Independent Auditor's Report to the Members of Learning Technologies Group plc

Opinion on the financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- The Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Learning Technologies Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Notes to the Consolidated Financial Statements, the Company Statement of Financial Position, the Company Statement of Changes in Equity and Notes to the Company Financial Statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard in the United Kingdom and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company 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.

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. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- A critical evaluation of the Director's assessment of the entity's ability to continue as a going concern, covering the period of at least 12 months from the date of approval of the financial statements by;
  - Evaluating the process the Directors followed to make their assessment, including confirming the assessment and underlying projections were prepared by appropriate individuals with sufficient knowledge of the detailed figures as well as an understanding of the entities markets, strategies, and risks.
  - Testing the arithmetical accuracy of the going concern model prepared by management to support the Directors' assessment and the underlying calculations within.
  - Understanding, challenging, and corroborating the key assumptions included in their cash flow forecasts against prior year, our knowledge of the business and industry, the current economic climate, including impact of inflation, and other areas of the audit.
  - Assessing the accuracy of prior year forecasts against results for the year.
  - Enquiring of the Directors, review of board minutes and review of external resources, for any key future events that may have been omitted from cash flow forecasts and assessing the impact these could have on future cash flows and cash reserves.
  - Assessing stress test scenarios and challenging whether other reasonably possible scenarios could occur and including these where appropriate.
  - Confirming that sensitised cashflow forecasts prepared by the Directors included the preparation of a reverse stress test to analyse the level of reduction in trade that could be sustained before a covenant breach or liquidity shortfall would be indicated. We considered the reasonableness of the assumptions used in the sensitised cashflow forecasts using our knowledge of the business and industry.
  - Confirming the financing facilities, repayment terms and financial covenants to supporting documentation. We reviewed the Director's assessment of covenant compliance throughout the forecast period, including compliance within sensitised cash flow forecasts.
  - Considering the adequacy of the disclosures relating to going concern included within the annual report against the requirements of the accounting standards and consistency of the disclosures against the forecasts and going concern 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 Parent 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.

Overview

Coverage	93% (2021: 83%) of Group revenue 89% (2021: 94%) of Group total assets 71% (2021: 72%) of Group adjusted profit before tax*		
Key audit matters		2022	2021
	Revenue recognition	○	○
	Impairment of goodwill and other intangibles	○	○
	Acquisition accounting		○
	Acquisition accounting is no longer considered to be a key audit matter because there have been no material acquisitions during the year and changes to prior period acquisition accounting were not complex.		
Materiality	Group financial statements as a whole £4m (2021: £2.6m) based on 4.4% (2021: 5%) of adjusted profit before tax. Adjusting items are defined in note 5 to the financial statements.		

*adjusted profit before tax coverage included 77% (2021: 78%) of the Group's profits and 99% (2021: 100%) of the Group's losses.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We identified 16 components of which 5 were identified as significant based on their financial contribution. Where a component was considered significant it was subject to full scope audit by the group audit team (2 significant components) or a member of the BDO international network in the US (3 significant components). The group audit team's work on the other components comprised analytical procedures or certain specified audit procedures.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- Issuing detailed audit instructions in order to direct the materiality, scope and approach of the audit;
- Physical attendance with the US component team and local management in the US at the planning and completion stage of the audit for planning discussions and clearance meetings; and
- Performing a detailed review the audit files, both in person and remotely.

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) that 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.

Independent Auditor's Report to the Members of Learning Technologies Group plc (continued)

Key audit matter

Revenue recognition (with reference to notes 2, 3 and 4)

We identified two ways in which we considered the financial statements may be materially misstated in the area of revenue recognition, either as a result of error or fraud:

- Firstly, where revenues are recognised over time based on percentage completion assessed on costs, estimation is required in relation to open contracts to assess the percentage of costs that have been incurred and therefore the revenue to be recognised.
- Secondly, contracts can contain multiple performance obligations which require identification and may be recognised over a number of financial periods. The risk over such contracts is raised in the first year of services being offered as there is a risk that not all contract terms are appropriately interpreted.

Revenue recognition for open fixed price contracts and new contracts is therefore considered to be a key audit matter.

Impairment of goodwill and other intangibles (with reference to notes 2 and 14)

The Directors perform an annual impairment review of goodwill for all cash generating units (CGUs).

This review also covers the carrying value of other intangible assets, property plant and equipment, and other assets of the CGUs.

An impairment review requires significant estimate and judgement from management based on assumptions in respect of future trading performance and are therefore considered to be a key audit matter.

Key assumptions in the impairment reviews include:

- Short-term revenue assumptions including growth rates;
- Long-term growth rates; and
- Discount rates.

Except for the GP Strategies – SFA CGU, which has been fully impaired due to the announced closure of a significant part of that business, management did not identify any impairments from the review.

How the scope of our audit addressed the key audit matter
For GP Strategies only, we tested the operating effectiveness of key controls over the revenue cycle. For a sample of contracts where revenue was recognised based on percentage completion and had been completed during the year, we obtained evidence of contract completion. For a sample of contracts ongoing at the year-end we also verified the basis and accuracy of the period in which revenue was recognised, checked the costs recognised to date and obtained detailed confirmations from project managers, outside of the finance teams, to check the amounts accounted for were in line with their understanding of how the projects were progressed at the year-end date. We selected a sample of other contracts, including a focus on new contracts, and obtained and reviewed the customer signed contracts or other evidence of customer authorisation to critically assess if all performance obligations, including where there are multiple performance obligations, and the relevant periods have been identified appropriately, in line with the requirements of the relevant accounting framework. **Key observations:** Through performing these procedures, we consider that the judgements made in the revenue recognition for open fixed priced contracts and new contracts were appropriate.
We verified management's allocation of assets for each CGU and assessed the allocation based on our knowledge of the Group and its operations. We challenged management's assumptions and assessed the achievability of the forecasts included in the impairment models using a number of techniques including assessing accuracy of historic forecasting, industry trends and our knowledge of the business. We also challenged management on any significant changes in assumptions compared to prior year, including changes to short-term revenue assumptions, including growth rates, long-term growth rates and discount rates. We utilised our own valuation experts to assist us to assess the mechanics and mathematical accuracy of the modelling and assess the adequacy of the discount rates applied and long-term growth rates. We considered management's sensitivities and performed our own sensitivities in respect of key assumptions, including short- and long-term trading performance and revenue growth assumptions including contract renewal, to assess the potential impairment of goodwill. **Key observations:** Based on performance of these procedures, we consider the assumptions made in undertaking the impairment reviews to be appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

