



Our vision is
a world where
everyone's
second
language
is code.

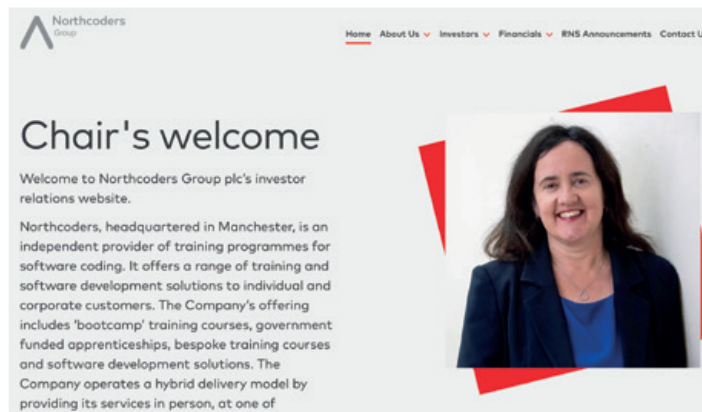
Northcoders Group PLC
Annual report and financial statements 2021



Our purpose

We strive to provide the tech industry with the talent it needs, while providing life-changing opportunities to people from all walks of life.

We bring people together.



northcodersgroup.com



What's inside

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Highlights

2021 has been a momentous year for Northcoders.

Financial

£3.0m

Revenue
(2020: £1.3m)

£0.4m

Adjusted EBITDA
(2020: £(0.3)m)

£3.5m

Raised at IPO (before expenses)

£2.2m

Gross profit
(2020: £0.9m)

72%

Gross profit margin
(2020: 67%)

£2.2m

Net assets
(2020: £0.5m)

Operational

315+

Hiring partners to date

1,000+

Number of graduates to date

424

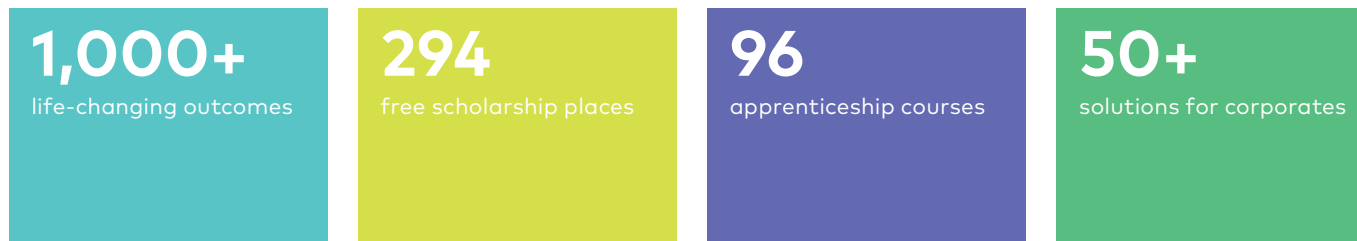
Students enrolled in 2021

At a glance

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



Northcoders has provided:



We work with 315+ hiring partners

Some of the clients we work with:



Northcoders' history

Here's how Northcoders has developed since its founding in 2015...



Why invest in Northcoders?

1:

A diversified business model

- 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 blend of classroom and online teaching
- Core offering and bespoke courses
- Courses offer up-skilling or re-skilling aimed at different skill groups

> See our business model on page 12

2:

Strong market growth drivers

- Two-thirds of UK businesses plan to invest in tech training
- Digital transformation accelerated by pandemic
- Both of the above recognised in government funding and initiatives
- Advances in technology creating new skills needs
- Coding 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 number of applicants than places available

> See our market section on page 11

3:

Market-leading services and strong brand

- Established reputation for excellence – resulting in over 315 companies hiring graduates (called hiring partners)
- Quality of graduates leads to repeat business from hiring partners
- Real-world coding education, comprehensive range of coding languages
- Students job-ready in 14 weeks
- Approximately 95% of graduates find employment within 44 days of completing course
- Fully accredited apprenticeship provider
- Challenging entry test and pre-course support generates quality applicants
- High customer satisfaction levels, with excellent reviews

> See our business model on page 12

4:

Proven scalable platform and growth strategy

- Established presence in Manchester and Leeds, with new hub in Newcastle and large presence in Birmingham. This is complemented by a proven online model teaching students from many regions across the UK and internationally
- Newcastle open; short-term plans include Birmingham, Liverpool, Grimsby and Sheffield
- Ultimate goal of hubs across the UK
- Proprietary platform allows scalable streamlining and automation of course elements
- Strategy to scale-up hybrid delivery model through roll out of further regional hubs
- Opportunity to further develop corporate solutions to meet specific business requirements
- 1,036 students already trained

> See our strategy on page 13

Chair's statement



Angela Williams
Non-Executive Chair

Building on our vision.

"I am delighted to be making my first full-year results statement for Northcoders as a public company."

Introduction

The successful IPO in July 2021 has placed the business in a strong position with the financial support to achieve its immediate commercial targets, and in the twelve months under review significant progress has already been made.

I joined the Group as Chair in January 2022, after the period we are reporting on, so will reflect first on what excited me about Northcoders. What I could see was a company with enormous potential for the future and one with a great market opportunity in front of it. Northcoders offers an excellent product, has high quality people, and by facilitating growth in digital capability is simultaneously significantly enhancing both corporate efficiency and the prospects for our graduates throughout the UK. We do not have enough digital capability across the UK, or the global market. The vision of Northcoders to be able to train and expand the current and future talent pool, increasing and improving digital skills and capacity across a broader spectrum of people, is compelling.

Financial review

Despite the impact of Covid-19 and the distraction of the IPO, we had a year of significant growth and met our market expectations. Our 2021 revenue grew to £3.0m from £1.3m in 2020. This also represents growth from our previous (pre Covid-19) highest revenue year of £2.0m in 2019. We also reported 72% gross profit margin, which is moving towards our target of 79% (2019). Our adjusted EBITDA has increased to £0.4m from a loss of £0.3m in 2020.

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. 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.

Chair's statement continued

Financial review continued

Now we want to build on those results. Northcoders has grown to date based on the ideas and committed, hard work of a group of inspirational entrepreneurs. I see my role, alongside the rest of the Board, as overseeing how we now capture and maximise the essence of the culture, values and behaviour that has made Northcoders successful to date whilst managing the necessary change that will enable us to continue to be successful and able to grow in the future. We will also need to continue to develop our strategic plan as the organisation evolves and grows over time. With cultural clarity and strategic direction, we will be able to continue to attract great people with the right talents and motivation, to provide a great product and service, that will be able to make a genuine difference for all the graduates and corporate customers that we serve and train all over the UK.

Strategy

Growth is our ambition, of course. Growth financially, growth in customer numbers, growth for the people who work for Northcoders, and growth for the people we train. It will mean expanding the number of locations and broadening our product set and the markets we serve. We would like to do that while maintaining the entrepreneurial sense of a small organisation and creating significant shareholder return. How we achieve this balance is going to be our key challenge and we are up for the challenge.

Employees

It would be remiss of me not to acknowledge and thank our employees for all their efforts in this year of significant change and evolution in our company. That this has been achieved against the continuing backdrop of Covid-19 is to their great credit.

I would like to acknowledge the contribution of my predecessor Sandra Lindsay and thank her on behalf of the Company for all she did in supporting the business up to and through its IPO.

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 working with the Board and the Northcoders team to continue the excellent momentum of the past twelve months, as we continue to implement the growth strategy set out at IPO.

There are, we believe, exciting times ahead!

Angela Williams

Non-Executive Chair



Chief Executive Officer's review



Chris Hill

Founder and Chief Executive Officer

The admission to AIM has enabled us to increase our marketing activities, focus on geographical expansion, grow our team, and develop our internal tech roadmap further.

Introduction

The financial year ended 31 December 2021 ('FY21' or the 'Period') was a momentous year for Northcoders with its successful IPO in July 2021 raising new capital for the Company and providing it with the resources to implement its growth strategy of expanding its geographical presence and product offering.

IPO/flotation

In July 2021, the Company was admitted to trading on the AIM of the London Stock Exchange and completed a fundraising, via a placing and subscription of 1,944,444 new ordinary shares at 180p per share, which raised £2.9m, net of expenses.

The admission to AIM has enabled us to increase our marketing activities, focus on geographical expansion, grow our team, and develop our internal tech roadmap further. We have also started to look at our product-extension roadmap in more detail.

We also intended to use proceeds of the IPO as a cash flow buffer to be able to offer more favourable payment terms to students through external student finance providers. However, the receipt of £1.7m of funding from the Department for Education (DfE) in 2021, with a further £1.7m to follow in 2022, has meant we can repurpose these funds.

Financial review

The Group delivered a strong performance in 2021 despite the continued impact of Covid-19 generally and the resources required for the IPO more specially. Underlying performance was in line with expectations and cash flow benefited from the additional course funding available from the Group's contract under the DfE's 'Lifetime Skills Guarantees' and 'Plan for Jobs' initiatives, secured in July 2021. Non-underlying costs were also lower than expectations at the time of the IPO.

2021 revenue, which comprises consumer revenue and corporate revenue, increased 124% to £3.0m (2020: £1.3m) and was also higher than our previous highest revenue year of £2.0m in 2019.

Consumer revenue, which includes core bootcamps and apprenticeship revenues, was £2.7m (2020: £1.2m) and corporate revenue was £0.3m (2020: £0.1m).

Gross profit for the year was £2.2m (2020: £0.9m) with a reported gross profit margin (GPM) of 72% (2020: 67%). The cost benefits of the new hybrid model are driving a move back towards the GPM achieved in 2019 of 79%.

A strategy for growth

1 Expand geographically

2 Add new products to our course catalogue

> See more on page 13

Chief Executive Officer's review continued

Financial review continued

EBITDA, adjusted for share-based payments and exceptional items, was £0.4m (2020: loss £0.3m).

The loss for the year before tax was £0.5m (2020: £1.2m), after recognising £0.4m of exceptional costs. There was a tax credit of £0.2m (2020: £0.3m) giving a loss for the year of £0.4m (2020: £0.9m).

Basic earnings per share was a loss of 6.13p per share (2020: 18.84p).

Net assets as at 31 December 2021 were £2.1m (FY20: £0.5m) of which cash was £1.6m (2020: £0.5m). The increase in cash and net assets has been caused by company growth and the July 2021 IPO. This net position now puts the Company in a good place going forwards as we continue to realise our future growth strategy and expansion.

Operational review

At the turn of 2021, Northcoders was operating online-only due to the Covid-19 restrictions in place. Both physical hubs were closed, with Manchester reopening on 4 May and Leeds on 21 June.

In 2021, we were able to fully implement a new hybrid course-delivery model blending online and in-person teaching, which we had developed during the course of 2020 in response to the pandemic. With a record number of students applying (3,662), enrolling (424) and graduating (213) through our courses, we enjoyed the benefits of this highly scalable new model. In this new operating model, we stream all lectures to our various Northcoders hubs, but also to students studying from home and remotely. We then have tutors on-hand via our custom, internally built, help-desk system answering requests either in person on campus, or remotely.

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. The new operating model has enabled us to teach our bootcamp and apprenticeship courses with little or no disruption from Covid-19 lockdowns or other restrictions. But it has also proven our model to be resilient and scalable whilst maintaining our quality standards and reputation.

