For immediate release **28 September 2021**

Northcoders Group PLC
('Northcoders' or the 'Group')

Interim Results

Group delivers profitability with UK investment in IT training driving revenues and growth

Northcoders (AIM:CODE), an independent provider of training programmes for software coding, is pleased to announce its results for the six months ended 30 June 2021 ('H1 2021' or the 'Period').

Financial Highlights

- Revenue for the Period of £1.085 million (H1 2020: £0.698 million), up 55% despite teaching limited to 'online only' for the majority of the Period
- A return to profitability despite the ongoing Covid-19 pandemic, generating profits before tax of £0.018 million (H1 2020: loss of £0.543 million)
- Underlying EBITDA of £0.258 million (H1 2020: breakeven) giving adjusted EPS of 0.47 pence
- Post Period end, successful IPO of the Group raised funds of £3.5 million (before costs) to accelerate the Group's growth strategy and geographic expansion
- Q3 FY 2021 trading continues at record levels and as of 20 September 2021 contracted bookings stood at £2.871 million, approximately 96% of the target revenue for FY 2021, giving the Group confidence in delivering FY 2021 results in line with expectations

Business Highlights

- Core hubs successfully reopened in north of England with Manchester reopening on 4 May and Leeds on 21 June and plans continue for geographic expansion in H2 2021
- Consumer bootcamp demand reached record levels
    - At the end of August 2021 applications were at 162% of that experienced in the full year in 2019 (the most recent comparable period pre-Covid)
    - Number of corporate hiring partners continues to increase, most recently including NHS Digital, Pretty Little Thing and FTSE 100 publishing group, Informa
    - Post Period end awarded a £1.65 million government-funded scholarship programme, oversubscribed within five days of launch, giving significant revenue visibility for the second half of the year
    - Group continues to progress conversations with Department for Education for similar future public funding options
- Successfully launched Apprenticeship programme in January 2021 following the government's Education Skills Funding Agency accreditation
    - Apprentices enrolled on programme in the Period were ahead of management's expectations at 61 students
    - Apprenticeships span the length and breadth of the UK, driving the Group's geographic reach
    - Group is looking into new apprenticeship standards with potential to expand the Apprenticeships offering
- Corporate Solutions generated increasing revenue, with post Period end contracts with Ove Arup and NHS Digital achieved
- Group capacity to teach students on programme, across the board, at any one time, increased by 15% vs. 2020 across all types and will increase by a further 74% in Q3 2021
- Applications expected to accelerate as a result of increased marketing spend post-IPO

Chris Hill, CEO of Northcoders, said: "2021 has been a hugely successful year for Northcoders so far and I would like to thank all of the team for their efforts. Not only did we successfully complete our IPO and raise fresh capital to accelerate our expansion, but demand for our services has hit record highs, giving us confidence in our ability to deliver returns to our new shareholders.

"As the digital skills gap gains greater public attention and career changes are more widely considered by individuals, we are confident that we are well positioned to capitalise on this growth in the IT training sector. We have a best-in class reputation among consumers and corporates alike, and our recent success in securing government funding gives us strong revenue visibility. We are now training students across the length and breadth of the UK, and believe that the full scope of our business model, combined with the benefits of our public listing, will only serve to continue this expansion."

Analyst meeting
A virtual meeting for sell-side analysts will be held at 10.30 a.m. today, 28 September 2021. Please contact Buchanan via northcoders@buchanan.uk.com if you wish to join the meeting. A copy of the Interim Results presentation will be available on the Group's website later today: www.northcodersgroup.com.

Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) ("MAR") prior to its release as part of this announcement and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

- Ends -

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Notes to Editors
Northcoders is a market leading provider of B2B and B2C coding and software development training. Founded in 2015, its business model operates a hybrid structure with flagship sites in Manchester and Leeds supported by a best in class digital offering to businesses and individuals across the UK.

Powered by IP rich technology, Northcoders' coding school offers boot camp courses to consumers from a range of backgrounds, delivered through virtual and physical learning. The Group also works with blue chip corporates across multiple sectors to supply innovative EdTech solutions for the upskilling and reskilling of employees, and is a registered provider of government-backed apprenticeships in the field.
With a keen focus of inclusivity, diversity and quality at its core, Northcoders aims to address the digital skills gap in the UK to meet the increasing demand for digital specialists from corporate and government. It operates in a significant and growing market with structural growth trends further accelerated by Covid-19.

