0-30 days | 536,637 | 261,329 |
| Past due 31-60 days | — | — |
| Past due more than 60 days | 48,262 | 45,242 |
| Total receivables before impairment | 729,118 | 626,455 |

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for 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 average credit period given on sales (except for EdAid sales) is 30 days. The expected loss rates are based on the historical credit losses experienced by the Group.

No significant receivable balances are impaired at the reporting end date.

| | 2022 £ | 2021 £ |
|----------------------------|-----------|-----------|
| Movement in loss allowance | | |
| Balance at 1 January | 56,765 | — |
| Allowance recognised | — | 56,765 |
| Allowance reversed | (11,115) | — |
| Balance at 31 December | 45,650 | 56,765 |

In determining the provision for impairment of trade receivables the Group stratifies the receivables into three components: EdAid debtors, corporate debtors, and other; other represents personal and other receivables which are required to pay in advance otherwise the course does not proceed. The expected credit loss allowance for impairment is considered and shown below.

Expected corporate credit loss as a % of gross receivables

| | Current | 0-30 days | 31-60 days | 61-90 days | Over 90 days |
|---------------------------------|---------|--------------|---------------|---------------|-----------------|
| Expected credit loss percentage | 0.23% | 0.46% | 0.92% | 1.83% | 3.66% |
| Gross receivable subject to ECL | 144,219 | 536,637 | — | — | 48,262 |
| Expected credit loss | 332 | 2,469 | — | — | 1,766 |

EdAid receivables are governed by a formal credit agreement facilitated by a third party. Amounts receivable are subject to interest income which is charged at the official rate of RPI inflation. Whilst the credit risk is suffered by the Group, the credit control elements are performed by the third party broker. The receivables are recognised on inception and amounts are recovered based on the employment income of each customer, following completion of the course, and as such there are no defined contractual credit terms. As such, the Directors do not consider ageing terms to provide an accurate indication of expected credit losses.

Notes to the Group financial statements continued

For the year ended 31 December 2022

21 Borrowings

| | Current | | Non-current | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2022 £ | 2021 £ | 2022 £ | 2021 £ |
| Borrowings held at amortised cost: | | | | |
| Bank loans | 66,646 | 79,337 | 187,543 | 320,855 |
| Other loans | 324,721 | 140,049 | 552,680 | 191,747 |
| | 391,367 | 219,386 | 740,223 | 512,602 |

The Group has the following borrowings at 31 December 2021:

- a Coronavirus Business Interruption Loan Scheme borrowing on which undiscounted amounts of £nil (2021: £381,453) are due, and which has an interest rate of 3.9% payable from July 2021 when the government grant incentive period expires. The loan is carried at £nil (2021: £381,453) in the financial statements. The loan is secured by way of a first priority floating charge over all assets of the Company. The loan was fully repaid in the year;
- a Creative England loan on which undiscounted amounts of £194,444 (2021: £340,277) are due, and which has an interest rate of 11%. The loan is carried at £191,748 (2021: £331,796) in the financial statements. The loan is secured by way of a fixed and floating charge over all assets of Northcoders Limited, and is ranked behind the CBILS loan;
- a second Creative England loan taken out during the year, on which undiscounted amounts of £718,750 are due, and which has an interest rate of 11%. The loan is carried at £685,653 in the financial statements. The loan is secured by way of a fixed and floating charge over all assets of the Company;
- a North of Tyne loan was taken out during the current year with an interest rate of 6.5% and which is carried at £239,584 in the financial statements. The loan is secured by way of a fixed and floating charge over all assets of the Company; and
- a Bounce Back Loan Scheme on which undiscounted amounts of £14,605 (2021: £18,649) are due and which has an interest rate of 2.5%, this became payable in June 2021 when the government grant incentive period expired. The loan is carried at £14,605 (2021: £18,649) in the financial statements. There is no secured element on the loan.

Of these loans, £nil (2021: £6,250) falls due for repayment in more than five years.