Northcoders Group ended 2021 with a permanent headcount of 63 members of staff compared to the 37 we started the year with. Staff numbers are expected to grow by a further 30 employees in FY22 with the headcount at 31 March 2022 standing at 79.

During 2021, we were also able to set up a team focused on creating internal software. This team works with an aim of creating efficiencies across the business, improving the quality of service for our learners and end users, while providing a new rich source of data to inform and improve our sales and marketing activity. This has resulted in a new version of the Learn to Code platform that was successfully launched in Q1 2022, a fully functional jobs board and the current help-desk system that is used by all bootcamp learners. The team will also monitor the industry and make 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.

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. In July 2021, Northcoders' quality was acknowledged when the Group was successfully awarded a £1.65m government-funded scholarship programme for its training courses.

We received over five times the number of applications for the scholarship places we had available, demonstrating the strength of demand for quality training.

We have continued to increase the number of our hiring partners, which now stands at over 315. Additions during the Period included NHS Digital, PrettyLittleThing, and Informa, AND Digital Limited, Wren Kitchens Limited and Sky Betting & Gaming.

During the Period, the Group has also engaged with a new funding partner, StepEx Limited, 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 FY22, especially with the benefit of increased monthly marketing spend and geographic presence. In Q1 2022, we graduated our one thousandth person through the coding bootcamp since our first course in 2016. We anticipate we will graduate at least half that number again in 2022. Our learner retention rate is 95%. We continue to achieve an Oxbridge-beating placement rate of 94%, with average starting salaries in software for our coding bootcamp graduates now at £26,488.

Chief Executive Officer's review continued

Operational review continued

Consumer bootcamps continued

In January 2022 we reported that the Department for Education had advised that funding has been increased further, due to the successful delivery of student courses through the first funding round. The increase entails a further £1.65m in funding for training courses which we expect to deliver between February and September 2022. To date, we have awarded £0.7m of this funding.

Apprenticeships

Northcoders launched its apprenticeships courses in January 2021. Subsequently, the Group has delivered contracts across the UK with learners from companies based as far south as Plymouth and as far north as Darlington and Penrith. An increasing number of large employers, such as online fashion retailer PrettyLittleThing, and logistics company Hermes, are seeing the benefit of engaging with Northcoders to deliver apprenticeship courses on their behalf. In the Period, the Group has also launched its new apprenticeship 'hire to train' programme which is proving to be very popular with both corporates and individuals alike.

Corporate solutions

Our corporate solutions division services corporates when their needs do not fall within hiring a bootcamp graduate or putting a staff member on an apprenticeship. We work with each individual corporate company to work out a solution to their digital needs. This could be in the form of a tailored internal training programme, through a premium consultancy project, or it could be that Northcoders take on their software engineering project in house.

We continued to develop our corporate solutions revenue in 2021 with revenues of £0.3m (2020: £0.1m). Even more pleasingly, we signed contracts for both software training and software engineering services, totalling £0.5m, in the Period, of which £0.2m carries forward into FY22.

Northcoders signed agreements in the year with Ove Arup, Digital Applications Limited (the independent IT solution delivery company), and NHS Digital, as well as working on mobile app development for two start-up companies. We have also secured further software development work for Manchester City Council's Adult Education department.

It is becoming apparent that bespoke, localised training for the corporate sector is a growing opportunity to drive the growth of Northcoders nationwide. In response, we expect to invest £0.3m in 2022 into internal intangible assets with an exciting tech roadmap in place. Continuing with our product development, and responding to market demand, we will be introducing a premium consultancy product. This offers packaged solutions and mentorship services to clients who need to grow and upskill their software teams rapidly. Alongside that, using a similar revenue model, we will also be providing bespoke onboarding and training academies for clients who need to train either new or existing workforces in specific skills.

Geographic expansion and hub roll out

The year commenced with the Company having two hubs in Manchester and Leeds (albeit they were closed due to Covid-19). During the year:

- a new lease has been signed in Leeds for a premises that can accommodate the Company's recent growth as a result of the increasing brand awareness;
- a training hub in Newcastle was opened;
- activity commenced in Birmingham with a number of students being signed up in the region. Marketing in the region commenced, although the opening of a physical hub was deferred due to uncertainty around the UK Government's winter Covid-19 plans. We are now set to open Birmingham in May 2022; and
- the Company received a special request from Jason Stockwood, the Chairman of Grimsby Town Football Club, to establish a facility at the club's stadium; this is planned for Q3 2022.

In due course there will be a Northcoders presence in many more cities throughout the country, not just in the north of England. Areas that are on the initial target list include Liverpool and Sheffield, where we already have graduates and current remote learners. With the availability of the online offering the Company is taking advantage of its ability to move into new locations remotely in the first instance and thereafter follow up with a local, physical presence.

Chief Executive Officer's review continued

Outlook

Northcoders is a market leader in software engineering training and its market opportunity is vast. The UK Commission for Employment and Skills estimated that 1.2m new technically skilled people are needed by 2022 to satisfy future skills needs in the UK. Digital transformation is a huge priority for organisations across the UK and the need for coding skills spans across almost every sector. Our aim is to fulfil as much as possible of this increase in demand whilst creating life-changing opportunities for individuals.

To meet this demand, we will continue to identify new geographic regions where it is believed that a Northcoders presence and hybrid product offering, both in-person and online, would be successful. We will also continue to review our products and endeavour to provide solutions tailored to corporate needs and the needs of the industry.

The Group started FY22 with contracted bookings for the year to December 2022 of approximately £3m, around 46% of the target revenue for the year. At the end of Q1 2022 revenue visibility stood at £3.6m, approximately 55% of the target revenue for the year. Trading in the year to date has commenced in line with management's expectations and this, together with the extension of the DfE contract, gives the Board confidence for the Company's prospects for the remainder of the year.

Chris Hill

Founder and Chief Executive Officer



Market opportunity

Northcoders operates in a growing market.

Growing shortage of coding skills increasingly apparent

Digital transformation a high priority

Need for coding skills permeating many sectors, not just the technology sector

Structural shifts in the UK economy:

- **corporate:** In a 2019 Open University survey, 88% of UK organisations reported a shortage of digital skills. In a 2019 Deloitte survey, only 25% of UK employers thought their workforce had appropriate digital skills. In February 2022, in a study of 752 senior decision-makers within UK businesses, for London-based digital agency Graphene, 46% said they would be hiring new IT staff this year;
- **government:** The UK Commission for Employment and Skills estimates that 1.2m new technically skilled people are needed by 2022 to satisfy future skills needs in the UK. Therefore, the government is promoting apprenticeships and retraining; and
- **consumer:** Increased recognition of the demand, leading to career choices to learn digital skills.

The competitive landscape

All providers in the market play a healthy and valuable role in addressing the UK's skills gap. Northcoders' bootcamps fulfil a specific role that other providers cannot

Bricks and mortar universities – provide a solid academic grounding but without the real-world commercial focus, experience and immediacy of Northcoders

Large apprenticeship providers and colleges – provide useful courses but without the flexibility, intensity and commercial focus of Northcoders

Small specialist providers – a fragmented market of small local or online providers, whose services are usually unscalable, but offer Northcoders the opportunity for selective acquisitions

"Two-thirds of UK businesses plan to invest in tech training for employees."

City AM,
January 2021

Significant market opportunity with digital skills gap highlighted by Covid-19 pandemic

£3.1bn

Total addressable market in the UK and growing

22%

Growth rate in job roles for developers forecasted between 2019 and 2029, compared with 4% for other occupations

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

- Dedicated tutors who are all fully trained software developers
- Internal development team dedicated to market-leading curriculum and product roadmap
- Financial investment into geographical and product growth

Sources of revenue

B2C



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: £7,200 inc VAT
- Paid in advance, or with finance options available, or via government-funded scholarship schemes

B2B



Apprenticeships

- 13-month, on-the-job training course
- Online with in-person tutor support
- Beginner and advanced apprenticeships available
- Growing market due to re-skilling and government incentives
- Visible revenue and cash stream for 14 months
- Course cost: £18,000, government funded

Corporate solutions



- Provides corporates with bespoke, in-house training programmes
- Also provides teams to deliver specific digital solutions
- Or off-the-shelf masterclass training programmes
- Plus hybrid offer of training team while building solution

The value we provide

Over

1,000

graduates' lives changed

Graduates employed at over

315

hiring partner organisations

Northcoders has generated a combined total of

£23m

worth of first-year junior developer salaries

Underpinned by Our code | see page 20

Growth strategy

Platform to exploit increasing demand and achieve significant growth.

Our strategy is to grow our hybrid-delivery model, which combines online and in-person learning, by rolling out further regional hubs based on our successful Manchester and Leeds hubs. We have opened in Newcastle and further target areas for new hubs include Birmingham, Liverpool, Grimsby and Sheffield. The ultimate goal is to create a substantial network of Northcoders hubs across the UK.

In addition to geographical expansion, we believe there is the opportunity to further develop our product suite in three ways: applying the model horizontally to adjacent growing technologies such as cyber-security and data engineering; developing the corporate solutions division to further meet the specific requirements of corporate customers; and expanding the current solution vertically to more-skilled or less-skilled participants.

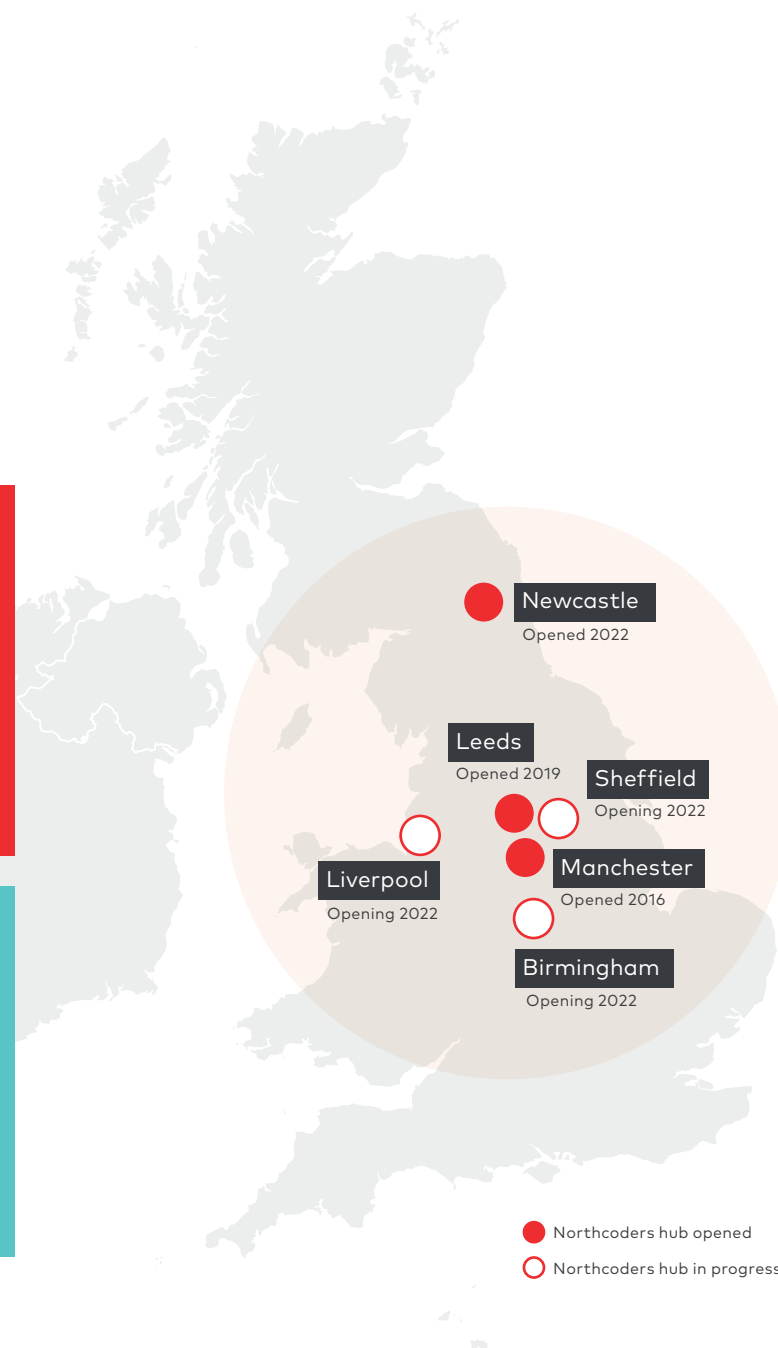
A strategy for growth

1 Expand geographically

- Roll out of further regional hubs supported by a scalable hybrid-delivery model
- Objective to be nationwide provider with 'go to' reputation
- Selective acquisition and integration of existing providers into our model

2 New products

- Add growing technologies to the offer
- Develop corporate solutions further
- Extend the skill-sets catered for



Key performance indicators (KPIs)

Financial

Revenue

KPI: Revenue per financial year.