Independent Auditor's Report to the Members of Learning Technologies Group plc (continued)

	Group financial statements		Parent company financial statements	
	2022 (£m)	2021 (£m)	2022 (£m)	2021 (£m)
Materiality	4.0	2.6	1.95	1.8
Basis for determining materiality	4.4% of adjusted profit before tax	5 % of adjusted profit before tax	49% of group materiality	69% of group materiality
Rationale for the benchmark applied	We considered Adjusted profit before tax to be the most appropriate measure for the basis of materiality given it is a key performance indicator for the users of the financial statements. Adjustments to profit before tax are included in note 5 to the financial statements. Adjusted measures have been used as we believe this more appropriately reflects the Group's underlying performance.		We considered a percentage of group materiality to be the most appropriate measure for the basis of materiality as it takes account of group aggregation risk.	
Performance materiality	2.8	1.82	1.37	1.26
Basis for determining performance materiality	70% of materiality, based on our overall risk assessment, including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.			

Component materiality

We set materiality for each component of the Group based on a percentage of between 5% and 90% (2021: 7% and 73%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £220,000 to £3,600,000 (2021: £180,000 and £1,900,000). In the audit of each component, we further applied performance materiality levels of 70% (2021: 70%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £160,000 (2021: £100,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • The information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • The Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and 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.
Matters on which we are required to report by exception	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 in respect of the Annual Report and the Financial Statements, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

Independent Auditor's Report to the Members of Learning Technologies Group plc (continued)

We have obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Parent Company, and the industry in which they operate. We determined that the most significant law and regulations which are directly relevant to specific assertions in the financial statements are those related to the applicable accounting frameworks, the Companies Act 2006, industry specific regulation and employment and taxation laws and regulations in the jurisdictions in which the Group operates.

Our procedures included the following:

- Review the adequacy and appropriateness of tax provisioning by agreeing the data used in the calculations to audited schedules tested by our internal tax specialists and discussing the judgements taken with the Group's internal tax teams.
- Agreement of the financial statement disclosures to underlying supporting documentation; and
- We understood how the Group and Parent Company are complying with those legal and regulatory frameworks, by making enquires of management and those responsible for legal and compliance procedures. We corroborated our enquires through our review of board minutes.

We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be in relation to management override of controls, and revenue recognition (see Key Audit Matters section above for the risks identified and procedures undertaken to address the risks in relation to revenue recognition).

Our procedures included the following:

- Enquiring of management and those charged with governance, including the Head of Legal, from across the Group to understand where they considered there was a susceptibility to fraud and whether they were aware of any actual or suspected frauds.
- Obtaining an understanding of the processes and controls that the Group and parent company have established to address fraud risks identified, or that otherwise prevent, deter, and detect fraud; and how management monitors that processes and controls.
- Journal entry testing, with a focus on large or unusual transactions based on our knowledge of the business, as well as testing a sample of randomly selected journals for which supporting evidence was received.
- Directing the testing plan of the component auditor to ensure consistency of approach, challenge, and corroboration.

We also communicated relevant identified laws and regulations, and potential fraud risks, to all engagement team members, including component audit team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kieran Storan

(Senior Statutory Auditor)
for and on behalf of

BDO LLP
Statutory Auditor
London
25th April 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	Year ended 31 Dec 2022	Year ended 31 Dec 2021
		£'000	£'000
Revenue	4	596,902	258,226
Operating expenses		(541,084)	(241,443)
Share-based payment charge		(6,693)	(5,244)
Profit on sale of joint venture	5	1,242	-
Share of profit from equity acccounted investment	5	155	124
Operating profit		50,522	11,663
Analysed as:			
Adjusted EBIT		100,943	54,754
Adjusting items included in Operating profit	5	(50,421)	(43,091)
Operating profit		50,522	11,663
Finance expenses	6	(10,475)	(2,582)
Finance income	6	429	253
Profit before taxation	7	40,476	9,334
Income tax (charge)/credit	10	(10,070)	5,586
Profit for the year		30,406	14,920
Other comprehensive income: Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		30,961	1,736
Total comprehensive income for the year attributable to owners of the parent Company		61,367	16,656
Earnings per share attributable to owners of the parent:			
Basic (pence)	11	3.857	1.959
Diluted (pence)	11	3.710	1.878
Adjusted earnings per share:			
Basic (pence)	11	8.443	5.226
Diluted (pence)	11	8.121	5.010

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	31 Dec 2022	31 Dec 2021
		£'000	£'000
Non-current assets			
Property, plant and equipment	12	2,857	3,232
Right-of-use assets	12	11,808	17,245
Intangible assets	14	560,972	547,372
Deferred tax assets	20	4,084	2,391
Other receivables, deposits and prepayments	17	1,874	441
Investments accounted for under the equity method	15	-	1,018
Amounts recoverable on contracts	18	1,303	1,200
		582,898	**572,899**
Current assets			
Trade receivables	16	136,025	123,905
Other receivables, deposits and prepayments	17	16,765	14,931
Amounts recoverable on contracts	18	33,221	31,604
Inventory		2,432	1,096
Corporation tax receivable		-	1,807
Amount owing from related parties	30	59	241
Cash and bank balances	19	94,847	83,850
Restricted cash balances	19	2,608	2,987
		285,957	**260,421**
Assets in disposal groups classified as held for sale	33	8,369	-
Total assets		877,224	833,320
Current liabilities			
Lease liabilities	24	5,082	6,755
Trade and other payables	21	180,634	169,358
Borrowings	23	36,714	37,503
Provisions	25	1,602	7,077
Corporation tax payable		602	-
ESPP scheme liability		500	507
		225,134	**221,200**