22 Trade and other payables

| | 2022 £ | 2021 £ |
|------------------------------------|----------------|----------------|
| Trade payables | 177,193 | 132,328 |
| Accruals | 239,704 | 205,656 |
| Social security and other taxation | 170,539 | 74,397 |
| Other payables | 78,139 | 54,901 |
| | 665,575 | 467,282 |

23 Lease liabilities

| | 2022 £ | 2021 £ |
|---|----------------|----------------|
| Maturity analysis | | |
| Within one year | 222,512 | 219,555 |
| In two to five years | 489,551 | 703,961 |
| In over five years | — | 58,550 |
| Total undiscounted liabilities | 712,063 | 982,066 |
| Future finance charges and other adjustments | (50,987) | (89,499) |
| Lease liabilities in the financial statements | 661,076 | 892,567 |

Lease liabilities are classified based on the amounts that are expected to be settled within the next twelve months and after more than twelve months from the reporting date, as follows:

| | 2022 £ | 2021 £ |
|-------------------------|----------------|----------------|
| Current liabilities | 196,243 | 181,043 |
| Non-current liabilities | 464,833 | 711,524 |
| | 661,076 | 892,567 |

Amounts recognised in profit or loss include the following:

| | 2022 £ | 2021 £ |
|-------------------------------|-----------|-----------|
| Interest on lease liabilities | 38,287 | 36,616 |

The Group's right of use asset additions and depreciation charge recognised on leases in the year is shown in note 16, and interest expense in note 12.

Notes to the Group financial statements continued

For the year ended 31 December 2022

24 Contract liabilities

| | 2022 £ | 2021 £ |
|---------------------------------------|-----------|-----------|
| Arising from contracts with customers | 5,239 | 21,813 |

All deferred revenues are expected to be settled within twelve months from the reporting date.

25 Financial instruments

The Group has exposure to the following risks arising from financial instruments:

- credit risk;
- interest risk; and
- liquidity risk.

The Group's Chief Financial Officer, working alongside the rest of the Board, maintains liquidity and credit risk and manages relations with the Group's bankers.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The carrying amounts of financial assets held at amortised cost represent the maximum credit exposure. As explained in note 20, personal receivables are required to pay for courses in advance unless they are EdAid receivables, which are subject to deferred credit terms with repayments contingent on the future employment income of those individuals. Except for this, the risk is limited to corporate debtors. The Group monitors defaults of customers and incorporates this information into credit risk controls. The Group is not exposed to any significant credit risk in relation to any single counterparty or group or counterparties having similar characteristics.

The Group establishes an allowance for impairment in respect of receivables where recoverability is considered doubtful - see note 20 for further details.

Interest rate risk

The Group is exposed to market risk through its use of financial instruments, and specifically to interest rate risk. No material interest rate fluctuations are expected on any short-term financing with all liabilities subject to fixed interest rates as outlined in note 25.

The carrying amounts of financial liabilities which expose the Group to cash flow interest rate risk are as follows:

| | 2022 £ | 2021 £ |
|---|-----------|-----------|
| Coronavirus Business Interruption Loan Scheme | — | 381,543 |
| Creative England loan | 877,401 | 331,796 |
| Bounce Back Loan Scheme | 14,605 | 18,649 |
| North of Tyne Loan | 239,584 | — |
| | 1,131,590 | 731,988 |

The Coronavirus Business Interruption Loan Scheme borrowing has an interest rate of 3.9% and the Bounce Back Loan Scheme borrowing has an interest rate of 2.5%. Both were received during the year to 31 December 2020, however the interest only became payable from 2021 when the government grant incentive period expired.

The Coronavirus Business Interruption Loan Scheme borrowing has been repaid in full during the current year.

The Creative England loan has a fixed interest rate of 11%. A new Creative England was taken out during the year which also has an interest rate of 11%. A North of Tyne loan was also taken out during the year, which has an interest rate of 6.5%.

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest bearing assets including cash and cash equivalents are considered to be short-term liquid asset. Interest rates on the Creative England, North of Tyne and the Bounce Back Loan Scheme borrowings are fixed and therefore considered to be low risk.

Notes to the Group financial statements continued

For the year ended 31 December 2022

25 Financial instruments continued

Liquidity risk

Liquidity risk is the risk that the Group might be unable to meet its obligations as they fall due. The Group manages its liquidity by forecasting cash inflows and outflows on a daily basis. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

A maturity analysis of the carrying amount of the Group's borrowings is shown below:

| | 2022 £ | 2021 £ |
|--------------------|------------------|------------------|
| Less than one year | 587,610 | 400,429 |
| Two to five years | 1,205,055 | 1,128,377 |
| Over five years | — | 95,749 |
| | 1,792,665 | 1,624,555 |

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and other stakeholders. The Group manages the capital structure, being cash and cash equivalents, availability of longer term bank funding, and reinvestment of a proportion of profits generated, and makes changes in light of movements in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust its borrowings and investment decisions.