£3.0m 2020: £1.3m

Goal/target: We set out to turn over £3m in 2021.

Gross profit margin

KPI: Gross profit margin (GPM).

72% 2020: 67%

Goal/target: We set out to increase our GPM to 75% after it falling in 2020. This indicates that we are growing revenues and cohort numbers but keeping direct tutor costs stable. In future we will endeavour to increase the student-tutor ratio and in turn the GPM.

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.

£0.4m 2020: £(255,069)

Goal/target: We set out to increase adjusted EBITDA (before IPO costs) to £0.3m. This shows good cost control and the movement back to underlying profitability.

Organisation

Placement rates

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

54 days 2020: 46 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% 2020: 1%

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.

94% 2020: 95%

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.

26% 2020: 29%

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.

£26,488 2020: £25,072

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.

30% 2020: 25%

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

Meet the CEO



Chris Hill

Founder and Chief Executive Officer

Chris Hill founded Northcoders in 2015 and is the Chief Executive Officer. Here he offers his views on the Company, its success to date and its plans for the future.

Q: As the founder of Northcoders, could you please give us an insight into the initial idea?

CH: Northcoders was founded over six years ago, and previously I was working as a software developer in Leeds. The company I was with had a huge roadmap for building out their technical platforms and everything they wanted to achieve, but just couldn't get the people with the tech skills to match. I found there was a gap between the underpinning knowledge of a computer science graduate and keeping up to date with the modern technology industry is using, and there was definitely an opportunity for a more intense training programme. Companies were starting to think about doing this internally, so I saw the chance to offer it as a service to help them close the skills gap, while creating life-changing opportunities for individuals at the same time.

Q: What was the market you envisaged then, and what did you set out to achieve?

CH: Well, coding bootcamps were not new. I changed career through a coding bootcamp myself. The idea was gaining some major traction in the States, and in London as well. But in the north of England, where many companies were moving their tech teams, there was no one really offering this sort of training. We went into business aiming to keep excellence at our core, making sure the people we took on were truly dedicated. With our first cohort, over 90% of the people completed the course and succeeded in becoming software developers. One of those is now head of technology for a big brand. The career trajectory people see after finishing with Northcoders means they are soon well above the national average wage. Companies need tech skills, people need careers skills to lead a better life, and that's where we meet in the middle.

Meet the CEO continued

Q: What other options did people have in the market, and who do you attract?

CH: You could go back to university, but that's both expensive and a long process, especially for someone a bit later in their career. There are ways of self-teaching online. But there's also a community element to our model – we get people collaborating and learning together, and people make friends for life, so it truly is an intense, but very rewarding, experience. It works for all sorts of people, also. We've had people on supermarket zero-hours contracts through to partners in law firms. We've had a station platform announcer and we've also trained a busker, who's now thriving in their career. We do everything we can to make this opportunity accessible to as many people as possible.

Q: What are your particular USPs or competitive advantages?

CH: We've gained an outstanding reputation in the market. We now have over 300 partners who've hired people from Northcoders, and almost all of them come back to hire more, using us as a solution for grassroots coding talent. We strive every day to do everything we can to protect that reputation, to be the best we possibly can at what we do. Part of that is our curriculum compared to larger educational establishments. We're very fast moving, and our technical people are always questioning, taking feedback from industry, understanding what skills we're going to need in the future, and adapting our modules very quickly. And that's one of our main USPs. We also now have an apprenticeship company, and a contract with the Department for Education that allows people to access skills bootcamps. We're part of the UK Government's skills-for-growth initiative, so I'd say accessibility is another USP.

Q: Talking of government training schemes or aid schemes, could these stop or change? Do you rely on them or are there other key markets you also serve?

CH: Apprenticeships have been around for years in one shape or form, and are still going strong. There can be changes to what's asked of you as a provider, but I don't see the apprenticeships funding going anywhere. And we deliver those with the real flavour of Northcoders training schemes, based on cutting-edge technology, while using the apprenticeship framework to allow companies to fund it. That gives people the opportunity to join a company that is paying them to learn to code and change career. Skills bootcamps just give us way of increasing that accessibility. It's so much better for individuals who wouldn't have previously been able to afford the course. These things can come to an end, but there is another wave of funding available towards the end of this year, so it's not going to turn off overnight. We've seen our contract renewed, and the UK Government is very impressed with Northcoders.

We do have other revenue streams as well. People pay for our course privately, and we offer financing options and income-sharing agreements. And then we do quite a lot of corporate work, training programmes that businesses pay for, or services where we train people to a company's specific needs. We also have a model where we place a technical team leader in a business to manage, support and develop junior coders. So we are very diversified. We are also expanding geographically, and in the types of training we offer. We have plenty of ways to generate revenue that are not reliant on government contracts.

Q: How has the pandemic affected the business?

CH: The job market did slow down for a while; we were all navigating something none of us knew anything about, but it seems to have picked back up really well. The demand for our software developers is higher than ever. Initially though, we made the decision to stop enrolling new learners, because training was fully in-person. We had big lecture theatres in Manchester and Leeds, with the whole team on site. We took a couple of weeks to move to a temporary online delivery mechanism, and brought our cohorts together. We've kept that model now, so it's much more scalable. We have also, of course, since worked on the technology that enables this service, so it's more sophisticated than at first. We can have a tutor in Manchester coming in online to help a student who's working in Hong Kong or London. We do still have small regional hubs and have brought back the best parts of our original model, such as sitting down with your mentor once a week, meeting people, going for post-bootcamp drinks on a Friday, but with much smaller premises and therefore lower costs.

Q: Why did you decide an IPO was the route to growth and funding?

CH: We looked at some other financing mechanisms but were uncomfortable with various aspects of them. We also have a number of long-serving team members who stuck with us through difficult times, and I wanted to offer everyone share options in the Company. Of course, the process was very difficult, and we had to work very hard across the senior leadership team, some of us on the IPO and due diligence, and others on running the business. I am extremely happy that our business and story was well received and that our investors put their faith in our plan.

Meet the CEO continued

Q: You also changed your Chair of the Board recently?

CH: Yes, recently Angela Williams took over from Sandy Lindsay as Chair. I must thank Sandy for the years she supported both the business and me, helping us transform from a small company to where we are now. Angela brings some great experience; she has vast plc and governance experience and also a lot of expertise in the people side of business. Ultimately that's what our business is, a people business; we employ people to train people, to deploy people and to work with people on strategies for growing their tech team, so it's all about people coupled with technology. Angela also has experience in digital transformation for companies. I am very much looking forward to working with her.

Q: Now the IPO is done, what is your strategy for growth?

CH: We really believe in being part of a community; there's more to Northcoders than just an online training course, and there's more to work than just earning money. We're investing in geographical expansion, finding more companies to work with, who create more jobs, and enabling us to train more individuals. The mechanism genuinely is as simple as that.

We're also investing in building our solutions division, where we run software development projects, or place teams within businesses. There we'll need more experienced people to look after groups of junior developers. So that's a sort of vertical expansion, supporting people with training as they develop into more senior positions in their careers. Or the other way, having courses available to people much earlier in their journey. But there's horizontal expansion too, developing training in more areas – for example, cybersecurity and data engineering. This expansion is all built into our strategy moving forward.

Q: What are the immediate plans for 2022, and the outlook for the market generally?

CH: The market conditions are incredibly strong, with so many companies in Europe saying tech skills are their biggest barrier to growth. Of course, it's still a bit of a turbulent time with the work from home or office decisions but now we feel like that's lifting. We're looking at the roll out of our new hubs, principally around the north at the moment; we currently have hubs in Manchester, Leeds, Newcastle and most recently Birmingham. We've also been approached by Grimsby Town Football Club to open a hub in their ground. That really does resonate with us; being a beating heart of communities, getting involved with the football club and the education budgets they have to help people in the surrounding areas get the skills they need to accelerate in life. Then the plan is Liverpool, Sheffield and, in the future, who knows where else?

Chris Hill

Founder and Chief Executive Officer



Meet our graduates

The drive and determination of our graduates never fails to amaze us. We are constantly wowed by our alumni's achievements as they move through their careers in the industry.

Amul Batra

Chief Operating Officer

Read our graduates' stories and see what they say about us.



Karla Carreon

Junior Software Engineer and Mentor at Northcoders

I honestly can't put it accurately into words. The amount of support is unparalleled and there is no better place in the world to learn how to code than Northcoders.



Seb

Data Engineer at The Data Shed

People with all levels of experience did the course, and we all ended up in the same position at the end. It's a big decision, but it does pay off... I don't know anyone who hasn't got a job now.



Naomi

Software Developer at Zero Dependency

You're constantly in contact with others on the course, whether this be through lectures, pair programming, or mentor sessions. The tutors are all lovely and approachable – they have a help system in place, so you can share your code if you're struggling with a concept, or just can't figure out why things keep breaking.



Cat Miller

Junior Software Engineer at LADbible Group

Northcoders was one of the most rewarding experiences ever, and I've made amazing friends for life too. Thank you for empowering us and opening so many doors to tech – it's the future!

Environmental, social and governance

Making tech accessible. For everyone.

We champion inclusion. It's part of our own code. At a time when technology will define how our world works, it's crucial we ensure that people from all walks of life build our future, and that people from all walks of life have the opportunity to be a part of it.

We aim to lead the way to a diverse, inclusive tech workforce where all are welcomed, encouraged and supported in their efforts to succeed in this uniquely rewarding industry.



Inclusivity is at our heart. Our business is set up to improve access to higher education and key employment sectors of the UK economy.

We are changing the demographic of software engineers – growing the percentage of women and people from diverse backgrounds.

We have a dedicated group of employees that run a committee named 'We code'. This group meets monthly to ensure that we are prioritising and dedicating resource to the goal of inclusion at Northcoders.