	Note	31 Dec 2022	31 Dec 2021
		£'000	£'000
Non-current liabilities			
Lease liabilities	24	9,792	15,090
Deferred tax liabilities	20	27,265	31,667
Other long-term liabilities	22	3,517	3,044
Borrowings	23	177,944	187,759
Corporation tax payable	10	1,431	1,711
Provisions	25	1,857	1,511
		221,806	**240,782**
Liabilities directly associated with assets in disposal groups classified as held for sale	33	3,984	-
Total liabilities		450,924	461,982
Net assets		426,300	371,338
Shareholders' equity			
Share capital	26	2,962	3,034
Share premium account	29	318,183	317,114
Merger reserve	29	31,983	31,983
Reverse acquisition reserve	29	(22,933)	(22,933)
Share-based payment reserve	29	14,714	11,148
Foreign exchange translation reserve	29	25,729	(5,232)
Retained earnings		55,662	36,224
Total equity attributable to the owners of the parent		426,300	371,338

The notes on pages 81 to 138 form an integral part of these Consolidated Financial Statements.

The Financial Statements on pages 76 to 138 were approved and authorised for issue by the Board of Directors on 25th April 2023 and signed on its behalf by

Kath Kearney-Croft

Chief Financial Officer

25th April 2023

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Share capital	Share premium	Merger reserve	Reverse acquisition reserve	Share-based payment reserve	Translation reserve	Retained earnings	Total equity
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021		**2,853**	**231,671**	**31,983**	**(22,933)**	**7,439**	**(6,968)**	**25,025**	**269,070**
Profit for the period		-	-	-	-	-	-	14,920	14,920
Exchange differences on translating foreign operations		-	-	-	-	-	1,736	-	1,736
Total comprehensive profit for the period		-	-	-	-	-	1,736	14,920	16,656
Issue of shares net of share issue costs		181	85,443	-	-	-	-	-	85,624
Credit to equity for equity settled share-based payments		-	-	-	-	5,244	-	-	5,244
Credit to equity treated as consideration for equity settled share-based payments		-	-	-	-	120	-	-	120
Tax credit on share options		-	-	-	-	-	-	689	689
Transfer on exercise and lapse of options		-	-	-	-	(1,655)	-	1,655	-
Dividends paid		-	-	-	-	-	-	(6,065)	(6,065)
Transactions with owners		**181**	**85,443**	**-**	**-**	**3,709**	**-**	**(3,721)**	**85,612**
Balance at 31 December 2021		**3,034**	**317,114**	**31,983**	**(22,933)**	**11,148**	**(5,232)**	**36,224**	**371,338**
Profit for the period		-	-	-	-	-	-	30,406	30,406
Exchange differences on translating foreign operations		-	-	-	-	-	30,961	-	30,961
Total comprehensive profit for the period		-	-	-	-	-	30,961	30,406	61,367
Issue of shares net of share issue costs	26	8	1,029	-	-	-	-	-	1,037
Reserves transfer		(80)	40	-	-	-	-	40	-
Credit to equity for equity settled share-based payments		-	-	-	-	6,693	-	-	6,693
Credit to equity treated as consideration for equity settled share-based payments		-	-	-	-	542	-	-	542
Distributions in respect of cancelled share options		-	-	-	-	(3,669)	-	-	(3,669)
Tax charge on share options		-	-	-	-	-	-	(1,946)	(1,946)
Dividends paid	31	-	-	-	-	-	-	(9,062)	(9,062)
Transactions with owners		**(72)**	**1,069**	**-**	**-**	**3,566**	**-**	**(10,968)**	**(6,405)**
Balance at 31 December 2022		**2,962**	**318,183**	**31,983**	**(22,933)**	**14,714**	**25,729**	**55,662**	**426,300**

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	Year ended 31 Dec 2022	Year ended 31 Dec 2021
		£'000	£'000
Cash flows from operating activities			
Profit before taxation		40,476	9,334
Adjustments for:			
Loss on disposal of PPE and right-of-use assets		230	202
Share-based payment charge		7,235	5,244
Amortisation of intangible assets	14	43,183	31,787
Depreciation of plant and equipment	12	2,141	780
Depreciation of right-of-use assets	12	4,343	2,829
Impairment of right-of-use assets	12	-	2,120
Impairment of goodwill and acquired intangibles	14	7,958	-
Finance expenses	6	573	517
Interest on borrowings	6	9,102	2,065
Net foreign exchange gain on borrowings	6	-	(246)
Acquisition-related contingent consideration and earn-outs	5	3,273	5,207
Fair value movement on contingent consideration	5	(21)	22
Payment of acquisition-related contingent consideration and earn-outs		(6,139)	(1,180)
Profit on sale of joint venture		(1,242)	-
Share of profit in equity accounted investment	15	(155)	(124)
Interest income	6	(429)	(7)
Operating cash flows before working capital changes		110,528	58,550
Increase in trade and other receivables		(6,521)	(18,377)
Increase in inventory		(1,210)	(64)
Decrease / (Increase) in amount recoverable on contracts		3,647	(169)
(Decrease) / Increase in payables		(14,317)	6,988
Cash generated from operations		92,127	46,928
Income tax paid		(20,180)	(9,403)
Net cash flows from operating activities		71,947	37,525
Cash flows used in investing activities			
Purchase of property, plant and equipment	12	(1,641)	(572)
Development of intangible assets	14	(9,966)	(8,390)
Acquisition of subsidiaries, net of cash acquired		-	(311,234)
Sale of investment in associates and joint ventures	15	2,300	-
Net cash flows used in investing activities		(9,307)	(320,196)
Cash flows (used in) / from financing activities			
Dividends paid	31	(9,062)	(6,065)
Proceeds from borrowings	23	-	221,853
Repayment of bank loans	23	(38,458)	(18,143)
Interest paid		(4,609)	(316)
Interest received		352	7
Issue of ordinary share capital net of share issue costs	26	1,037	85,624
Contingent consideration payments in the period		(705)	(520)
Interest paid on lease liabilities		(614)	(434)
Payments for lease liabilities	24	(6,719)	(4,420)
Net cash flows (used in) / from financing activities		(58,778)	277,586
Net increase / (decrease) in cash and cash equivalents		3,862	(5,085)
Cash and cash equivalents at beginning of the year		83,850	88,614
Exchange gains on cash		7,135	321
Cash and cash equivalents at end of the year	19	94,847	83,850

The notes on pages 81 to 138 form an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. General information

Learning Technologies Group plc ('the Company') and its subsidiaries (together, 'the Group') provide a range of talent and learning solutions; content, services and digital platforms, to corporate and government clients. The principal activity of the Company is that of a holding company for the Group, as well as performing all administrative, corporate finance, strategic and governance functions of the Group.