Northcoders was admitted to trading on AIM in July 2021 with the ticker CODE.L. For additional information please visit www.northcodersgroup.com.

Introduction

The Board of Northcoders Group is pleased to present its first interim results following its admission to trading on AIM on 27 July 2021. The IPO of the Group raised funds of £3.5 million (before costs) in order to accelerate Northcoders' growth plans. It is only two months since the IPO but it is pleasing to report that good progress is being made across the Group's consumer bootcamps, apprenticeships and corporate solutions and in terms of the Group's increasingly nationwide appeal.

Profitability in the first half of the year has also been encouraging and a continued tight control over costs, whilst implementing our planned growth strategy, indicates that targets for the full year should be achieved.

Financial Review

Northcoders delivered a strong performance in the six months ended 30 June 2021, returning to profitability despite the on-going impact of Covid.

Revenue for the Period was £1.085 million (H1 2020: £0.698 million), up 55% on the equivalent period last year. Individual training generated revenue of £0.927 million, including £0.522 million from newly launched apprenticeships. Corporate Solutions generated revenue of £0.157 million.

Gross profit for the Period was £0.788 million (H1 2020: £0.478 million) with the gross margin increasing to 72.6% from 68.5%.

EDITDA, adjusted for share based payments and exceptional items, was £0.258 million (H1 2020: breakeven).

Profit before tax was £0.018 million (H1 2020: loss £0.638 million).

Review of Period

At the turn of the calendar year, Northcoders was operating online-only due to the Coronavirus restrictions in place. It was not until towards the end of the Period that our hubs reopened with Manchester opening on 4 May 2021 and Leeds on 21 June 2021.

We were very encouraged that, whilst we operated entirely remotely for a large proportion of the Period, the time and investment in our systems, marketing strategy and delivery processes during 2020 led to an operating profit in the first half of the year. During the first half of the year, the number of Northcoders students in training at any one particular time increased by 15% on 2020 across all programme types and this will increase further by 74% in Q3 2021. This is testament to our hybrid model and is a credit to our growing team.

Having acquired accreditation with the government's Education Skills Funding Agency in 2020, the Group launched its bespoke Apprenticeship programme in January. In the Period Northcoders enrolled 61 apprentices, which was ahead of expectations.

Post Period end

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 180 pence per share, which raised £2.6 million, net of expenses, to fund the continued development of the Group.

Following the flotation, the Company has 6,944,445 ordinary shares of one pence each in issue.

As at 31 August 2021 the Group's cash balance stood at £2.458 million.

Training revenues
Training revenues comprise consumer boot camps and apprenticeships.

Consumer Bootcamps
Consumer demand for the Group's core bootcamp courses continues to grow strongly. Applications from individuals have been boosted, as more individuals look to change their careers. This is reflected in applications which by the end of August had reached 162% of that experienced in the full year 2019 (the most recent comparable period). With the benefit of increased marketing spend following the fundraise at IPO, the Board expects this growth in demand to continue as Northcoders expands its list of hiring partners.

Encouragingly, as the country moves away from the pandemic, it is very clear that not only is there a significant requirement for a large number of additional tech-trained individuals in the workforce, but also we see an increasing number of individuals who are looking to train or retrain as software developers and engineers, thus meeting this growing demand. This has been reflected in the rapid growth in salaries that these students earn on qualifying from the Northcoders course.

By closely monitoring the progress of our alumni, it is satisfying to see the vast majority of them are not only rapidly gaining suitable employment following qualification, but also progressing fast within the industry. It is these individuals, with their Northcoders background, who act as ambassadors for the training that the Group provides and once noticed by their employer companies, they too become convinced of the value of a Northcoders training programme and seek out further such staff for training to meet their own corporate needs.

We have continued to increase the number of our hiring partners which now stands at over 270. Some of the most recent include NHS Digital, Pretty Little Thing (the online clothing retailer) and the FTSE 100 British publishing, intelligence, and exhibitions group, Informa.

After the Period end, Northcoders' sector leadership was acknowledged when the Group was successfully awarded a £1.65 million government funded scholarship programme for its training courses. This was intended to be awarded to students over a nine-month period but was in fact oversubscribed within five days of launch, demonstrating the strength of demand for quality training. In consequence, Northcoders is being encouraged by the Department for Education to make additional applications for possible further government funding since this area of training is perceived to be crucial for ensuring the development of the IT-led high skills economy.

In-keeping with Northcoders' strive for inclusivity, the Group is currently exploring further financing mechanisms to increase consumer bootcamp accessibility.