Key social and environmental achievements

- We have awarded 294 fully funded DfE scholarships. These provide training for people who couldn't otherwise afford the course
- We partnered with Fruition IT to provide bursaries to help with students' living costs while studying with us
- We have a £500 discount for women and gender minorities
- We have donated Women in Tech scholarships
- Northcoders committed to achieving net zero emissions by 2030
- We plant a tree for every new staff member and graduate
- We are developing a carbon offset policy
- We train all staff in mental health understanding and approach

Environmental, social and governance continued

Our code

Devoted to changing lives through tech

Northcoders is built upon a vision of a thriving and diverse digital community, and built by people who love tech and believe we're stronger when everyone is included.

Technology will define our world, so it's crucial our future is built by people from all walks of life.

We help passionate people develop exceptional technology, and help the tech ecosystem thrive.



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.

Environmental, social and governance continued

Environmental ambitions

Our commitment to achieving net zero

After year end, in February 2022, Northcoders committed to achieving net zero emissions by 2030. We have set a baseline emissions figure based on the greenhouse gases we produced in 2021, before we introduced our formal reduction strategies.

We have reported these Scope 1 and Scope 2 emissions under Streamlined Energy and Carbon Reporting (SECR) requirements. We will then use this as a reference point to measure our progress each year.

We have undertaken or introduced the following environmental management measures recently:

- offsetting our carbon emissions through Ecologi;
- using a green energy supplier; and
- moving as many client meetings as possible online.

We are planning these further measures:

- replacing our lighting with energy-efficient alternatives; and
- moving all online services to suppliers powered by renewable energy.

Ecologi

climate
positive
workforce

4.4k trees

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.



Shareholders

The Board recognises the importance of two-way communication with the Company's shareholders. We aim to instil confidence in our investors and win their trust in our business. When the Board makes key decisions that might affect shareholder value or shareholders views, they will always consider this major stakeholder when making such changes.

Current engagement

Shareholders can contact the Company at any time using the investor relations email on the website. The CEO and CFO offer presentation and meeting opportunities at the half-year and full-year results.

Future engagement

In 2022, the Group will host its first annual general meeting (AGM).



Team

Our team is key to the life-changing outcomes we create at Northcoders. They nurture each customer to ensure we are offering the best possible service, and work tirelessly to ensure we are a fully functioning, compliant business. A key decision that was made in 2021 was the decision to do the IPO and gain admission to AIM. We considered our team when making this decision, ensuring that it only impacted their employment/jobs in a positive way. We also set up a share options scheme to ensure that the team could benefit further from the decision.

Current engagement

We engage with our team members through monthly meetings, socials, morning stand-ups and anonymous feedback forms. We also operate an anonymous suggestions box so team members can submit ideas and create change within the business. We have an internal 'We code' group whose purpose is ensuring diversity and inclusion within the business. We also have an internal charity commission who are assigned a budget, and our team chooses how and who we raise money for.

Future engagement

In the future, we will work with our new Chair, Angela Williams, who has extensive 'people' experience. We will continually strive to ensure we communicate with our team members as much as possible to ensure we are meeting all their workplace needs.

Stakeholders and section 172 continued



Customers

Our customers – our ‘Northcoders’ – are the reason we do what we do. The phrase ‘Once a Northcoder, always a Northcoder’ is something we have stuck by since day one. Our mission is to create life-changing outcomes for individuals and we monitor these outcomes at every opportunity. A decision made during 2021 that affected our customers was the decision to offer scholarships under the DfE skills bootcamp initiative. Our customers were considered when making this decision, ensuring that this change caused only positive accessibility to our customers and also ensuring that the scholarships are awarded on a fair basis.

Current engagement

We constantly engage with our customers, asking for their feedback at various stages of the course, and pointing them in the direction of our whistleblowing and help centres while they are with us on the course. We hold alumni events to ensure we keep in contact with customers after they have graduated, and are always striving to make sure the outcome they have in the industry is the one they desire.

Future engagement

We will work even more closely with our students on inclusivity and any barriers they may face while on the course, to ensure we are always improving.



Community

Our business model is based on having good connections with our community. In 2021 we made the decision to keep our hubs open (when not in a local lockdown) and also expand our network of training hubs. Decisions made during the geographical expansion of our business are made considering our community at every stage. We want to ensure that our presence in a region brings a positive impact to the community and we do this by hiring from the talent pools close to our hubs, partnering with local business and extending our charitable partnerships to those regions too.

Current engagement

We work with over 300 hiring partners, and offer graduates to businesses in the industry for no recruitment fee. Businesses advertise their roles on our free jobs board. We also work with local charities and businesses who align with our values and mission. Some of these include Innovate Her, Mind Charity and AKT Charity.

Future engagement

We will engage with our community to work out what is missing from our industry, and how we can help move towards a better tech world. We attend events both in person and remotely, and hope we can do more in person as we move out of the pandemic.

Risks and uncertainties

Key: ■ Financial ■ Operational ■ Strategic

Principal risk

Revenue and profitability

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.

The Group's expansion strategy

The strategy is to open further regional hubs in the UK under the Northcoders brand.

The Directors cannot guarantee they will be able to locate or secure a sufficient number of appropriate sites to meet its growth and financial targets.

Success depends on the ability to successfully operate and manage these new hubs and to penetrate the new markets. This will mean hiring, training and retaining new personnel, while ensuring the new hubs are effectively marketed.

Therefore the new hubs may take time to reach profitable operating levels or to match historical financial returns, either of which could have an adverse effect on the Group's business.

ESFA and Ofsted inspections

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.

Covid-19 and lockdowns

This is an exceptional circumstance. If the country goes into another lockdown, or work from home is enforced, the Group's hubs would be out of action and students would not be taught in person. This could harm revenues and profits.

Mitigation

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.

Geographical expansion moves into new regions remotely at first. We can do this with fully funded places initially, to ensure demand is present. Once we have created real-life stories in new regions, we use these to market the bootcamp. Meanwhile, B2B sales staff work hard to develop relationships with hiring businesses before we start to establish and train a new team in that region. We work alongside Bruntwood to ensure appropriate property is readily available.

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.

We have ensured the full course and any other products are deliverable to homes. All staff are ready to be able to work from home, and the platforms are all online to ensure smooth delivery, to ensure that the course is still as desirable, and that outcomes remain the same.

Risks and uncertainties continued

Key: ■ Financial ■ Operational ■ Strategic

Principal risk

Ability to recruit and retain skilled personnel

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.

Government policy changes

There is a risk that the government might change its policies where the apprenticeship provisions are concerned. If this did happen, then we could be in a situation where we could not deliver apprenticeships. We do not believe this to be a high risk as the provision of apprenticeships has been around for many years and the government is currently offering incentives and pushing for more of this type of training. Tech training is also high on the government's agenda along with the accessibility for further skills.

Privacy or data protection failure

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.

Competition

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.

Mitigation

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.

We ensure that we are in communication with the Education and Skills Funding Agency to ensure we are aware of any changes as soon as possible. We also maintain good pipelines of bootcamp students and corporate clients to ensure that we could bridge the gap in the revenue in the extreme case that the provision was removed. We have also monitored a scenario where the apprenticeship revenue is removed to ensure that we have contingency plans.

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.

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 structure and strategy

QCA Code ten principles of corporate governance

Companies need to deliver growth in long-term shareholder value. This requires an efficient, effective and dynamic management framework and should be accompanied by good communication that helps to promote confidence and trust, effective risk management, considering both opportunities and threats, throughout the organisation.

1. Establish a strategy and business model which promote long-term value for shareholders	Pages 12 and 13
2. Seek to understand and meet shareholder needs and expectations	Page 22
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	Pages 22 and 23
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	Pages 24 and 25
5. Maintain the Board as a well-functioning, balanced team led by the Chairman	Pages 28 and 29
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	Page 27
7. Evaluate Board performance based on clear and relevant objectives; seek continuous improvement	Pages 32 to 34
8. Promote a corporate culture that is based on ethical values and behaviours	Page 19
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Pages 28 and 29
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Pages 07 to 10



Board of Directors



Angela Williams
Non-Executive Chair

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, Centrica and Land Securities plc, and is the interim Group Chief People Officer of Post Office, offering her transformation and change expertise.

Angela is also a Non-Executive Director with AND Digital.



Chris Hill
Founder & Chief Executive Officer

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.



Amul Batra
Chief Operating Officer

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 part of that process.

During his time as a student on Cohort 1, Amul was attracted by the wider Northcoders business proposition and became an early investor in Northcoders. He is responsible for critical-account business development and has played a vital role in securing many of Northcoders' contracts with businesses.



Charlotte Prior
Chief Financial Officer

Charlotte joined Northcoders in August 2018. She has over nine years' experience in finance roles ranging from the construction industry to a registered charity.

Charlotte is responsible for managing the financial affairs of the Group. She also ensures that management and the Board have all the information that they need to plan and make informed, managerial and strategic decisions.



Nick Parker
Non-Executive Director

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 and Wandisco plc, taking the latter to IPO in 2011. Nick has been working with Northcoders for the last year and was appointed a Non-Executive Director on admission.

Corporate governance report



Angela Williams
Non-Executive Chair

We are committed to high standards of corporate governance, which we consider are critical to business integrity and to maintaining investors' trust in us.

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, 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 also added the ten principles of the code on page 26 and referenced pages in our report that show how we are complying.

Northcoders believes 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.

Corporate governance report continued

Audit Committee

Key objectives:

- management of the Group's system of internal control, business risks and related compliance activities;
- to review the activity and performance of the internal audit function and external auditor's; and
- to provide effective governance over the Group's financial results.

Nomination Committee

Key objectives:

- to ensure the Board comprises individuals with the necessary skills, knowledge and experience; and
- to give consideration to succession planning and the leadership needs of the Group. Membership comprises the Non-Executive Director and Chairman.

Remuneration Committee.

Key objectives:

- to assess and make recommendations to the Board on the policy of executive remuneration. Membership comprises the three Executive Directors, divisional Managing Directors and Group function heads, and the Chairman.



Audit Committee report



Nick Parker

Chair of the Audit Committee

Audit Committee

Number of scheduled meetings	3
Nick Parker	3
Sandra Lindsay	3

Angela Williams joined the Audit Committee on 4 January 2022 and therefore did not attend any of the 2021 meetings.

As Executive Directors, Chris Hill, Amul Batra and Charlotte Prior are not members of the Audit Committee but were invited to attend the meetings in order to assist with the matters for discussion.

I am pleased to present the first Audit Committee report for Northcoders Group PLC.

On behalf of the Audit Committee, I am pleased to present the first Audit Committee report for Northcoders Group PLC since flotation on 27 July 2021.

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 2021;
- reviewed the Group's financial policies and procedures in anticipation of the IPO;
- 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; and
- reviewed and agreed the external auditor's plan in advance of their audit for the financial year ended 31 December 2021.

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 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.

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

5 May 2022

Directors' remuneration report



Angela Williams

Chair of the Remuneration Committee

The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers.

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 now comprises Angela Williams (Chair) and Nick Parker. In 2021, the Committee included Sandra Lindsay.

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 stretching and challenging. Annual bonuses are payable at the discretion of the Remuneration Committee.

Directors' remuneration report 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. The level of pension contribution for Executive Directors is 5% of base salary.