The Company is a public limited company, which is listed on the AIM Market of the London Stock Exchange and domiciled in England and incorporated and registered in England and Wales. The address of its registered office is 15 Fetter Lane, London, EC4A 1BW. The registered number of the Company is 07176993.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied unless otherwise stated.

a) Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Going concern

The Directors report that the going concern basis is appropriate from at least 12 months from the approval of these financial statements. The Group meets its day-to-day working capital requirements from the positive cash flows generated by its trading activities and its available cash resources. These are supplemented when required by additional drawings under the Group's committed $50.0 million revolving credit facility (RCF) and an uncommitted $50.0 million accordion facility, which are available until 2025.

The Group also has a debt facility dated 15 July 2021 with HSBC UK Bank plc, Silicon Valley Bank UK Limited, Barclays Bank PLC, Fifth Third Bank NA and the Governor and Company of the Bank of Ireland. At the outset this comprised of two committed term loans: Term Facility A with an original commitment of $265.0 million available to the Group until October 2025 and Term Facility B of $40.0 million subsequently fully repaid in March 2022.

Subsequent to the year end, HSBC UK bank plc ("HSBC") purchased Silicon Valley Bank UK Limited ("SVB UK") on 13 March 2023. SVB UK, a direct wholly-owned subsidiary of HSBC, remains as the facility agent and security agent for the debt facility (see note 34).

The facilities available also include a $50.0 million committed Revolving Credit Facility (£41.3 million at the year-end exchange rate) and a $50.0 million uncommitted accordion facility (£41.3 million at the year-end exchange rate), both available until July 2025. The term facility attracts variable interest based on LIBOR plus a margin of between 1.25% and 2.00% per annum, based on the Group's leverage to December 2022, following this it attracts SOFR plus the margin discussed above and an adjusted credit spread until repaid.

In addition, a 12-month extension request is available to the Group for Term Facility A and the RCF.

Term Facility A is repayable with quarterly instalments, starting December 2022, of $9.6 million (c £8.0 million at the year-end exchange rate) with the balance repayable on the expiry of the loan in October 2025. Term Facility B was repayable in full in April 2022 but was fully repaid early in March 2022.

The Group continues to hold a strong liquidity position overall at 31 December 2022, with gross cash and cash equivalents of £94.8 million and net debt of £119.8 million (see note 23) (31 December 2021: gross cash was £83.9 million and net debt of £141.4 million). Whilst there are a number of risks to the Group's trading performance as summarised in the 'Principal risks and uncertainties' section on pages 27 to 28, the Group is confident of its ability to continue to access sources of funding in the medium term.

The Directors report that they have re-assessed the principal risks, reviewed current performance and forecasts, combined with expenditure commitments, including capital expenditure, business acquisitions, and borrowing facilities. The Group's forecasts demonstrate it will generate profits and cash in the year ending 31 December 2023 and beyond. In addition, the Group continues to have sufficient cash reserves to enable it to meet its obligations as they fall due, as well as operate within its banking covenants, for a period of at least 12 months from the date of signing of these financial statements.

The Group has also assessed a range of downside scenarios to assess if there is a significant risk to the Group's liquidity position. The forecasts and scenarios prepared consider our trading experience to date and we have modelled downside scenarios such as:

I. 10% and 25% reductions in revenues;

II. increasing customer payment days (DSO) by 15 days;

III. combining 10% reduction in revenues and increasing DSO by 15 days;

IV. increasing costs by 8% from H1 2023; and

V. modelling high cost inflation above that in (IV) above to determine the level where a covenant breach could occur.

The Directors have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the Annual Report, having undertaken a review of a detailed forecast for 2023 and the impact this forecast has on the Group's gross cash, net debt and ability to meet bank covenants under the existing facilities agreement.

Changes in accounting policies

(i) New standards, interpretations and amendments adopted from 1 January 2022

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 December 2022 are:

Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS 3	References to Conceptual Framework
Amendments to IFRS 1, 9, 16 and 41	Annual Improvements to IFRS Standards 2018–2020

The Group has considered the above new standards and amendments and has concluded that, they are either not relevant to the Group or they do not have a significant impact on the Group's consolidated financial statements.

(ii) New standards, interpretations and amendments not yet effective

At the date of authorisation of these consolidated Group financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU). Management is currently assessing the impact of these new standards on the Group.

Amendments to IAS 7	Demand deposits with restrictions on use arising from a contract with a third party
Amendments to IFRS 15	Principal vs Agent: Software reseller
Amendments to IAS 37	Negative low emissions vehicle credits
Amendments to IAS 32	Special Purpose Acquisition Companies (SPAC): Classification of public shares as financial liabilities or equity
Amendments to IFRS 17	Transfer of insurance coverage under a group of annuity contracts
Amendments to IFRS 17 and IAS 21	Multi-currency groups of insurance contracts
Amendments to IFRS 9 and IFRS 16	Lessor forgiveness of lease payments

Alternative performance measures

The Group has identified certain alternative performance measures ("APMs") that it believes will assist the understanding of the performance of the business.
The Group believes that Adjusted EBIT, adjusting items, Shareholders' funds and net cash / debt provide useful information to users of the financial statements. The terms are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures and are discussed further in the Glossary on page 145.

Adjusting items

The Group has chosen to present an adjusted measure of profit and earnings per share, which excludes certain items which are separately disclosed due to their size, nature or incidence, and are not considered to be part of the normal operating costs of the Group. These costs (refer to note 5) may include the financial effect of adjusting items such as, inter alia, restructuring costs, impairment charges, amortisation of acquired intangibles, costs relating to business combinations, one-off foreign exchange gains or losses, integration costs, acquisition-related share-based payments charges, contingent consideration and earn-outs, cloud computing configuration and customisation costs (see below), joint venture profits and losses, profit on sale of a joint venture and fixed asset or right-of-use asset disposal gains or losses.