Apprenticeships
After the successful launch of Apprenticeships in January 2021 the Group is pleased to report 61 apprentices enrolled as of 30 June 2021. These apprentices span the length and breadth of the UK with learners from companies based as far south as Plymouth and as far north as Darlington and Penrith. This supports the Group's plans for geographical expansion and will assist in creating presence in new areas. The Group is currently looking into new apprenticeship standards with potential to grow the division and expand the Group's offerings.

Corporate Solutions
Northcoders' Corporate Solutions division continues to attract new business with revenue for the year already ahead of the 2020 full year revenue. Since the Period end, Northcoders has signed agreements 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. The Group has also secured further software development work for The City of Manchester Council's Adult Education Department. Historically, we have not forecast potential revenues arising from corporate programmes due to its unpredictable nature and our expectation that companies would prefer to take advantage of government funded apprenticeship schemes. However, it is now becoming apparent that bespoke, localised training for the corporate sector is a growing opportunity to drive the growth of Northcoders nationwide.

Geographic expansion and Hub roll out

Northcoders' geographical reach is expanding considerably. For example, as mentioned above, the Group's Apprenticeship division has secured new business across the UK, from regions as far south as Plymouth and as far north as Darlington and Penrith, Cumbria. As outlined at the time of the IPO, the Group continues 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. A new lease has been signed in Leeds for a premises that can accommodate the Company's recent and future growth. Activity has commenced in Birmingham with ten students already signed up in the region. Marketing has commenced to plan, whilst the physical hub opening has been postponed due to uncertainty around the UK government's winter plan to 'stay at home'. The Company will monitor this and will strategically plan the hub launch accordingly.

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, Newcastle and Sheffield. Northcoders has signed students from all three of these areas. 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.

Outlook

The level of attention being given to IT training by government bodies, corporates and individuals has proven to be most encouraging. Northcoders has been awarded funding from the Department for Education to provide scholarships in the north of England, while nationwide our training programmes for corporates are being widely adopted. Furthermore, we are seeing a growth in the number of applications for our bootcamp courses from individuals who are keen to pursue a career in software development and IT.

This progress gives the Company confidence for the future and in the Group's strategy for further growth. As well as the hub roll out, Northcoders intends to make further investment into its apprenticeship offering with the aim of launching new products in Q1 2022.

The Group continues to trade in line with expectations for the year, both in terms of revenue and underlying profitability. As at 20 September 2021, contracted bookings for the year to December 2021 stood at £2.871 million, approximately 96% of the target revenue.

Chris Hill
CEO
28 September 2021

Consolidated Statement of Comprehensive Income
For the period ended 30 June 2021

	Notes	6 months ended 30 June 2021 £	6 months ended 30 June 2020 £	Year ended 31 December 2020 £
Revenue		1,085,646	698,860	1,341,493
Cost of sales		(297,228)	(220,218)	(449,318)
Gross profit		**788,418**	**478,642**	**892,175**
Other operating income		142,748	86,750	153,635
Expenditure		(673,286)	(567,933)	(1,300,879)
Adjusted EBITDA		**257,880**	**(2,541)**	**(255,069)**
Covid related costs		-	(443,092)	(590,788)
Share based payment expense		(5,042)	-	-
Depreciation		(75,120)	(128,277)	(244,840)
Amortisation		(99,468)	(19,980)	(44,347)
Total administrative expenditure		(852,916)	(1,159,282)	(2,180,854)
Operating (loss)/profit		**78,250**	**(593,890)**	**(1,135,044)**
Finance income		2,161	1,522	2,200
Finance costs		(61,772)	(46,487)	(112,705)
Profit/(loss) before tax		**18,639**	**(638,855)**	**(1,245,549)**
Taxation		(267)	95,978	307,214
Net profit/(loss) after tax		**18,372**	**(542,875)**	**(938,335)**
Total comprehensive income/(loss) for the year attributable to equity shareholders of the parent		**18,372**	**(542,875)**	**(938,335)**
Basic earnings per share (pence)	**6**	0.37	(10.86)	(18.77)
Adjusted earnings per share (pence)	**6**	0.47	(2.00)	(6.95)
Diluted earnings per share (pence)	**6**	0.37	(10.86)	(18.77)