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 2021 are as follows:

	Salary £	Cash bonus £	Payment due on re-organisation ¹ £	Benefits in kind £	Pension £	Total 2021 £	Total 2020 £
Sandra Lindsay	30,250	—	—	—	313	30,563	6,000
Chris Hill	111,850	25,000	81,100	650	—	218,600	63,972
Amul Batra	93,268	25,000	10,300	1,115	—	129,683	57,359
Charlotte Prior ²	49,434	25,000	—	258	183	74,875	N/A
Nick Parker ²	14,583	—	—	—	—	14,583	N/A
Amy Sharp ²	10,000	—	—	—	367	10,367	N/A
Total	299,385	75,000	91,400	2,023	863	478,671	172,968

1. When the business was restructured prior to admission to AIM, various historic dividend payments made to the founders were reclassified as salary and have been disclosed as such in 2021.

2. Please note, Charlotte Prior, Nick Parker and Amy Sharp did not serve as Directors for the entirety of 2021.

Directors' remuneration report continued

Directors' share options and awards

Options in the Company's shares held by the Directors holding office at 31 December 2021 are set out below:

Date of grant/award	Exercise price	At 27 July 2021	Granted in the year	Cancelled	At 31 December 2021
Executive					
Charlotte Prior					
Share option grant	1.80	75,000	—	—	75,000
		75,000	—	—	75,000

Directors' interests

The interests of the Directors holding office at 31 December 2021 in the shares of the Company are set out below:

	31 December 2021
Ordinary shares of £0.01 each	
Sandra Lindsay	5,000
Chris Hill	1,523,668
Amul Batra	969,000
Charlotte Prior	—
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 2021 was 238p and the range during the period from admission to the end of the reporting period was 175p to 238p per share.

On behalf of the Board.

Angela Williams

Chair of the Remuneration Committee

5 May 2022

Directors' report

The Directors present their report together with the audited accounts of Northcoders Group PLC.

Directors

Those who served as Directors during the financial year 2021 are:

- Sandra Lindsay;
- Chris Hill;
- Amul Batra;
- Charlotte Prior; and
- Nick Parker.

Results and dividends

The loss after taxation for the year ended 31 December 2021 was £0.4m. The Board is not recommending the payment of a final dividend in respect of the year-ended 31 December 2021.

Directors' interests

Directors' interests at 31 December 2021 in the shares and share options of the Company are shown in the Directors' remuneration report on page 34.

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 its 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 30 to 34.

Directors' report continued

Annual general meeting

The annual general meeting will be held on 24 June 2022 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 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.

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

5 May 2022

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.

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 period ended 31 December 2021 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 2021 and of the Group's loss 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.

Other matter – prior period financial statements

The Company was incorporated on 6 May 2021 and is presenting its individual company financial statements for the first time. The Group financial statements have been prepared using the principles of merger accounting and the results of the Group are presented as if the Group has always been in its present form (see note 1.3). In the prior year, the companies which are included in the consolidation were not subject to audit and audited group financial statements were not prepared. Consequently, International Standards on Auditing (UK) require the auditor to state that the corresponding figures contained within these financial statements are unaudited.

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 judgement, 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 matters continued

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 around the completeness and existence of apprenticeship income.

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

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

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 Northcoders 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, student log of hours for apprenticeship income and discussions with the learning and development manager; and
- any other terms within the contracts had any material accounting or disclosure implications.

Further work included, but was not restricted to:

- a cash to revenue reconciliation;
- testing a sample of sales raised one month either side of the period-end;
- agreeing a sample of refunds in the period to support; and
- obtaining and critically evaluating management's paper on revenue recognition policy and whether this was in line with IFRS 15.

Auditor's report continued

To the Members of Northcoders Group PLC

Key audit matters continued

Key audit matter

Impairment of intangible assets (Group)

The Group has capitalised research and development costs. The recoverability of the intangible assets is dependent on individual cash-generating units to which the intangible assets are allocating generating sufficient cash flows in the future. Due to the inherent uncertainty involved in forecasting future cash flows and selection of an appropriate discounts rate, which are the basis of the assessment of recoverability, this is considered a key audit matter.

Refer to note 15 in the financial statements for the disclosures relating to intangible assets and the related impairment calculations.

How our scope addressed this matter

Our audit procedures involved;

- reviewing the discounted cash flow models, testing and challenging the judgements and assumptions used by management in their assessment of whether intangibles are impaired and assessing management's sensitivity analysis on the cash flow model;
- challenging the assumptions and inputs in determining the discount rate used to calculate the present value of projected future cash flows;
- testing the mathematical accuracy and integrity of the model used;
- assessing management's earnings assumptions in the models compared to current period performance and forecasted performance for the next financial year;
- reviewing management's sensitivity analysis of key assumptions including the revenue growth forecasts and the discount rate; and
- considering whether the disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions were adequate and properly reflected the risks inherent in the valuation of the cash generating units.

Auditor's report continued

To the Members of Northcoders Group PLC

Key audit matters continued

Key audit matter

Going concern and Covid-19 (Group)

There is a risk that the Group has insufficient resources to meet future commitments for a period of twelve months from the balance sheet date.

There is also a risk that Covid-19 will adversely impact the results of the Company and further impact the going concern of the Group.

It is the responsibility of the directors to form an opinion on whether the going concern basis of accounting is appropriate and to identify and disclose any material uncertainties that may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern.

As the Group is loss making and there was a risk around Covid-19 adversely impacting performance, this is considered a key audit matter.

The directors have set out their assessment in relation to going concern in note 1.4.

Capitalisation of R&D costs (Group)

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

We performed a detailed review and assessment of the cash flow position/forecasts and management accounts for the Group pre-sign off. We scrutinised and discussed the assumptions made with management.

Our work included, but was not restricted to:

- obtaining and reviewing the cash flow forecasts prepared by management for the period to 30 April 2023;
- checking the mathematical accuracy of the cash flow forecasts;
- reviewing the cash flow forecasts in light of our understanding of the business to identify and challenge the key assumptions therein, to assess the level of cash headroom, to stress test the forecasts and therefore the headroom on maintaining a positive cash balance; and
- review of the disclosures within the financial statements to assess whether they accurately reflect management's assessment of going concern, including any uncertainties.

Our audit procedures involved:

- selecting a sample of assets to agree to support and test against the recognition criteria of IAS 38;
- reviewing capitalisation of employee time for internal staff and external contractors;
- obtaining an understanding of various selected capitalised projects, testing time charged back to timesheet data and independently assessing whether sufficient economic benefits were likely to flow from the projects to support the values capitalised; and
- confirming 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 £20,000, determined by reference to 5% of group Adjusted EBITDA. We have reported to the Audit Committee any corrected or uncorrected misstatements arising exceeding £1,000. Performance materiality was set at £15,000, being 75% of materiality.

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

Component materiality for the Parent Company and trading subsidiaries was capped at £16,000, with reference to a benchmark of group materiality.

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.

Auditor's report continued

To the Members of Northcoders Group PLC

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 period 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.

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 37, 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 on the following page.

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.

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.

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.

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

5 May 2022

Group statement of comprehensive income

For the year ended 31 December 2021

	Notes	2021 £	2020 £
Revenue	4	3,010,357	1,341,493
Cost of sales		(848,392)	(449,319)
Gross profit		2,161,965	892,174
Other operating income		144,749	153,635
Expenditure		(1,947,239)	(1,300,865)
Adjusted EBITDA	6	359,475	(255,056)
Depreciation		(118,892)	(244,854)
Amortisation		(134,755)	(44,347)
Share-based payments	28	(114,341)	—
Total administrative expenses		(2,315,227)	(1,590,066)
Exceptional items	5	(421,289)	(590,788)
Operating loss	7	(429,802)	(1,135,045)
Investment revenues	11	8,574	2,200
Finance costs	12	(102,360)	(112,705)
Loss before taxation		(523,588)	(1,245,550)
Taxation credit	13	165,464	303,443
Loss for the year		(358,124)	(942,107)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Tax relating to items not reclassified		(5,089)	—
Total items that will not be reclassified to profit or loss		(5,089)	—
Total other comprehensive loss for the year		(5,089)	—
Total comprehensive loss for the year		(363,213)	(942,107)

Earnings per share

	Notes	2021 £	2020 £
Basic (pence per share)	14	(6.13)	(18.84)
Diluted (pence per share)		(6.13)	(18.84)
Adjusted (pence per share)		3.04	(7.03)

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

The notes on pages 53 to 83 form part of the Group financial statements.

Group statement of financial position

As at 31 December 2021

	Notes	2021 £	2020 £
Non-current assets			
Intangible assets	15	495,071	361,289
Property, plant and equipment	16	525,067	211,566
Deferred tax asset	26	256,350	159,521
		1,276,488	732,376
Current assets			
Trade and other receivables	19	1,416,145	298,800
Current tax recoverable		143,042	241,799
Cash and cash equivalents		1,564,645	525,671
		3,123,832	1,066,270
Current liabilities			
Trade and other payables	22	467,282	518,472
Borrowings	21	219,386	191,901
Lease liabilities	23	181,043	167,916
Deferred revenue	24	21,813	120,388
		889,524	998,677
Net current assets		2,234,308	67,593
Non-current liabilities			
Borrowings	21	512,602	694,195
Lease liabilities	23	711,524	562,746
Deferred tax liabilities	26	134,474	85,076
		1,358,600	1,342,017
Net assets/(liabilities)		2,152,196	(542,048)

	Notes	2021 £	2020 £
Equity			
Called up share capital	29	69,444	—
Share premium account	30	2,891,314	—
Merger reserve		500	187,591
Share option reserve		134,715	—
Other reserve	31	(50,000)	—
Retained earnings		(893,777)	(729,639)
Total equity		2,152,196	(542,048)

The financial statements were approved by the Board of Directors and authorised for issue on 5 May 2022 and are signed on its behalf by:

Mr C D Hill

Director

The notes on pages 53 to 83 form part of the Group financial statements.

Company statement of financial position

As at 31 December 2021

	Notes	2021	
		£	£
Non-current assets			
Investments	36		114,341
Current assets			
Trade and other receivables	37, 39	2,657,865	
Current liabilities	38	(38,566)	
Net current assets			2,619,299
Total assets less current liabilities			2,733,640
Equity			
Called up share capital	41		69,444
Share premium account	30		2,891,314
Other reserve	31		(50,000)
Share option reserve	28		134,715
Retained earnings			(311,833)
Total equity			2,733,640

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

The financial statements were approved by the Board of Directors and authorised for issue on 5 May 2022 and are signed on its behalf by:

Mr C D Hill

Director

Company Registration No. 13378742

The notes on pages 53 to 83 form part of the Group financial statements.

Group statement of changes in equity

For the year ended 31 December 2021

	Notes	Share capital £	Share premium account £	Share option reserve £	Other reserve £	Merger reserve £	Retained (deficit)/ earnings £	Total £
Balance at 1 January 2020		—	—	—	—	187,591	212,468	400,059
Year ended 31 December 2020:								
Loss and total comprehensive income for the year		—	—	—	—	—	(942,107)	(942,107)
Balance at 31 December 2020		—	—	—	—	187,591	(729,639)	(542,048)
Year ended 31 December 2021:								
Loss for the year		—	—	—	—	—	(358,124)	(358,124)
Other comprehensive income:								
Tax adjustments on share based payments		—	—	—	—	—	(5,089)	(5,089)
Total comprehensive income 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		—	(589,241)	—	—	—	—	(589,241)
Merger reserve transfer	31	—	—	—	—	(187,091)	187,091	—
Share options and warrants expense	28	—	—	146,699	—	—	—	146,699
Share-for-share exchange	29	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

The notes on pages 53 to 83 form part of the Group financial statements.