Cloud computing configuration and customisation costs

In accordance with the March 2021 International Financial Reporting Interpretations Committee (IFRIC) agenda decision regarding the capitalisation of cloud computing software implementation costs incurred under Software as a Service ("SaaS") arrangements, where there is no underlying intangible asset over which we retain control, the Group recognises configuration and customisation costs as an expense. Amounts paid to a software supplier in advance of the commencement of the service period, including for configuration and customisation, are treated as a prepayment.

(b) Basis of consolidation

A subsidiary is defined as an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

Business combinations accounted for under the acquisition method and merger relief has been taken on recognising the shares issued on acquisition, where applicable.

Under the acquisition method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Consolidated Financial Statements. The cost of acquisition is measured at the aggregate of the fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Any excess of the purchase consideration of the business combination over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill. Goodwill, if any, is not amortised but reviewed for impairment at least annually. If the consideration is less than the fair value of assets and liabilities acquired, the difference is recognised directly in the statement of comprehensive income. Acquisition-related costs are expensed as incurred.

Intra-Group transactions, balances and unrealised gains on transactions are eliminated. Intra-Group losses may indicate an impairment which may require recognition in the consolidated financial statements. Where necessary, adjustments are made to the Financial Statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(c) Joint arrangements and associates

Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures and they are, along with the Group's associates, accounted for using the equity method.

Interests in joint ventures and associates are recognised at cost adjusted by the Group's share of the post-acquisition profits or losses and any impairments, where appropriate. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures and associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of joint ventures and associates.

(d) Intangible assets

All intangible assets, except goodwill, are stated at cost less accumulated amortisation and any accumulated impairment losses.

Goodwill

Goodwill represents the amount by which the fair value of the cost of a business combination exceeds the fair value of the net assets acquired. Goodwill is not amortised and is stated at cost less any accumulated impairment losses.

In the period of acquisition, goodwill may be presented based on provisional calculations and adjustments made subsequently within the measurement period as permitted under IFRS 3 Business Combinations reflecting new information obtained about facts and circumstances that were in existence at the acquisition date.

The recoverable amount of goodwill is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired. Impairment charges are deducted from the carrying value and recognised immediately in the income statement. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Acquisition-related intangible assets

Net assets acquired as part of a business combination includes an assessment of the fair value of separately identifiable acquisition-related intangible assets, in addition to other assets, liabilities and contingent liabilities purchased.

In the period of acquisition, acquisition-related intangible assets may be presented based on provisional calculations and adjustments made subsequently within the measurement period as permitted under IFRS 3 Business Combinations reflecting new information obtained about facts and circumstances that were in existence at the acquisition date.

These assets are amortised on a straight-line basis over their useful lives which are individually assessed.

Branding	2-10 years
Customer contracts and relationships	2-12 years
Acquired software and intellectual property	2-10 years

Research and development expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised only if it meets the criteria for capitalisation under IAS 38.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in subsequent periods.

Capitalised development expenditure is amortised on a straight-line method over a period of between three and five years when the products or services are ready for sale or use. In the event that it is no longer probable that the expected future economic benefits will be recovered, the development expenditure is written down to its recoverable amount. The amortisation charge is recognised within operating expenses.

(e) Functional and foreign currencies

(i) Functional and presentation currency

The individual Financial Statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The Consolidated Financial Statements are presented in Pounds Sterling, which is the Group's presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss except when deferred in equity as qualifying net investment hedges.

(iii) Foreign operations

Assets and liabilities of foreign operations are translated to Pounds Sterling at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at the average rate of exchange. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under the foreign exchange translation reserve. On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period. Exchange differences are recognised in other comprehensive income.

(f) Financial instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(i) Financial assets

On initial recognition, financial assets are classified as financial assets at amortised cost unless criteria are met for classifying and measuring the asset at fair value through profit or loss, or fair value through other comprehensive income.

Management determines the classification of its financial assets at initial recognition.

- **Loans and receivables financial assets**

  Trade receivables and other receivables are held within a business model whose objective is to collect contractual cash flows which are solely payments of principals and interest and therefore classified as subsequently measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The Group's loans and receivables financial assets comprise 'trade and other receivables' and cash and cash equivalents included in the Consolidated Statement of Financial Position.

ii) Financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

All financial liabilities are recognised initially at fair

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through the profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as fair value through profit or loss unless they are designated as hedges.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

(iii) Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds. Dividends on ordinary shares are recognised when paid.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are included in the asset's carrying amount only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. The principal annual rates used for this purpose are:

Computer equipment	33%
Furniture and fittings	20%
Office equipment	20%
Leasehold improvements	Over the shorter of the remaining useful life and life of the lease

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

(h) Impairment

(i) Impairment of financial assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period based on the deterioration of credit risk since initial recognition. An allowance for credit losses is recognised based on potential shortfalls in future cash flows discounted to present value multiplied by the likelihood of the shortfalls occurring.

An impairment loss in respect of loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The Group has adopted the simplified expected credit loss model for its trade receivables and contract assets, as required by IFRS 9 to assess impairment. For further information see note 16.

(ii) Impairment of non-financial assets

The carrying values of intangible assets are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is recognised in profit or loss immediately.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

(i) Income taxes

Income tax for each reporting period comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

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 on either:

- The same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, deposits with financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Restricted cash reflects amounts held by the Group that are designated for specific purposes and therefore unavailable for general use by the Group.

Reporting of cash flows

The Group reports cash inflows and outflows gross and any drawdowns and repayments of the Group's RCF that have been made during the period are disclosed within financing activities.

The Group has elected to present payments in relation to acquisition-related contingent consideration as operating cash flows when they relate to payments made to employees in respect of post-combination remuneration. Acquisition-related contingent consideration paid to former owners that do not continue to be employed by the Group are disclosed within financing activities.

The Group has elected to present interest paid and interest received from financial assets held for cash management purposes as financing cashflows.