Consolidated Statement of Financial Position
For the period ended 30 June 2021

	Notes	30 June 2021 £	30 June 2020 £	31 December 2020 £
Non-current assets				
Intangible assets	**3**	388,978	213,947	361,289
Property, plant and equipment	**4**	72,483	167,212	112,323
Right of use assets	**5**	74,322	308,809	99,243
Deferred tax assets		100,250	-	113,345
		636,033	689,968	**686,200**
Current assets				
Trade and other receivables		1,091,481	214,695	298,805
Current tax receivable		235,931	149,793	245,938
Deferred tax assets		30,517	29,443	45,805
Cash and cash equivalents		356,087	588,439	525,671
		1,714,016	982,370	**1,116,219**
Total assets		**2,350,049**	**1,672,338**	**1,802,419**
Current liabilities				
Borrowings		(216,747)	(79,906)	(191,755)
Trade and other payables		(1,330,526)	(509,732)	(639,006)
Lease liability		(122,073)	(112,857)	(167,916)
Deferred tax provision		(30,355)	(33,685)	(29,586)
		(1,699,701)	(736,180)	**(1,028,263)**
Net current assets/(liabilities)		**14,315**	**246,191**	**87,956**
Non-current liabilities				
Borrowings		(616,274)	(400,631)	(694,195)
Lease liability		(475,269)	(647,856)	(562,746)
Deferred tax provision		(73,666)	(30,488)	(55,490)
		(1,165,209)	(1,078,975)	**(1,312,431)**
Total liabilities		**(2,864,910)**	**(1,815,155)**	**(2,340,694)**
Net assets/(liabilities)		**(514,861)**	**(142,817)**	**(538,275)**
EQUITY				
Share capital		50,000	-	-
Merger reserve		500	187,591	187,591
Other reserve		(50,000)	-	-
Retained earnings		(515,361)	(330,408)	(725,866)
Total equity		**(514,861)**	**(142,817)**	**(538,275)**

Consolidated Statement of Changes in Equity
For the Period Ended 30 June 2021

	Share capital	Share premium	Share option reserve	Merger reserve	Other reserve	Retained earnings	Total equity attributable to owners of the parent
	£	£	£	£	£	£	£
At 1 January 2020	-	-	-	187,591	-	212,469	400,060
Loss for the period	-	-	-	-	-	(542,877)	(542,877)
At 30 June 2020	**-**	**-**	**-**	**187,591**	**-**	**(330,408)**	**(142,817)**
Loss for the period	-	-	-	-	-	(395,458)	(395,458)
At 31 December 2020	**-**	**-**	**-**	**187,591**	**-**	**(725,866)**	**(538,275)**
Capital reduction	-	-	-	(187,091)	-	187,091	-
Share for share exchange	50,000	-	-	-	(50,000)	-	-
Profit for the period	-	-	-	-	-	18,372	18,372
Share option expense	-	-	5,042	-	-	-	5,042
Cancellation of share options	-	-	(5,042)	-	-	5,042	-
At 30 June 2021	**50,000**	**-**	**-**	**500**	**(50,000)**	**(515,361)**	**(514,861)**

Consolidated Statement of Cashflows
For the Period Ended 30 June 2021

	Notes	6 months ended 30 June 2021	6 months ended 30 June 2020	Year ended 31 December 2020
		£	£	£
Cash flows from operating activities:				
(Loss)/profit for the year		18,372	(542,877)	(938,335)
Adjustments for:				
Tax (credit)/charge		267	(95,978)	(307,214)
Finance costs		61,772	46,487	112,592
Finance income		(2,161)	(1,522)	(2,087)
Government grant income via present value adjustment		-	-	(15,615)
Share based payment expense		5,042	-	
Amortisation of intangible assets		99,468	19,980	44,347
Depreciation of tangible assets		75,120	128,277	244,840
Impairment of tangible assets		-	443,092	590,788
(Profit) on disposal of assets		-	(11,708)	(11,708)
		257,880	**(14,249)**	**(282,392)**
Changes in working capital:				
(Increase)/decrease in trade & other receivables		(792,216)	123,225	39,678
Increase/(decrease) in trade & other payables		748,564	(221,984)	(157,308)
Cash from/(used in) operations		214,228	(113,008)	(400,022)
Interest paid		(49,095)	(43,967)	(88,723)
Income taxes received/(paid)		57,068	24,443	24,443
Net cash (outflow)/inflow from operating activities		**222,201**	**(132,532)**	**(464,302)**
Cash flows from investing activities				
Interest received		1,701	150	150
Capitalised development costs		(127,157)	(95,406)	(165,216)
Purchase of property, plant & equipment		(10,359)	(15,878)	(15,878)
Proceeds on disposal of property, plant & equipment		-	2,409	2,409
Payment of deferred consideration		(57,000)	-	-
Business combinations, net of cash received		-	-	(17,973)
Net cash (used in) investing activities		**(192,815)**	**(108,725)**	**(196,508)**