Company statement of changes in equity

For the year ended 31 December 2021

	Notes	Share capital £	Share premium account £	Other reserve £	Share option reserve £	Retained (deficit)/ earnings £	Total £
Balance at 6 May 2021		—	—	—	—	—	—
Period ended 31 December 2021:							
Loss and total comprehensive income for the period		—	—	—	—	(323,817)	(323,817)
Issue of share capital	41	19,444	3,480,555	—	—	—	3,499,999
Costs of float set against premium			(589,241)				(589,241)
Share options and warrants expense		—	—	—	146,699	—	146,699
Share-for-share exchange	41	50,000	—	(50,000)	—	—	—
Cancellation of share options		—	—	—	(11,984)	11,984	—
Balance at 31 December 2021		69,444	2,891,314	(50,000)	134,715	(311,833)	2,733,640

The notes on pages 53 to 83 form part of the Group financial statements.

Group statement of cash flows

For the year ended 31 December 2021

	2021		2020	
	£	£	£	£
Cash flows from operating activities				
Loss for the year after tax		(358,124)		(942,107)
Adjustment for non-cash items:				
Taxation charged		(165,464)		(303,442)
Finance costs		102,360		112,592
Finance income		(8,574)		(2,085)
Gain on disposal of property, plant and equipment		—		(11,708)
Amortisation of intangible assets		134,755		44,347
Depreciation of property, plant and equipment		118,892		244,840
Impairment of tangible assets		—		590,788
Equity-settled share-based payment and warrants expense		146,699		—
Government grant income via present value adjustment		—		(15,615)
		(29,456)		(282,390)
(Increase)/decrease in trade and other receivables		(1,117,345)		39,678
Decrease in trade and other payables		(152,740)		(157,310)
Cash absorbed by operations		(1,299,541)		(400,022)
Tax refunded		211,701		24,443
Net cash outflow from operating activities		(1,087,840)		(375,579)
Investing activities				
Purchase of intangible assets		(268,537)		(165,216)
Purchase of property, plant and equipment		(42,706)		(15,878)
Proceeds on disposal of property, plant and equipment		—		2,409
Business combination, net of cash received		—		(17,973)
Investment revenues received		8,574		150

Group statement of cash flows continued

For the year ended 31 December 2021

	2021		2020	
	£	£	£	£
Net cash used in investing activities		(302,669)		(196,508)
Financing activities				
Proceeds from issue of shares	2,910,758		—	
Proceeds of new bank loans	—		925,000	
Repayment of bank loans and borrowings	(162,961)		(105,296)	
Payment of lease liabilities	(215,954)		(54,424)	
Interest paid	(102,360)		(88,723)	
Net cash generated from financing activities		2,429,483		676,557
Net increase in cash and cash equivalents		1,038,974		104,470
Cash and cash equivalents at beginning of year		525,671		421,201
Cash and cash equivalents at end of year		1,564,645		525,671

The notes on pages 53 to 83 form part of the Group financial statements.

Note to the statement of cash flows

For the year ended 31 December 2021

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 2021 £	Financing cash flows £	New leases £	Other movements ¹ £	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
	1,616,612	(378,915)	389,687	(2,829)	1,624,555

	At 1 January 2020 £	Financing cash flows £	New leases £	Other movements ² £	At 31 December 2020 £
Bank loans and borrowings	46,267	819,704	—	19,979	885,950
Lease liabilities	139,323	(54,424)	782,809	(137,046)	730,662
	185,590	765,280	782,809	(117,067)	1,616,612

1. 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.

2. Other movements in the year ended 31 December 2020 includes:

- the amount of £20,724 within bank loans and borrowings relating to the bounce bank loan consolidated on business combination; and
- disposal of leases of £137,046.

Notes to the Group financial statements

For the year ended 31 December 2021

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 Group's transition to UK Adopted International Accounting Standards was completed during the preparation of the Historical Financial Statements contained in the Admission Document upon the Group's admission to AIM.

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 of the Companies Act 2006, the Company has not presented its own statement of comprehensive income. The Company's loss for the period was £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) and the Group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2021. 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.

Notes to the Group financial statements continued

For the year ended 31 December 2021

1 Accounting policies continued

1.3 Basis of consolidation continued

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.

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;
- 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; and
- for apprenticeship income, 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; otherwise income is recognised as for consumer bootcamps.

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 in order that it 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.

Notes to the Group financial statements continued

For the year ended 31 December 2021

1 Accounting policies continued

1.5 Revenue continued

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 stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

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	4 years straight line
Development costs	4 years straight line

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.

Notes to the Group financial statements continued

For the year ended 31 December 2021

1 Accounting policies continued

1.9 Impairment of tangible and intangible assets continued

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.

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.

Notes to the Group financial statements continued

For the year ended 31 December 2021

1 Accounting policies continued

1.11 Financial assets continued

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.

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 31.

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 31.

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.

Notes to the Group financial statements continued

For the year ended 31 December 2021

1 Accounting policies continued

1.14 Taxation continued

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.

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.

Notes to the Group financial statements continued

For the year ended 31 December 2021

1 Accounting policies continued

1.18 Leases continued

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.

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. Where the Coronavirus Job Retention Scheme grant and business rates relief grants have been claimed, these are credited to the income statement in the period in which the expenditure for which they are intended to contribute towards has been incurred.

Coronavirus Job Retention Scheme (CJRS)

During the period, the Group benefited from the UK Government's CJRS for furloughed employees, as part of the support available for businesses impacted by the Covid-19 pandemic. In accordance with IAS 20, eligible salary and other payroll expenses have been continued to be recognised in the income statement in the period in which they were incurred. Eligible matching CJRS grant amounts have been reflected in other operating income in the same period.

Coronavirus Business Interruption Loan Scheme (CBILS)

The time-value benefit derived on a CBILS loan is recognised in other operating income in the period in which receipt of the loan occurs.

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.

Notes to the Group financial statements continued

For the year ended 31 December 2021

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 Conceptual Framework for Financial Reporting;
- amendments to IFRS 3 'Definition of a Business';
- amendments to IAS 1 and IAS 8 'Definition of Material';
- amendments to IFRS 9, IAS 39 and IFRS 7 'Interest Rate Benchmark Reform';
- amendments to IFRS 16 'Covid-19 Related Rent Concessions'; and
- adoption of UK IFRS for the preparation of financial statements.

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
IAS 1 'Presentation of Financial Statements': Classification of liabilities as current or non-current	1 January 2022
Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16)	1 January 2022
Onerous Contracts – Cost of Fulfilling Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
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

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 the 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 2021

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 the 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.

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.

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 28.

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 20.

Key sources of estimation uncertainty

Incremental borrowing rates applied to calculate lease liabilities

The Group has used the incremental borrowing rate of 5.5% to calculate the value of the lease liabilities relating to its property lease liabilities recognised under IFRS 16; the discount rate used of 5.5%, being 4% above base rate as detailed in the lease agreement with an adjustment of 1% to reflect the increased risk and ensure comparability with similar companies' borrowing rate for similar terms, security and funds at that time.

The carrying amounts of such liabilities are disclosed within note 23.

Notes to the Group financial statements continued

For the year ended 31 December 2021

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	2021 £	2020 £
Consumer bootcamps and apprenticeships	2,757,020	1,194,069
Corporate solutions	253,337	147,424
	3,010,357	1,341,493

The Group further sub-analyses the consumer bootcamps and apprenticeship segment to distinguish between its original core revenue streams for consumer training, and the apprenticeship income. 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:

	2021 £	2020 £
Training excluding apprenticeship income	1,724,117	1,072,659
Apprenticeship training income	1,032,903	121,410
	2,757,020	1,194,069

Notes to the Group financial statements continued

For the year ended 31 December 2021

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 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)
Year ended 31 December 2020:	Consumer £	Corporate £	Central £	Total £
Revenue	1,194,069	147,424	—	1,341,493
Cost of sales	(379,769)	(69,550)	—	(449,319)
Gross profit	814,300	77,874	—	892,174
Operating costs	(37,695)	(6,652)	(1,545,719)	(1,590,066)
Other operating income	—	—	153,635	153,635
Exceptional costs	—	—	(590,788)	(590,788)
Operating profit	776,605	71,222	1,982,872	1,135,045
Net finance costs	—	—	(110,505)	(110,505)
Profit/(loss) before taxation	776,605	71,222	(2,093,377)	(1,245,550)

Notes to the Group financial statements continued

For the year ended 31 December 2021

4 Revenue continued

Revenue analysed by geographical market	2021 £	2020 £
United Kingdom	3,010,357	1,341,493
Other significant revenue	2021 £	2020 £
Grants received	144,749	153,635

Consumer bootcamps and apprenticeship revenue includes undiscounted EdAid sales of £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 £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 Coronavirus Job Retention Scheme and business rates relief grant totalling £127,617 (2020: £138,020) 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;
- time-value benefit derived on a Coronavirus Business Interruption Loan (CBILS) totalling £nil (2020: £15,615), which is recognised on receipt of the loan; and
- Leeds Enterprise Partnership claim of £17,132 (2020: £nil) 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 the 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.

Revenue from customers who individually accounted for more than 10% of total Group revenue amounted to £1,042,967 from one customer (2020: there were no customers who individually accounted for more than 10% of total Group revenue).

Assets and liabilities related to contracts with customers

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

Contract assets	2021 £	2020 £
At 1 January	19,030	—
Transfers in the year from contract assets to trade receivables	(19,030)	—
Excess of revenue recognised over cash (or rights to cash) being recognised during the year	801,119	19,030
At 31 December	801,119	19,030
Contract liabilities	2021 £	2020 £
At 1 January	120,388	343,154
Amounts recognised as revenue during the year	(120,388)	(343,154)
Amounts received in advance of performance and not recognised as revenue during the year	21,813	120,388
At 31 December	21,813	120,388

Contract assets and contract liabilities are included within 'trade and other receivables' and 'trade and other payables' respectively 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 2021

5 Exceptional items

Expenditure	2021 £	2020 £
IPO costs	421,289	—
Impairment of right-of-use asset	—	529,570
Impairment of leasehold improvements	—	61,218

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 relations 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.

In January 2020, the Group took occupation of a new office with significant space for student training, which was occupied on a five-year lease, resulting in the recognition of a right-of-use asset, as shown in note 15. As a result of the Covid-19 pandemic, the Group had to materially change its primary focus of operations to online delivery with the availability of physical support, and subsequently moving towards a hybrid model using a blended learning approach of online and in-person, meaning that the majority of this site is now functionally redundant. As a result of this, the Directors have recognised an impairment of the right-of-use asset for the 67.65% which can no longer be used, calculated by reference to floorspace; this impairment totals £nil (2020: £529,570). An impairment for amounts included in leasehold improvements has also been recognised on the same basis, resulting in an impairment charge of £nil (2020: £61,218).

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 period consist of IPO related costs and share based payments.

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

	2021 £	2020 £
Operating loss for the year is stated after charging/(crediting):		
Government grants	(144,749)	(153,635)
Fees payable to the Company's auditor for the audit of the Company's financial statements	52,250	—
Depreciation of property, plant and equipment	118,892	244,854
Profit on disposal of property, plant and equipment	—	(11,707)
Amortisation of intangible assets (included within administrative expenses)	134,755	44,347
Impairment of property, plant and equipment	—	61,218
Impairment of right-of-use asset	—	529,570
Share-based payments	114,341	—

Notes to the Group financial statements continued

For the year ended 31 December 2021

8 Auditor's remuneration

Fees payable to the Company's auditor and associates:	2021 £	2020 £
For audit services		
Audit of the Group and subsidiary undertakings	52,250	—

The Group took advantage of the audit exemptions available to small companies under the Companies Act 2006 which permitted it to not obtain an audit of its financial statements in the year ended 31 December 2020.