The carrying amount of financial instruments is shown below:

| | 2022 £ | 2021 £ |
|--|------------------|------------------|
| Carrying amount of financial assets | | |
| Debt instruments at amortised cost | 2,747,525 | 1,374,024 |
| Cash and cash equivalents | 2,777,273 | 1,564,645 |
| | 5,524,798 | 2,938,669 |
| Carrying amount of financial liabilities | 2,292,941 | 2,039,253 |
| Measured at amortised cost | 2,292,941 | 2,039,253 |

Notes to the Group financial statements continued

For the year ended 31 December 2022

25 Financial instruments continued

Capital management continued

The undiscounted contractual maturity analysis for Group financial instruments is shown below. The maturity analysis reflects the contractual undiscounted cash flows, including future interest charges, which may differ from the carrying value of the liabilities as at the reporting date.

| | Demand and less than 3 months £ | From 3 to 12 months £ | From 12 months to 2 years £ | From 2 to 5 years £ | More than 5 years £ | Total £ |
|-------------------------------|--|-----------------------------|-----------------------------------|---------------------------|---------------------------|------------------|
| Financial assets | | | | | | |
| Trade and other receivables | 1,128,235 | 168,074 | 67,612 | 4,525 | 5,577 | 1,374,023 |
| Cash and cash equivalents | 1,564,645 | — | — | — | — | 1,564,645 |
| As at 31 December 2021 | 2,692,880 | 168,074 | 67,612 | 4,525 | 5,577 | 2,938,668 |
| Trade and other receivables | 2,646,298 | 93,473 | 7,504 | 250 | — | 2,747,525 |
| Cash and cash equivalents | 2,777,273 | — | — | — | — | 2,777,273 |
| As at 31 December 2022 | 5,423,571 | 93,473 | 7,504 | 250 | — | 5,524,798 |
| Financial liabilities | | | | | | |
| Trade and other payables | 392,935 | 21,763 | — | — | — | 414,698 |
| Borrowings | 60,254 | 180,223 | 248,896 | 318,761 | 7,450 | 815,584 |
| Leases | 14,785 | 204,770 | 273,026 | 430,935 | 58,550 | 982,066 |
| As at 31 December 2021 | 467,974 | 406,756 | 521,922 | 749,696 | 66,000 | 2,212,348 |
| Trade and other payables | 396,850 | 103,425 | — | — | — | 500,275 |
| Borrowings | 103,591 | 318,206 | 303,144 | 471,246 | — | 1,196,187 |
| Leases | 17,743 | 204,770 | 274,801 | 214,684 | — | 711,998 |
| As at 31 December 2022 | 518,184 | 626,401 | 577,945 | 685,930 | — | 2,408,460 |

The maturity analysis of trade and other receivables includes management's assessment of the most likely repayment amounts and dates for EdAid receivables, calculated on a line-by-line basis and by reference historical experience of similar settlement patterns. As actual settlement profiles are contingent on graduate employment and salary levels, the actual receipt of cash is likely to be different to these projections.

Notes to the Group financial statements continued

For the year ended 31 December 2022

25 Financial instruments continued

Capital management continued

The maturity gap analysis on the Group's financial assets and liabilities is as follows:

| Liquidity gap | Demand and less than 3 months £ | From 3 to 12 months £ | From 12 months to 2 years £ | From 2 to 5 years £ | More than 5 years £ | Total £ |
|------------------------|--|-----------------------------|-----------------------------------|---------------------------|---------------------------|------------|
| As at 31 December 2021 | 2,224,906 | (238,682) | (454,310) | (745,171) | (60,423) | 726,320 |
| As at 31 December 2022 | 4,905,387 | (532,928) | (570,441) | (685,680) | — | 3,116,338 |

All assets and liabilities are held in sterling.