(k) Employee benefits

(i) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further amounts if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate.

(l) Provisions, contingent liabilities

Provisions for property lease dilapidations are recognised when the Group has a present or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. The cost is recognised as depreciation of leasehold improvements over the remaining term of the lease. The main uncertainty

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

relates to estimating the cost that will be incurred at the end of the lease. Provisions are reviewed at the end of each financial reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense.

A contingent liability is not recognised but is disclosed in the Notes to the Financial Statements when there is a possible obligation which arises from past events whose outcome is uncertain or when it is not probable that there will be an outflow of economic resources. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(m) Revenue from contracts with customers

Group revenue represents the fair value of the consideration received or receivable for the rendering of services and sale of software licencing, net of value added tax and other similar sales-based taxes, rebates and discounts after eliminating intercompany sales. The nature of the Group's sales means there are no refunds or returns, and no warranties are offered.

(i) Content & Services

Revenue within the Group's Content & Services division comprises of content, consulting, platform development and the provision of training which are provided under fixed-price and time and materials contracts. Fixed-price contracts are recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case contract revenue is only recognised to the extent of contract costs incurred that are recoverable. This is because either the Group is creating an asset with no alternative use to it and the contract contains the right to payment for work completed to date, or the customer is simultaneously receiving and consuming the benefits of the Group's services as it performs them. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss. The stage of completion is determined based on the proportion of contract costs incurred compared to total estimated contract costs.

The cost-based method is used to determine the percentage of completion because, as management has significant expertise in this approach, they are able to assess the stage of completion and margin of a project on an accurate and consistent basis.

Business development costs incurred as part of our bid or tender process are expensed as incurred. Only if and when a project is won and contracted are project costs accounted for within long-term contracts through operating expenses. There are no material costs incurred during the period between the contract being awarded and service delivery commencing.

For fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, an amount recoverable on contracts asset is recognised. Conversely, if the payments exceed the services rendered, a liability is recognised. If the contract is time- and materials-based and includes an hourly fee, revenue is recognised over time in the amount to which the Group has the right to invoice.

Contract work in progress is stated at costs incurred, less those amounts transferred to profit or loss, after deducting foreseeable losses and payments on accounts not matched with revenue.

Amounts recoverable on contracts are included in current assets and represent revenue recognised in excess of payments on account.

(ii) Software & Platforms

Revenue from subscriptions such as SaaS, "right to access" licences, hosting and support and maintenance is recognised evenly over the contractual period of the licence as the customer simultaneously receives and consumes the benefits of the Group's services.

Perpetual licences and on-premise software licences where all material obligations of the Group to the customer have been met on the delivery of the licence are recognised at the point in time when the software has been delivered to the customer as these meet the definition of "right to use" licences.

Some contracts include multiple deliverables, such as professional service fees with the delivery of a licence. However, the professional services do not significantly customise the software and the promises in the contract are not highly interdependent, so these are recognised as separate performance obligations. Contracts may also include an on-premise software licence with support and maintenance services. The customer can benefit from both services on their own or with other readily-available resources and the software is functional upon transfer of the licence key, so these are recognised as separate performance obligations. Where multiple deliverables are concluded not to be distinct, they are combined with another deliverable until the distinct performance obligation definition is met. Where a contract includes multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices where available. Where these are not directly observable, they are estimated based on expected cost plus margin.

Incremental contract costs are capitalised and amortised on a consistent basis with the pattern of transfer of the service to which the asset relates.

(iii) GP Strategies

Revenue of GP Strategies is primarily derived from services provided to our customers for training, consulting, technical, and other services. A small proportion of revenue is derived from various other offerings including custom magazine publications and assembly of glovebox portfolios for automotive manufacturers, licences of software and other intellectual property, and Software as a Service (SaaS) arrangements.

GP Strategies' primary contract basis are time-and-materials, fixed price (including fixed-fee per transaction) and cost reimbursable contracts. Each contract has different terms based on the scope, deliverables and complexity of the engagement, requiring the Group to make judgements and estimates about recognising revenue.

Under time-and-materials and cost-reimbursable contracts, the contractual billing schedules are based on the specified level of resources the Group is obligated to provide. Revenue under these contract types is recognised over time as services are performed as the client simultaneously receives and consumes the benefits provided by our performance throughout the engagement. The time and materials incurred for the period is the measure of performance and therefore revenue is recognised accordingly.

For fixed price contracts which typically involve a discrete project, such as development of training content and materials, design of training processes, software implementation, or engineering projects, the contractual billing schedules are not necessarily based on the specified level of resources we are obligated to provide. These discrete projects generally do not contain milestones or other measures of performance. The majority of our fixed-price contracts meet the criteria for overtime revenue recognition. For these contracts, revenue is recognised using a costs incurred input method based on the relationship of costs incurred to total estimated costs expected to be incurred over the term of the contract. We believe this methodology is a reasonable measure of progress to depict the transfer of control to the customer since performance primarily involves personnel costs and services provided to the customer throughout the course of the projects through regular communications of progress toward completion and other project deliverables. In addition, the customer is required to pay the proportionate amount of fees in the event of contract termination. A small portion of the fixed-price contracts do not meet the criteria for overtime revenue recognition. For these projects, we defer revenue recognition until the performance obligation is satisfied, which is generally when the final deliverable is provided to the client. The direct costs related to these projects are capitalised and then recognised as cost of revenue when the performance obligation is satisfied.

For certain fixed-fee per transaction contracts, such as delivering training courses or conducting workshops, revenue is recognised during the period in which services are delivered in accordance with the pricing outlined in the contracts. For certain fixed-fee per transaction and fixed price contracts, such as for the shipping of publications and print materials, revenue is recognised at the point in time at which control is transferred which is upon delivery.

Critical accounting estimates and judgements

For services revenue, the stage of completion is determined based on the proportion of contract costs incurred compared to total estimated contract costs. The outcome of a development project can be determined with reasonable certainty when a project budget is agreed, which sets out milestones and costs for all project deliverables. Staff and contractors record their actual time and external costs spent on each project, which is regularly reviewed against budget.