Cash flow from financing activities			
Proceeds from issue of new shares	-	-	-
Dividends paid	-	-	-
Proceeds from new bank loans and borrowings	-	475,000	925,000
Repayments of bank loans and borrowings	(65,650)	(43,250)	(105,296)
Payment of lease obligations	(133,320)	(23,255)	(54,424)
Net cash (used in)/from financing activities	**(198,970)**	**408,495**	**765,280**
Net cash increase in cash	**(169,852)**	**167,238**	**104,470**
Cash and cash equivalents at beginning of the Period	**525,671**	**421,201**	**421,201**
Cash and cash equivalents at end of the Period	**356,087**	**588,439**	**525,671**

Notes to the Financial Statements
For the Period Ended 30 June 2021

1. General information

Northcoders Group Plc is a Company incorporated in the United Kingdom. The registered address of the Company is Manchester Technology Centre, Oxford Road, Manchester, M1 7ED. The consolidated financial statements (or "financial statements") incorporate the financial statements of the Company and entities (its subsidiaries) controlled by the Company (collectively comprising the "Group").

The principal activity of the Group is the provision of software development courses.

2. Accounting policies

2.1. Basis of preparation

The financial information set out in these interim consolidated financial statements for the six months ended 30 June 2021 is unaudited. The financial information presented are not statutory accounts prepared in accordance with the Companies Act 2006, and are prepared only to comply with AIM requirements for interim reporting. The Group has not previously had audited statutory financial statements. The first annual financial statements of the Group to 31 December 2021 will be prepared in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006.

The interim consolidated financial statements have been prepared using consistent accounting policies as those adopted in the historical financial information for the three years ended 31 December 2020, as prepared for the purpose of the Group's admission to AIM, and those that the Directors expect to be applicable as at 31 December 2021.

The Group has applied the principles of merger accounting in consolidating the results, as control was only acquired by Northcoders Group Plc via 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.

2.2. Basis of consolidation

The Group financial statements consolidate those of the parent company and the subsidiaries of which the parent has control. Control is established when the parent is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary, which for the acquisition described in note 16 is determined through an option to purchase the remaining shares in the subsidiary.

Where a subsidiary undertaking is acquired/disposed of during the year, the consolidated profits or losses are recognised from/until the effective date of the acquisition/disposal, being the date on which control is obtained or lost.

All inter-company balances and transactions between group companies have been eliminated on consolidation.

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies used into line with those used by the Group.

The Group applies the acquisition method of accounting for business combinations enacted after the date of creation of the Group, as detailed further below. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair value of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquired subsidiary's financial information prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

2.3. 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 flows for the foreseeable future, being a Period of at least 12 months from the expected date of approval of the interim financial statements.

At the time of approving the interim financial statements, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In addition, the directors have considered the ongoing impact of the Coronavirus and its potential impact on trading activities in the UK. The Directors do not believe that the short-term impact of this is likely to have a fundamental detrimental effect on the ongoing business. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the historical financial statements.

2.4. 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 COVID-19 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 scheme 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 Income in the same Period.

2.5 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. This is determined as follows:

- For coding boot camps, 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 consumer development, 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.
- For apprenticeship income, the Group receives lump-sum drawdowns at regular intervals, which typically match to delivery dates for the courses. In addition, the Group receives a contingent success fee, payable at the end. The Group assesses the probability of success and accrues this on a percentage of completion basis as the course progresses; otherwise income is recognised as for coding boot camps.

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.

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.

2.6 Development assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred. Development costs incurred after the point at which the commercial and technical feasibility of the product have been proven, and the decision to complete the development has been taken and resources made available, are capitalised. The expenditure capitalised is solely the cost of direct labour. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

All development assets are amortised over their estimated useful life of four years.