26 Deferred taxation

| | 2022 £ | 2021 £ |
|--------------------------|-----------|-----------|
| Deferred tax liabilities | (230,713) | (134,474) |
| Deferred tax assets | 330,837 | 256,350 |
| | 100,124 | 121,876 |

Notes to the Group financial statements continued

For the year ended 31 December 2022

26 Deferred taxation continued

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

| | ACAs £ | Tax losses £ | Provisions £ | Share-based payments £ | Capitalised R&D £ | Business combination £ | Transition to IFRS £ | Total £ |
|---|-----------|-----------------|-----------------|------------------------------|-------------------------|------------------------------|----------------------------|------------|
| Deferred tax liability at 1 January 2021 | (12,381) | — | — | — | (53,334) | (19,361) | — | (85,076) |
| Deferred tax asset at 1 January 2021 | — | 36,146 | 20,026 | — | — | — | 103,349 | 159,521 |
| Deferred tax movements in prior year | | | | | | | | |
| (Charge)/credit to profit or loss | 4,154 | 62,871 | (17,379) | 25,589 | (34,485) | 6,369 | (25,729) | 21,390 |
| (Charge)/credit to other comprehensive income | — | — | — | (5,089) | — | — | — | (5,089) |
| Effect of change in tax rate – profit or loss | (2,480) | 31,219 | 836 | — | (16,842) | (6,114) | 24,511 | 31,130 |
| Deferred tax liability at 1 January 2022 | (10,707) | — | — | — | (104,661) | (19,106) | — | (134,474) |
| Deferred tax asset at 1 January 2022 | — | 130,236 | 3,483 | 20,500 | — | — | 102,131 | 256,350 |
| Deferred tax movements in current year | | | | | | | | |
| (Charge)/credit to profit or loss | (2,044) | 70,825 | 8,285 | 20,421 | (100,563) | 6,368 | (33,858) | (30,566) |
| (Charge)/credit to other comprehensive income | — | — | — | 8,814 | — | — | — | 8,814 |
| Deferred tax liability at 31 December 2022 | (12,751) | — | — | — | (205,224) | (12,738) | — | (230,713) |
| Deferred tax asset at 31 December 2022 | — | 201,061 | 11,768 | 49,735 | — | — | 68,273 | 330,837 |

Deferred tax balances are carried at 25% (2021: 25%).

At the reporting end date the Group has unused tax losses of approximately £750,000 (2021: £520,000) available for offset against future profits. A deferred tax asset has been recognised in respect of all of these losses and there is no expiry for the losses.

27 Retirement benefit schemes

| | 2022 £ | 2021 £ |
|---|-----------|-----------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | 191,136 | 52,692 |

The Group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The liability was £47,043 (2021: £13,933) at the end of the year.

Notes to the Group financial statements continued

For the year ended 31 December 2022

28 Share-based payments

| | Number of share options | | Average exercise price | |
|--|-------------------------|----------------|------------------------|-------------|
| | 2022 | 2021 | 2022 £ | 2021 £ |
| Outstanding at 1 January 2022 | 455,000 | — | 1.60 | — |
| Granted in the period | 120,000 | 480,000 | 3.08 | 0.67 |
| Forfeited in the period | (85,000) | (25,000) | 1.80 | 1.44 |
| Exercised in the period | (50,000) | — | 0.01 | — |
| Expired in the period | — | — | — | — |
| Outstanding at 31 December 2022 | 440,000 | 455,000 | 2.15 | 1.60 |
| Exercisable at 31 December 2022 | — | — | — | — |

Options outstanding

The options outstanding at 31 December 2022 had an exercise price ranging from £0.01 to £3.15, and a remaining average contractual life of 1.75 years

In addition to the above, the Group also issued 27,293 warrants to brokers who provided admission services, which were in addition to fees paid on an arm's length basis. These give the option of an issue of shares at the admission price of £1.80 per share, any time up to three years after the admission date. The warrants are still outstanding as at 31 December 2022.

Options granted during the year

During 2022, options were granted on 21 February 2022 and 1 August 2022. The total fair value of the options on the measurement date was £33,083 and £85,775 respectively.

Inputs were as follows:

| | 2022 | 2021 |
|--|----------------|---------|
| - Weighted average share price | 3.08 | 1.80 |
| - Weighted average exercise price | 3.08 | 1.59 |
| - Expected volatility | 46.20% | 109.90% |
| - Expected life | 2.8 | 2 |
| - Risk free rate | 2.11% | 0.17% |
| Expenses | | |
| Related to equity settled share-based payments | 203,607 | 114,341 |

29 Share capital

| Ordinary share capital | 2022 Number | 2021 Number | 2022 £ | 2021 £ |
|------------------------------|------------------|----------------|---------------|-----------|
| Issued and fully paid | | | | |
| Ordinary shares of 1p each | 7,688,889 | 6,944,445 | 76,889 | 69,444 |

Reconciliation of movements during the year:

| | Number |
|----------------------------|------------------|
| At 1 January 2022 | 6,944,445 |
| Issue of fully paid shares | 744,444 |
| At 31 December 2022 | 7,688,889 |

During the year, 50,000 ordinary A shares were issued, with nominal value of £0.01 each, at a price of £0.01. Further 694,444 ordinary shares were issued, with nominal value of £0.01 each, at a price of £3. This has resulted in £2,076,387 being recognised in share premium.