In making its estimation as to the amounts recoverable on contracts, management considers estimates of anticipated revenues and costs from each contract and monitors the need for any provisions for losses arising from adjustments to underlying assumptions if this indicates it is appropriate. The amount of profit or loss recognised on a contract has a direct impact on the Group's results and carrying value of amounts recoverable on contracts. The Directors are satisfied that their judgement is based on a reasonable assessment of the future prospects for each contract.

During the year to 31 December 2022, management reviewed the contracts in place and did not note any contracts where there was specific increased estimation uncertainty. Management has reviewed contracts that were ongoing at the prior year end and there were no significant adjustments to the budgeted margin.

Where the stand-alone selling price of support and

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

maintenance services bundled in an on-premise licence contract are not observable, management allocates the transaction price to the distinct performance obligations based on expected cost plus margin. The basis of this calculation is derived from historic experience and data.

(n) Operating segments

The Group operates as four reportable segments, the Software & Platforms division, the Content & Services division, the GP Strategies segment and the Other segment, which includes rental income. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(o) Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 27 to the Consolidated Financial Statements.

(p) Leases

The Group as a lessee

The Group leases various offices and IT equipment. Rental contracts are typically made for fixed periods of six months to 10 years but may have extension options.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months) and lease of low-value assets.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the Impairment policy above.

For leases acquired as part of a business combination, the lease liability is measured at the present value of the remaining lease payments. The right-of-use asset is measured at the same amount as the lease liability adjusted to reflect favourable or unfavourable terms of the lease when compared to market terms.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets generally comprise IT equipment and small items of office furniture.

The Group as a lessor

The Group enters into lease agreements as an intermediate lessor with respect to some of its property leases. It accounts for the head lease and the sublease as two separate contracts.

The sublease is classified as finance lease or operating lease by reference to the right-of-use asset arising from the head lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Rents receivable from operating leases are recognised on a straight-line basis over the term of the relevant lease.

(q) Government grants

Government grants are not recognised until there is reasonable assurance that the grants will be received and that the Group will comply with any conditions attached to them.

Government grants are recognised in the income statement over the same period as the costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(r) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs of disposal.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal.

3. Summary of critical accounting estimates and judgements

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies which are detailed above. These judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, 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.

(i) Judgements

Revenue recognition

See note 2 (m).

Adjusting items

The Group has chosen to present an adjusted measure of profit and earnings per share, which excludes certain items which are separately disclosed due to their size, nature or incidence, and are not considered to be part of the normal operating costs of the Group. These costs may include the financial effect of adjusting items such as, inter alia, restructuring costs, impairment charges, amortisation of acquired intangibles, costs relating to business combinations, one-off foreign exchange gains or losses, integration costs, acquisition-related share-based payment charges, contingent consideration and earn-outs, cloud computing confirguration and customisation costs, fair value movements on contingent consideration, joint venture profits, profit or loss on sale of joint ventures, closure provisions and losses and fixed asset, right-of-use asset and lease liability disposal gains or losses. The Group believes that it provides additional useful information to users of the financial statements to enable a better understanding of the Group's underlying financial performance.

The classification of items as adjusting requires significant management judgement. The definition of adjusting items has been applied consistently year on year. Further details of adjusting items are provided in note 5.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

(ii) Estimates

Business combinations and associated acquisition accounting

Contingent Consideration

The agreements, made in 2021, to acquire The People Development Team Limited ('PDT Global') and Moodle News LLC include provision for the Group to pay additional consideration to the selling shareholders in future years conditional on the achievement of challenging incremental revenue or other specific growth targets. We have evaluated each agreement in accordance with IFRS 3 to determine whether these payments should be included as part of the business combination or post-combination remuneration expensed to the income statement. All agreements, with the exception of Moodle News, include conditions for continuing employment, therefore we have concluded that these payments should be charged to the income statement.

The acquisition-related contingent consideration and earn-out liabilities may include estimates of future financial performance against targets. When estimating the future financial performance, we use Board-approved budgets and, if the timeframe goes beyond available budgets, reasonable growth rates are assessed for each business thereafter.

Valuation of intangible assets

The determination of the fair value of assets and liabilities including goodwill arising on the acquisition of businesses, the acquisition of industry-specific knowledge, software technology, branding and customer relationships, whether arising from separate purchases or from the acquisition as part of business combinations, and development expenditure which is expected to generate future economic benefits and the time over which this is expected, are based, to a considerable extent, on management's estimations.

The fair value of these assets and their expected useful economic lives are determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.

Impairment reviews

IFRS requires management to undertake an annual test for impairment of indefinite lived assets (goodwill) and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Goodwill impairment testing is an area involving management estimates, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- Growth in adjusted EBIT;
- Long-term growth rates; and
- The selection of discount rates to reflect the risks involved.

The adjusted EBIT is calculated on the same basis as the adjusted EBIT within the Statement of Comprehensive Income. The Group prepares and approves a detailed annual budget, which is used to prepare cash flow forecasts that extrapolate revenues, net margins and cash flows for the following four years based on forecast growth rates of the CGUs. Cash flows beyond this five-year period are also considered using the long-term growth rate.

See note 14 for details of how these estimates and judgements have been applied.

Deferred tax

Income tax expense, deferred tax assets and liabilities and liabilities for unrecognised tax benefits reflect management's best estimate of current and future taxes to be paid. The Group is subject to income taxes in the UK, US and several other foreign jurisdictions.

The deferred tax balances relate to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax assets are recognised to the extent that it is probable that the future taxable profits will allow the deferred tax assets to be recovered. In evaluating the Group's ability to recover deferred tax assets in the jurisdiction from which they arise, management considers all available positive and negative evidence, including historic and projected future performance, and external market factors.

See note 20 for details of how these estimates and judgements have been applied.

Impairment loss on trade receivables

IFRS 9 requires management to recognise an impairment of trade receivables by applying a methodology using expected credit losses. Management must estimate any provision based on its assessment of the impact of macroeconomic factors on the Group's customers, as well as any other available information which may impact a specific customer or group(s) of customers deemed to share certain characteristics.

See note 16 for details of how these estimates and judgements have been applied.

4. Segment analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker (which takes the form of the Board of Directors of the Company), in order to allocate resources to the segment and to assess its performance.