The auditor, Haysmacintyre LLP, acted as reporting accountants for the Company's admission to AIM in 2021. Fees of £93,000 were paid in respect of these services, which are in addition to the above disclosures for statutory audit fees.

9 Employees

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

	2021 Number	2020 Number
Executive Directors	3	3
Non-Executive Directors	2	1
Administration and operations	15	9
Client service delivery	28	24
Total	48	37

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	1,837,508	1,057,814
Social security costs	179,818	98,567
Pension costs	52,692	32,499
	2,070,018	1,188,880

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:

	2021 £	2020 £
Wages and salaries	178,978	141,211
Social security costs	10,925	17,651
Pension costs	3,933	6,354
	193,836	165,216

10 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	477,808	166,905
Amounts receivable under long-term incentive schemes	10,669	—
Company pension contributions to defined contribution schemes	863	6,063
	489,340	172,968

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to three (2020: three). No pension contributions have been recognised for Mr A Batra, Mr C D Hill and Mr A N Parker as they opted to waive their entitlement to 5% Company contributions.

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

	2021 £	2020 £
Remuneration for qualifying services	217,950	61,667
Company pension contributions to defined contribution schemes	—	2,148

Notes to the Group financial statements continued

For the year ended 31 December 2021

10 Directors' remuneration continued

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

During the year to 31 December 2020 the Directors received remuneration as follows:

Director	Salary £	Share options £	Benefits in kind £	Pension £	Total £
Mr A Batra	55,000	—	211	2,148	57,359
Mr C D Hill	61,667	—	157	2,148	63,972
Mrs S Lindsay	6,000	—	—	—	6,000
Mr S Caine	43,870	—	—	1,767	45,637
	166,537	—	368	6,063	172,968

The Directors during the year ended 31 December 2020 are the Directors of Northcoders Limited as the Parent Company, Northcoders Group PLC, was incorporated on 6 May 2021.

The Directors of the Company control 36.87% of the voting shares of the Company and hold 75,000 EMI share options.

Notes to the Group financial statements continued

For the year ended 31 December 2021

11 Investment revenues

	2021 £	2020 £
Interest income		
Bank interest received	—	150
Other interest income	8,574	2,050
Total interest revenue	8,574	2,200

Other interest income includes £460 (2020: £2,043) of interest on overdrawn Directors' loan accounts, which were fully settled prior to the Group's admission to AIM.

12 Finance costs

	2021 £	2020 £
Interest on bank borrowings and overdrafts	74,744	60,154
Interest on lease liabilities	36,616	43,551
Other interest payable	(9,000)	9,000
Total interest expense	102,360	112,705

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

13 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	(108,800)	(154,628)
Adjustments in respect of prior periods	(4,143)	(14,717)
Total UK current tax	(112,943)	(169,345)
Deferred tax		
Origination and reversal of temporary differences	(21,390)	(137,866)
Changes in tax rates	(31,131)	3,768
	(52,521)	(134,098)
Total tax credit	(165,464)	(303,443)

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

	2021 £	2020 £
(Loss)/profit before taxation	(523,588)	(1,245,550)
Expected tax credit based on a corporation tax rate of 19% (2020: 19%)	(99,482)	(236,655)
Effect of expenses not deductible in determining taxable profit	37,513	1,018
Adjustment in respect of prior years	(4,060)	(14,717)
Effect of change in UK corporation tax rate	(37,243)	4,073
Research and development tax credit	(78,663)	(61,509)
Share-based payment charge	(3,864)	—
Other	20,335	4,347
Taxation credit for the year	(165,464)	(303,443)

Notes to the Group financial statements continued

For the year ended 31 December 2021

13 Taxation continued

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

	2021 £	2020 £
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	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% (2020: 19%).

14 Earnings per share

	2021 £	2020 £
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	5,841,706	5,000,001
Earnings (all attributable to equity shareholders of the Company)		
Continuing operations		
Loss for the period from continued operations	(358,124)	(942,107)
Earnings per share for continuing operations		
Basic and diluted earnings per share (pence per share)	(6.13)	(18.84)

The number of shares in existence immediately prior to the Group's admission to AIM is used at all earlier periods. The Group did not exist in the comparative year; however, the creation of the Group via a share-for-share exchange is a transaction without corresponding incoming resource, hence earlier periods are restated to reflect this.

In the current and comparative year the Group has incurred losses and, as such, has not presented any dilutive shares in accordance with IAS 33 'Earnings per share'. However, 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 and considered below in adjusted earnings per share.

Notes to the Group financial statements continued

For the year ended 31 December 2021

14 Earnings per share continued

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:

	2021 £	2020 £
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	5,841,706	5,000,001
Effect of dilutive potential ordinary shares:		
- Weighted average number outstanding share options	148,487	—
- Weighted average number outstanding warrants	27,293	—
Weighted average number of ordinary shares for diluted earnings per share	6,017,486	5,000,001
Adjusted earnings		
Loss for the period	(358,124)	(942,107)
Adjusted for:	—	—
Exceptional costs	421,289	590,788
Share-based payment expense	114,341	—
Adjusted earnings for basic and diluted earnings per share	177,506	(351,319)
Adjusted earnings per share		
Basic earnings per share (pence per share)	3.04	(7.03)
Diluted earnings per share (pence per share)	2.95	(7.03)

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

15 Intangible assets

	Development costs £	Licence £	Total £
Cost			
At 1 January 2020	159,837	—	159,837
Additions – internally generated	165,215	—	165,215
Additions – business combination	—	101,899	101,899
At 31 December 2020	325,052	101,899	426,951
Additions – internally generated	268,537	—	268,537
At 31 December 2021	593,589	101,899	695,488
Amortisation and impairment			
At 1 January 2020	21,315	—	21,315
Charge for the year	44,347	—	44,347
At 31 December 2020	65,662	—	65,662
Charge for the year	109,280	25,475	134,755
At 31 December 2021	174,942	25,475	200,417
Carrying amount			
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 £193,836 (note 9) and software development consultancy costs of £74,701.

The licence intangible asset arose when Northcoders Limited acquired the share capital of Northcoders TechEd Limited on 14 December 2020. The consideration paid in excess of the acquired net assets is solely recognised as a licence intangible because the licence was the sole asset held by TechEd at acquisition. Accordingly, the Directors have determined that the value paid, which was determined on an arm's length basis, represents the fair value of the licence (note 16). 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.

Notes to the Group financial statements continued

For the year ended 31 December 2021

15 Intangible assets continued

The NPV of future cash flows is based on budgets and forecasts for the next three years to 2024, using growth rates based on projections, which are based on market expectations for the Group. A discount rate of 17.3% has been used based on the Group's estimated cost of capital, and varied based on the risk profile of the underlying assets. The outcome of the impairment test is insensitive to a 5% reduction in growth, or a 2% increase in the discount rate.

16 Property, plant and equipment

	Leasehold improvements £	Fixtures and fittings £	Plant and equipment £	Computers £	Right-of-use assets £	Total £
Cost						
At 1 January 2020	110,892	145,028	3,578	78,898	279,248	617,644
Additions	2,224	879	—	12,775	782,809	798,687
Disposals	—	(12,124)	(3,578)	(8,783)	(279,248)	(303,733)
At 31 December 2020	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
Accumulated depreciation and impairment						
At 1 January 2020	—	48,403	3,353	40,009	148,086	239,851
Charge for the year	22,623	33,129	14	23,416	165,672	244,854
Impairment loss (profit or loss)	61,218	—	—	—	529,570	590,788
Eliminated on disposal	—	(5,456)	(3,367)	(5,876)	(159,762)	(174,461)
At 31 December 2020	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
Carrying amount						
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.

Notes to the Group financial statements continued

For the year ended 31 December 2021

16 Property, plant and equipment continued

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%.

Following the change in business strategy after Covid-19, the Manchester office is now substantially unutilised. As such, an impairment has been recognised in the prior year against the lease for the portion not used for head office purposes.

17 Subsidiaries

Details of the Company's subsidiaries at 31 December 2021 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.

18 Contracts with customers

	2021 Period end £	2020 Period end £	2020 Period start £
Contracts in progress			
Contract assets	801,119	19,030	—

19 Trade and other receivables

	2021 £	2020 £
Trade receivables	626,455	208,698
Provision for bad and doubtful debts	(56,765)	—
	569,690	208,698
Contract assets (note 18)	801,119	19,030
Other receivables	3,215	68,521
Prepayments	42,121	2,551
	1,416,145	298,800

Notes to the Group financial statements continued

For the year ended 31 December 2021

19 Trade and other receivables continued

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 £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 £2,999 (2020: £nil).

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.

	2021 £	2020 £
Ageing of past due but not impaired receivables		
Current	319,884	195,329
Past due 0-30 days	261,329	12,179
Past due 31-60 days	—	—
Past due more than 60 days	45,242	1,190
Total receivables before impairment	626,455	208,698

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.

	2021 £	2020 £
Movement in loss allowance		
Balance at 1 January	—	—
Allowance recognised	56,765	—
Balance at 31 December	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	319,884	261,329	—	—	45,242
Expected credit loss	736	1,202	—	—	1,656

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 2021

20 Trade receivables – credit risk continued

At 31 December 2020 the Group had an expected credit loss allowance of 2.34%. Since then the credit control process for EdAid has improved, and the fixed monthly payments on new contracts significantly reduce the risk. As such, for prudence, old contracts have been retained at 2.34% in absence of evidence of a change, whilst new contracts are taken at 80% of this rate, so 1.87%. In addition there is a discounted financing agreement implicit in the receivables, which has been calculated using an estimated discount rate of 7%.

No adjustment was made for this in the prior year on the grounds of materiality.

Overall, the total loss allowance for all trade receivables at 31 December 2020 was disregarded on materiality grounds and therefore not recognised in the financial statements, except for any specific allowances required.

21 Borrowings

	Current		Non-current	
	2021 £	2020 £	2021 £	2020 £
Borrowings held at amortised cost:				
Bank loans	79,337	68,607	320,855	362,399
Other loans	140,049	123,148	191,747	331,796
	219,386	191,755	512,602	694,195

The Group has the following borrowings at 31 December 2021:

- a Coronavirus Business Interruption Loan Scheme (CBILS) borrowing on which undiscounted amounts of £381,543 (2020: £418,750) are due, and which has an interest rate of 3.9% payable from July 2021 when the government grant incentive period expired. The loan is carried at £381,543 (2020: £410,258) in the financial statements. The loan is secured by way of a first priority floating charge over all assets of the Company;
- a Creative England loan on which undiscounted amounts of £340,277 (2020: £472,222) are due, and which has an interest rate of 11%. The loan is carried at £331,796 (2020: £454,944) 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; and
- a Bounce Back Loan Scheme on which undiscounted amounts of £18,649 (2020: £20,962) 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 £18,649 (2020: £20,748) in the financial statements. There is no secured element on the loan.

Of these loans, £6,250 (2020: £45,599) falls due for repayment in more than five years.