Notes to the Group financial statements continued

For the year ended 31 December 2022

30 Share premium account

| | 2022 £ | 2021 £ |
|------------------------------|-----------|-----------|
| At the beginning of the year | 2,891,314 | — |
| Issue of new shares | 1,910,130 | 2,891,314 |
| At the end of the year | 4,801,444 | 2,891,314 |

The share premium represents the excess of the subscription price over the par value of shares issued. The issue of new shares is shown net of issue costs of £166,257 (2021: £589,241). Total proceeds received, before costs, were £2,076,387 (2021: £3,480,555).

31 Share option reserve

| | 2022 £ | 2021 £ |
|------------------------------|-----------|-----------|
| At the beginning of the year | 134,715 | — |
| Additions | 203,607 | 146,699 |
| Other movements | (109,842) | (11,984) |
| At the end of the year | 228,480 | 134,715 |

32 Other reserves

| | 2022 £ | 2021 £ |
|------------------------------|-----------|-----------|
| At the beginning of the year | (50,000) | — |
| Share for share exchange | — | (50,000) |
| At the end of the year | (50,000) | (50,000) |

The other reserve arose in the Group as a result of the share-for-share exchange used to acquire Northcoders Limited on 24 June 2021. As Northcoders Limited had net liabilities at the date of the transaction, applying IAS 27 resulted in the cost of the investment being carried at £nil, whilst the consideration paid was £50,000 of ordinary shares in Northcoders Group Plc. Thus a corresponding reserve was created to reflect that Northcoders Group Plc did not have a net increase in the value of its assets from this transaction.

Merger reserve

The Group applied the principles of merger accounting in consolidating the results, as Northcoders Group Plc was only incorporated on 6 May 2021 and control of Northcoders Limited was acquired by Northcoders Group Plc via a share-for-share exchange on 24 June 2021. Merger accounting requires that the results of the Group are presented as if the Group has always been in its present form, and does not require a re-evaluation of fair values as at the point of acquisition. Accordingly, as a result of this merger accounting, a merger reserve is recognised within equity which represents the difference between the net assets of the Group and the retained profits recognised by the Group as at 24 June 2021.

Prior to the creation of the Group through the share-for-share exchange, Northcoders Limited undertook a capital reduction which transferred certain of its shares, and its entire share premium, into retained profits. As such, the merger reserve reflects transfers in respect of this capital reduction, which are required to meet the above definition of the merger reserve.

33 Commitments and contingent liabilities

The Group has no contingent liabilities or capital commitments (2021: none).

34 Events after the reporting date

On 7 February 2023 the Group acquired 100% of the ordinary share capital of Tech Returners Limited ("TRL"), a leading UK technology re-training business for senior-level personnel. The acquisition constitutes a business combination as defined in IFRS 3 'Business Combinations'. Although the acquisition completed on 8 February, control was obtained on 7 February.

The consideration for the shares was £1,543,778, which was settled by an upfront cash payment of £326,197 (revised downwards for settlement of acquired receivables) and an issue of ordinary share capital of Northcoders Group Plc with a market value of £1,000,000. There is a further deferred payment of £250,000 which is payable on 7 February 2024, which is recognised at its present value on inception of £217,581.