3. Intangible fixed assets

	Development costs	Licence	Total
	£	£	£
Cost			
At 1 January 2021	325,053	101,898	426,951
Additions	127,156		127,156
Disposals	-	-	-
At 30 June 2021	**452,210**	**101,898**	**554,108**
Amortisation and impairment			
At 1 January 2021	65,662	-	65,662
Amortisation charged for the year	86,731	12,737	99,468
At 30 June 2021	**152,393**	**12,737**	**165,130**
Carrying amount			
At 30 June 2021	299,817	89,161	388,978
At 31 December 2020	259,391	101,898	361,289

4. Property, plant and equipment

	Computer equipment	Fixtures & fittings	Leasehold improvements	Total
	£	£	£	£
Cost				
At 1 January 2021	82,890	133,783	113,116	329,789
Additions	10,359	-	-	10,359
Disposals	-	-	-	-
At 30 June 2021	**93,249**	**133,783**	**113,116**	**340,148**
Depreciation and impairment				
At 1 January 2021	57,549	76,076	83,841	217,466
Depreciation charged for the year	18,123	29,023	3,053	50,199
At 30 June 2021	**75,672**	**105,099**	**86,894**	**267,665**
Carrying amount				
At 30 June 2021	17,577	28,684	26,222	72,483
At 31 December 2020	25,341	57,707	29,275	112,323

5. Right of use assets

	Right of use asset £
Cost	
At 1 January 2021	782,809
Additions	-
Disposals	-
At 30 June 2021	**782,809**
Depreciation and impairment	
At 1 January 2021	683,566
Depreciation charged for the year	24,921
At 30 June 2021	**708,487**
Carrying amount	
At 30 June 2021	74,322
At 31 December 2020	99,243

IFRS 16 has been adopted and leased assets are presented as a separate line item in the Statement of Financial Position, as right of use assets. Payments in respect of short term and/or low value leases (where leases have a value of less than £5,000, or less than 12 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 being 5.5%.

Following a change in business strategy after Covid-19, the new Manchester office is now substantially unutilised. The Directors have estimated that 75% of the impairment taken in the financial statements to 31 December 2020 would have been charged as at 30 June 2020, and as such this is presented as an expense in the comparative six month Period.

6. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings	**6 months ended 30 June 2021**	**6 months ended 30 June 2020**
	£	**£**
Earnings for the purpose of basic earnings per share being net profit attributable to owners of the parent	18,372	(542,877)
Earnings for the purposes of diluted earnings per share	**18,372**	**(542,877)**

Number of shares	**6 months ended 30 June 2021**	**6 months ended 30 June 2020**
	£	**£**
Weighted average number of ordinary shares for the purposes of basic earnings per share	5,000,001	5,000,001
Effects of dilutive potential ordinary shares	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	5,000,001	5,000,001

The number of shares in existence at the 30 June 2021 date is used throughout. 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.

Earnings per share

Earnings	**6 months ended 30 June 2021**	**6 months ended 30 June 2020**
Pence per weighted average shares	0.37p	(10.86p)
Pence per weighted average diluted shares	0.37p	(10.86p)

The Directors use adjusted earnings before exceptional costs and share based payment expenses. At the year-end it is anticipated that this will also include costs of obtaining the Group's admission to AIM as an adjusting item. 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:

Adjusted earnings per share	**6 months ended 30 June 2021 £**	**6 months ended 30 June 2020 £**
Profit/(loss) after taxation	18,372	(542,877)
Adjusted for:		
Exceptional costs	-	443,092
Share-based payment expense	5,042	-
Adjusted earnings	23,414	(99,785)
Pence per weighted average shares	0.47p	(2.00p)
Pence per weighted average diluted shares	0.47p	(2.00p)

7. Events after the reporting Period

On 24 June 2021 the share capital of Northcoders Limited was acquired by Northcoders Group Plc via a share-for-share exchange, in anticipation of the Company's admission to AIM, which was completed on 27 July 2021. On admission the Group was valued at £12.5million and raised proceeds of £3.5million before expenses. This placed the Group's initial price per share at £1.80. The Group incurred a significant level of these expenses in the Period to 30 June 2021, and included within these financial statements are prepayments of £244,775 reflecting costs recognised in respect of the IPO but not yet expensed.

On admission to AIM the Group also entered into the following equity transactions:

- Grant of 425,000 share options with exercise price of £1.80 per share, vesting over a three year period, with a provisional estimated fair value of £491,604.
- Grant of 55,000 share options with exercise price of £0.01 per share, vesting over a one year period, with a provisional estimated fair value of £98,450.
- Inception of 27,293 share warrants as part-consideration for certain services related to the admission to AIM, with exercise price of £1.80 per share at any time over a three year period from admission. These have been calculated to have a provisional estimated fair value of £32,358, which will be recognised immediately in the Group's first annual financial statements.

- Ends -