22 Trade and other payables

	2021 £	2020 £
Trade payables	132,328	128,874
Accruals	205,656	217,753
Social security and other taxation	74,397	142,899
Other payables	54,901	28,946
	467,282	518,472

Notes to the Group financial statements continued

For the year ended 31 December 2021

23 Lease liabilities

	2021 £	2020 £
Maturity analysis		
Within one year	219,555	202,056
In two to five years	703,961	606,169
In over five years	58,550	—
Total undiscounted liabilities	982,066	808,225
Future finance charges and other adjustments	(89,499)	(77,563)
Lease liabilities in the financial statements	892,567	730,662

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:

	2021 £	2020 £
Current liabilities	181,043	167,916
Non-current liabilities	711,524	562,746
	892,567	730,662

Amounts recognised in profit or loss include the following:

	2021 £	2020 £
Interest on lease liabilities	36,616	43,551

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.

24 Deferred revenue

	2021 £	2020 £
Arising from contracts with customers	21,813	120,388

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 of 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.

Notes to the Group financial statements continued

For the year ended 31 December 2021

25 Financial instruments continued

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 21.

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

	2021 £	2020 £
Coronavirus Business Interruption Loan Scheme	381,543	—
Creative England loan	331,796	454,944
Bounce Back Loan Scheme	18,649	—
	731,988	454,944

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 Creative England loan has a fixed interest rate of 11%.

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 assets. Interest rates on the Creative England and the Bounce Back Loan Scheme borrowings are fixed and therefore considered to be low risk. The Coronavirus Business Interruption Loan Scheme borrowing interest rate is exposed to fluctuations in base rate although still considered to be low risk and no sensitivity analysis has been prepared on any of the borrowings as the impact on financial information would not be significant.

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 Group's borrowings is shown below:

	2021 £	2020 £
Less than one year	400,429	359,671
Two to five years	1,128,377	1,211,342
Over five years	95,749	45,599
	1,624,555	1,616,612

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, as evidenced when bank borrowing arrangements were incepted during the Covid-19 trading difficulties during 2020.

The carrying amount of financial instruments is shown below:

	2021 £	2020 £
Carrying amount of financial assets		
Debt instruments at amortised cost	1,374,024	296,254
Cash and cash equivalents	1,564,645	525,671
	2,938,669	821,925
Carrying amount of financial liabilities	2,039,253	2,112,719
Measured at amortised cost	2,039,253	2,112,719

Notes to the Group financial statements continued

For the year ended 31 December 2021

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	165,667	65,918	44,891	19,778	—	296,254
Cash and cash equivalents	525,671	—	—	—	—	525,671
As at 31 December 2020	691,338	65,918	44,891	19,778	—	821,925
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
Financial liabilities						
Trade and other payables	305,948	190,159	—	—	—	496,107
Borrowings	44,792	164,757	225,297	432,837	45,610	913,293
Leases	50,515	151,542	202,056	404,113	—	808,226
As at 31 December 2020	401,255	506,458	427,353	836,950	45,610	2,217,626
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

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 to 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 2021

25 Financial instruments continued

Capital management continued

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

	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 £
Liquidity gap						
As at 31 December 2020	290,083	(440,540)	(382,462)	(817,172)	(45,610)	(1,395,701)
As at 31 December 2021	2,224,906	(238,682)	(454,310)	(745,171)	(60,423)	726,320

All assets and liabilities are held in sterling.

26 Deferred taxation

	2021 £	2020 £
Deferred tax liabilities	(134,474)	(85,076)
Deferred tax assets	256,350	159,521
	121,876	74,445

Notes to the Group financial statements continued

For the year ended 31 December 2021

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 2020	33,801	100,613	—	—	23,550	—	—	157,964
Deferred tax asset at 1 January 2020	—	—	(2,600)	—	—	—	(102,004)	(104,604)
Deferred tax movements in prior year								
Charge/(credit) to profit or loss	(22,723)	(136,759)	(17,122)	—	27,015	19,361	(1,345)	(131,573)
Effect of change in tax rate – profit or loss	1,303	—	(304)	—	2,769	—	—	3,768
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 current 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 31 December 2021	(10,707)	—	—	—	(104,661)	(19,106)	—	(134,474)
Deferred tax asset at 31 December 2021	—	130,236	3,483	20,500	—	—	102,131	256,350

Deferred tax balances are carried at 25% (2020: 19%) except where they were expected to reverse within one year, when they were carried at 19%.

At the reporting end date the Company has unused tax losses of approximately £520,000 available for offset against future profits. A deferred tax asset has been recognised in respect of all of these losses.

27 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	52,692	32,499

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 £13,933 (2020: £11,045) at the end of the year.

Notes to the Group financial statements continued

For the year ended 31 December 2021

28 Share-based payment transactions

	Number of share options		Weighted average exercise price	
	2021	2020	2021 £	2020 £
Outstanding at 1 January 2021	—	—	—	—
Granted in the period	480,000	—	0.67	—
Forfeited in the period	(25,000)	—	0.05	—
Outstanding at 31 December 2021	455,000	—	1.60	—
Exercisable at 31 December 2021	—	—	—	—

The options outstanding at 31 December 2021 had an exercise price ranging from £0.01 to £1.80, and a remaining average contractual life of 1.6 years.

During 2021, options were granted on 27 July 2021. The weighted average fair value of the options on the measurement date was £590,055. In addition, a number of options were granted in February 2021 which were subsequently cancelled in June 2021 and replaced in July 2021 with the current version. As such, disclosure of the original scheme is not provided here.

Inputs were as follows:

	2021	2020
Weighted average share price (£)	1.80	—
Weighted average exercise price (£)	1.59	—
Expected volatility	109.90%	—
Expected life (years)	2	—
Risk-free rate	0.17%	—
Expenses		
Related to equity settled share-based payments (£)	114,341	—

In addition to costs incurred as part of the Group's admission to AIM, 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, at a price of £1.80 per share, any time up to three years after the admission date. These warrants have been accounted for in accordance with IFRS 2, although the Group has rebutted the presumption that such costs are more reliably measured by reference to the value of service received on the grounds that this cannot be reliably measured without the use of an option pricing model. As such, the warrants have been valued and expensed in accordance with a Black-Scholes valuation of the warrants granted, which has given a total fair value of £32,358. As this only relates to the admission to AIM, it has been expensed in full at the point of admission to AIM and is included within exceptional IPO costs in the income statement.

29 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of 1p each	6,944,445	—	69,444	—

Reconciliation of movements during the year

	Number
At 1 January 2021	—
Issued on incorporation	1
Share-for-share exchange	5,000,000
Issued on admission to AIM	1,944,444
At 31 December 2021	6,944,445

On 24 June 2021, the entire issued share capital of Northcoders Limited was transferred to Northcoders Group PLC in exchange for the issue of shares to the then shareholders of the Company in the same proportions as held by those shareholders.

Notes to the Group financial statements continued

For the year ended 31 December 2021

30 Share premium account

	2021 £	2020 £
At the beginning of the year	—	—
Issue of new shares	2,891,314	—
At the end of the year	2,891,314	—

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

31 Other reserves

	2021 £	2020 £
At the beginning of the year	—	—
Share-for-share exchange	(50,000)	—
At the end of the year	(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.

32 Commitments and contingent liabilities

The Group has no contingent liabilities or capital commitments (2020: none).

33 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'.

	2021 £	2020 £
Salary	607,437	229,730
Post-employment benefits	5,259	8,467
Share-based payments	27,031	—
	639,727	238,197

Other transactions with related parties

In addition to Directors' remuneration (note 10), consultancy fees were paid to S Lindsay of £2,100 (2020: £13,579). 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 £56,500 with Silversmith Consulting Limited, a company of which A Parker is also a Director. In addition to this, a further £56,500 payable to Silversmith Consulting Limited has been offset against share premium as costs of listing on AIM.

Notes to the Group financial statements continued

For the year ended 31 December 2021

34 Directors' transactions

Loans have been advanced to the Directors by the Group as follows:

Loans	% Rate	Opening balance £	Amounts advanced £	Interest charged £	Amounts repaid £	Closing balance £
Mr C Hill	2.25	40,051	3,000	422	(43,473)	—
Mr A Batra	2.25	5,475	3,000	38	(8,513)	—
		45,526	6,000	460	(51,986)	—

Loans advanced to both Directors were fully repaid (including interest) in June 2021, prior to the Company's admission to AIM.

35 Employees

Company

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

	2021 Number	2020 Number
Executive Directors	3	—
Non-Executive Directors	2	—
Total	5	—

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	35,000	—
Pension costs	3,477	—
	38,477	—

36 Investments – Company

	Current		Non-current	
	2021 £	2020 £	2021 £	2020 £
Investments in subsidiaries	—	—	114,341	—

Notes to the Group financial statements continued

For the year ended 31 December 2021

36 Investments – Company continued

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	—
Share-based payment charges	114,341
At 31 December 2021	114,341
Carrying amount	
At 31 December 2021	114,341
At 6 May 2021	—

The Company has an investment in the entire issued share capital of Northcoders Limited, which was acquired in 2021 via a share-for-share exchange. There is no cost associated with the investment, as the corresponding debit for the transaction has been recorded within other reserves.

The Company has further granted share options over its own shares, in respect of staff employed by Northcoders Limited. The fair value charge in respect of these options has therefore been recognised as an increase in the investment in Northcoders Limited. Details of the options to which this relates are given in note 28.

37 Trade and other receivables

	2021	2020
Company	£	£
Amounts owed by subsidiary undertakings	2,608,176	—
Prepayments	5,000	—
	2,613,176	—

38 Trade and other payables

	2021	2020
Company	£	£
Trade payables	89	—
Accruals	38,477	—
	38,566	—

39 Deferred taxation

	2021	2020
Company	£	£
Deferred tax assets	44,689	—
	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 liability at 1 January 2020 and 1 January 2021	—
Deferred tax movements in current year	
Charge/(credit) to profit or loss	33,964
Effect of change in tax rate – profit or loss	10,725
Deferred tax asset at 31 December 2021	44,689

40 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.

41 Share capital – Company

Refer to note 29 of the Group financial statements.

Glossary of terms

AIM	Alternative Investment Market	FVPL	fair value through profit or loss
APM	Alternative Performance Measure	GPM	gross profit margin
CBILS	Coronavirus Business Interruption Loan Scheme	the Group	Northcoders Group PLC and its subsidiaries
CEO	Chief Executive Officer	IFRS	International Financial Reporting Standards
CFO	Chief Financial Officer	ISBA	Incorporated Society of British Advertisers
CJRS	Coronavirus Job Retention Scheme	KPIs	key performance indicators
EBIT	earnings before interest and tax	LTIP	Long-Term Incentive Plan
EBITDA	earnings before interest, tax, depreciation and amortisation	Net debt	long-term borrowings, short-term borrowings less cash and cash equivalents
EBT	Employee Benefit Trust	NPV	net present value
ECL	expected credit losses	PwC	PricewaterhouseCoopers LLP
EPS	earnings per share	QCA	Code Quoted Companies Alliance Corporate Governance Code
ESFA	Education and Skills Funding Agency	RCF	revolving credit facility
ESOP	Executive Share Option Plan	SECR	Streamline Energy and Carbon Reporting
FMCG	fast-moving consumer goods	SONIA	Sterling Overnight Index Average
FRS 101	Financial Reporting Standard 101 'Reduced Disclosure Framework'	TSR	total shareholder return
FVOCI	fair value through other comprehensive income	Underlying performance	underlying performance refers to the results of operations performance before highlighted items

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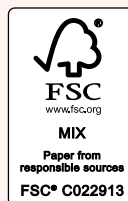
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