Notes to the Group financial statements continued

For the year ended 31 December 2022

34 Events after the reporting date continued

The acquisition net assets acquired have been provisionally valued as at the date of acquisition as below:

| | Book value £ | Adjustment £ | Fair value £ |
|--------------------------------------|-----------------|-----------------|-----------------|
| Brands | — | 141,199 | 141,199 |
| Customer contracts and relationships | — | 53,424 | 53,424 |
| Development costs | — | 164,706 | 164,706 |
| Total intangible assets | — | 359,329 | 359,329 |
| Property, plant and equipment | 2,055 | — | 2,055 |
| Trade and other receivables | 86,409 | — | 86,409 |
| Cash and cash equivalents | 70,257 | — | 70,257 |
| Trade and other payables | (82,866) | — | (82,866) |
| Borrowings | (36,791) | — | (36,791) |
| Contract liabilities | (192,056) | — | (192,056) |
| Deferred tax | — | (46,986) | (46,986) |
| Identifiable net assets acquired | (152,992) | 312,343 | 159,351 |
| Goodwill | | | 1,288,151 |
| Consideration paid | | | 1,447,502 |
| Settled as: | | | £ |
| Cash | | | 229,921 |
| Issue of ordinary share capital | | | 1,000,000 |
| Deferred consideration | | | 217,581 |
| | | | 1,447,502 |

The net assets acquired are expected to be adjusted during the measurement period to reflect taxation changes which are ongoing at the time of approval of these financial statements; such changes are expected to increase the fair value of acquired net assets.

The acquisition carries a significant value of goodwill, which is predominantly explained through the anticipated synergies and cross-sales from the acquisition of a complementary business to the core trade of Northcoders Group. TRL focuses on a similar sector but different target consumer than the Group, and as such is expected to add significant value to the comprehensive offering that the Group can provide to the market.

35 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, including Directors, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

| | 2022 £ | 2021 £ |
|--------------------------|-----------|-----------|
| Salary | 656,137 | 607,437 |
| Post-employment benefits | 15,777 | 5,259 |
| Share-based payments | 99,732 | 27,031 |
| | 771,646 | 639,727 |

Other transactions with related parties

In addition to directors remuneration (note 10), consultancy fees were paid to S Lindsay of £nil (2021: £2,100). S Lindsay was appointed a director of Northcoders Limited on 1 January 2018 and resigned on 9 August 2021. S Lindsay was also appointed a director of Northcoders Group Plc on 6 May 2021 and resigned on 4 January 2022.

The Group has recognised expenses for advice on various funding sources and other consultancy on business matters of £nil (2021: £56,500) with Silversmith Consulting Limited, a company of which A Parker is also a director. In addition to to this a further £nil (2021: £56,500) payable to Silversmith Consulting Limited has been offset against share premium as costs of listing on AIM.

During the year the Group has recognised sales of £1,871 from Shift Group Ltd. Additionally, a balance of £771 is due to Shift Group Ltd. Anthony Nicholas Parker is classed as key management personnel of Shift Group Ltd and is a Non-Executive Director of Northcoders Group Plc.

Notes to the Group financial statements continued

For the year ended 31 December 2022

36 Employees – Company

The average monthly number of persons (including Directors) employed by the Company during the year was:

| | 2022 Number | 2021 Number |
|-------------------------|----------------|----------------|
| Executive Directors | 3 | 3 |
| Non-Executive Directors | 2 | 2 |
| Total | 5 | 5 |

Their aggregate remuneration comprised:

| | 2022 £ | 2021 £ |
|-----------------------|-----------|-----------|
| Wages and salaries | 88,488 | 35,000 |
| Social security costs | 9,693 | — |
| Pension costs | 3,302 | 3,477 |
| | 101,483 | 38,477 |

37 Investments – Company

| | Current | | Non-current | |
|-----------------------------|-----------|-----------|-------------|-----------|
| | 2022 £ | 2021 £ | 2022 £ | 2021 £ |
| Investments in subsidiaries | — | — | 317,949 | 114,341 |

Fair value of financial assets carried at amortised cost

Except as detailed below the directors believe that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

Investment in subsidiary undertakings

Details of the Company's principal operating subsidiaries are included in note 17.

Movements in non-current investments

| Cost or valuation | Loans to subsidiaries £ |
|-----------------------------|----------------------------|
| At 6 May 2021 | 114,341 |
| Share-based payment charges | 203,608 |
| At 31 December 2022 | 317,949 |
| Carrying amount | |
| At 31 December 2022 | 317,949 |
| At 6 May 2021 | 114,341 |

38 Trade and other receivables – Company

| Company | 2022 £ | 2021 £ |
|---|-----------|-----------|
| VAT recoverable | 429 | — |
| Amounts owed by subsidiary undertakings | 4,301,490 | 2,608,176 |
| Prepayments | 16,017 | 5,000 |
| | 4,317,936 | 2,613,176 |
| Deferred tax asset | 88,251 | 44,689 |
| | 4,406,187 | 2,657,865 |

The Company recognises interest income on amounts owed by its subsidiaries at a rate of 3.9%.

39 Trade and other payables

| Company | 2022 £ | 2021 £ |
|----------------|-----------|-----------|
| Trade payables | — | 89 |
| Accruals | — | 38,477 |
| | — | 38,566 |

Notes to the Group financial statements continued

For the year ended 31 December 2022

40 Deferred taxation

| Company | 2022 £ | 2021 £ |
|---------------------|-----------|-----------|
| Deferred tax assets | 88,251 | 44,689 |
| | 88,251 | 44,689 |

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

| | Tax losses £ |
|---|-----------------|
| Deferred tax balance at 1 January 2021 | — |
| Deferred tax movements in prior year | |
| (Charge)/credit to profit or loss | (33,964) |
| Effect of change in tax rate - profit or loss | (10,725) |
| Deferred tax asset at 1 January 2022 | 44,689 |
| Deferred tax movements in current year | |
| (Charge)/credit to profit or loss | 43,562 |
| Deferred tax asset at 31 December 2022 | 88,251 |

41 Share-based payment transactions – Company

The Company information for share-based payments is the same as the Group information and is shown in note 28.

42 Share capital – Company

Refer to note 29 of the Group financial statements.

Glossary of terms

| | |
|-------------------------------|---|
| AIM | Alternative Investment Market |
| APM | Alternative Performance Measure |
| B2B | business to business |
| B2C | business to consumer |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| EBITDA | earnings before interest, tax, depreciation and amortisation |
| ECL | expected credit losses |
| ESFA | Education and Skills Funding Agency |
| FRS 101 | Financial Reporting Standard 101 'Reduced Disclosure Framework' |
| GPM | gross profit margin |
| the Group | Northcoders Group PLC and its subsidiaries |
| IFRS | International Financial Reporting Standards |
| ISAs (UK) | International Standards on Auditing (UK) |
| KPIs | key performance indicators |
| NPV | net present value |
| QCA | Code Quoted Companies Alliance Corporate Governance Code |
| Underlying performance | underlying performance refers to the results of operations performance before highlighted items |

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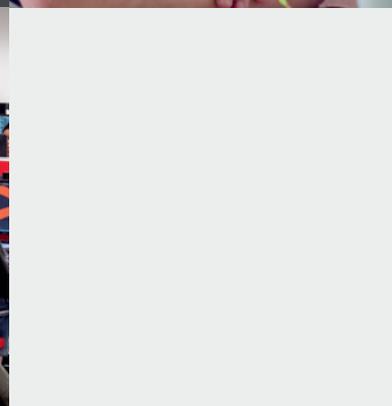
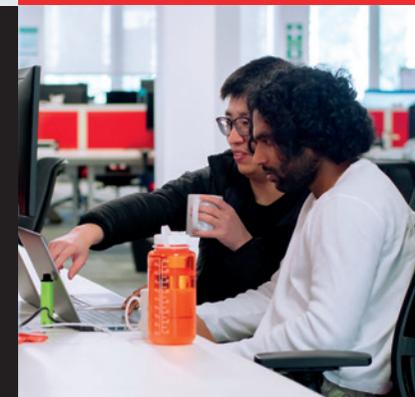
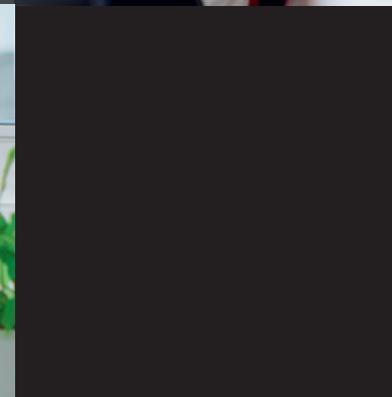
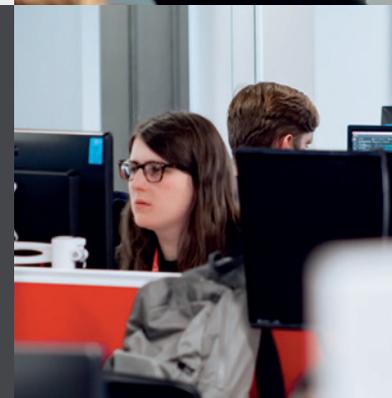
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