The Directors of the Company consider there to be four reportable segments, being the Software & Platforms division, the Content & Services division, the GP Strategies segment and an Other segment which includes rental income. A majority of sales were generated by the operations in North America in the year ended 31 December 2022 and in the year ended 31 December 2021.

Income and expenses relating to the Group's administrative functions have been apportioned to the operating segments identified based on revenue.

SaaS, long-term contract and transactional revenue is defined in the Glossary on page 145.

Geographical information

The Group's revenue from external customers and non-current assets by geographical location are detailed below.

	UK	Mainland Europe	North America[1]	Asia Pacific	Rest of the world	Total
	£'000	£'000	£'000	£'000	£'000	£'000
31 December 2022						
Revenue	66,994	71,637	407,343	21,824	29,104	596,902
Non-current assets	31,017	569	527,634	19,177	417	578,814
31 December 2021						
Revenue	32,493	18,779	180,738	17,026	9,190	258,226
Non-current assets[2]	45,186	689	503,459	20,870	304	570,508

1. The values as presented for Canada and the United States for the year ended 31 December 2021 have been combined into 'North America' to align with the geographical segmentation as reported to the Board of Directors internally.

2. The non-current assets as at 31 December 2021 have been represented following the prior year acquisition measurement adjustment (see note 13).

The total non-current assets figure is exclusive of deferred tax assets in each of the periods above.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

Revenue and expenses by nature

The Group's revenue and expenses by nature is analysed as follows:

	Software & Platforms				Content & Services				GP Strategies				Other	
	On-premise software licences	Hosting and SaaS	Support and maintenance	Total	Content	Platform dev	Consulting & other	Total	Global services	Regional services	Other technical	Total	Rental income	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
31 Dec 2022														
SaaS and long-term contracts	30,417	108,466	7,041	**145,924**	-	1,414	13,561	**14,975**	86,492	159,889	15,500	**261,881**	168	**422,948**
Transactional	891	1,534	1,324	**3,749**	19,020	8,026	6,211	**33,257**	7,976	92,846	36,126	**136,948**	-	**173,954**
Total revenue	**31,308**	**110,000**	**8,365**	**149,673**	**19,020**	**9,440**	**19,772**	**48,232**	**94,468**	**252,735**	**51,126**	**398,829**	**168**	**596,902**
Depreciation & amortisation				(7,161)				(2,574)				(4,209)	-	(13,944)
Adjusted EBIT				**40,336**				**11,749**				**48,690**	**168**	**100,943**
Amortisation of acquired intangibles				(17,803)				(3,272)				(14,648)	-	(35,723)
Acquisition-related adjusting items				(4,093)				(391)				(3,125)	-	(7,609)
Other adjusting items				1,604				(686)				(8,007)	-	(7,089)
Finance expenses				(7,423)				(2,465)				(158)	-	(10,046)
Profit before tax				**12,621**				**4,935**				**22,752**	**168**	**40,476**
Additions to intangible assets[1]				2,500				806				6,660	-	9,966
Total assets[2]				219,001				70,574				583,565		873,140
31 Dec 2021														
SaaS and long-term contracts	21,441	101,348	3,293	**126,082**	-	1,039	9,687	**10,726**	17,627	35,268	3,234	**56,129**	143	**193,080**
Transactional	1,046	1,979	1,367	**4,392**	19,151	4,916	9,962	**34,029**	1,742	18,324	6,659	**26,725**	-	**65,146**
Total revenue	**22,487**	**103,327**	**4,660**	**130,474**	**19,151**	**5,955**	**19,649**	**44,755**	**19,369**	**53,592**	**9,893**	**82,854**	**143**	**258,226**
Depreciation & amortisation				(6,169)				(2,117)				(928)	-	(9,214)
Adjusted EBIT				**36,365**				**10,591**				**7,655**	**143**	**54,754**
Amortisation of acquired intangibles				(20,126)				(3,823)				(2,233)	-	(26,182)
Acquisition-related adjusting items				(6,220)				(1,078)				(8,158)	-	(15,456)
Other adjusting items				(2,322)				-				869	-	(1,453)
Finance expenses				(1,938)				(637)				246	-	(2,329)
Profit / (Loss) before tax				**5,759**				**5,053**				**(1,621)**	**143**	**9,334**
Additions to intangible assets[1]				65,175				12,549				240,066	-	317,790
Total assets[2]				341,199				73,078				416,652		830,929

1. Includes additions from business combinations. Refer to note 14.
2. Total assets is exclusive of deferred tax assets

Adjusted EBIT is the main measure of profit reviewed by the chief operation decision-maker. Total liabilities by Operating Segment are not regularly reviewed by the chief operation decision-maker and as such, are not included in the previous table.

Information about major customers

In the year ended 31 December 2022 and the year ended 31 December 2021, no customer accounted for more than 10% of reported revenues.

5. Adjusting items

These items are included in normal operating costs of the business, but are significant cash and non-cash expenses that are separately disclosed because of their size, nature or incidence. It is the Group's view that excluding them from Operating Profit gives a better representation of the underlying performance of the business in the period. Further details of the adjusting items are included in note 2.

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Adjusting items included in Operating Profit:		
Acquisition-related costs:		
Amortisation of acquired intangibles	35,723	26,182
Acquisition-related contingent consideration and earn-outs	3,273	5,207
Acquisition-related share-based payment charge	542	123
Fair value movement on contingent consideration	(21)	22
Acquisition costs	304	6,067
Integration costs	3,512	4,037
Total acquisition related costs	43,333	41,638
Other adjusting items:		
Impairment of goodwill and intangibles	7,958	-
Loss on disposal of fixed assets	2	272
Loss/(profit) on disposal of right-of-use assets	228	(70)
Impairment of right-of-use assets	-	2,120
Net foreign exchange gain arising due to business acquisition	-	(745)
Profit on sale of joint venture	(1,242)	-
Cloud computing configuration and customisation costs	719	-
Closure provisions	1,047	-
Other income	(1,469)	-
Share of profit of joint venture	(155)	(124)
Total other adjusting items	7,088	1,453
Total adjusting items	50,421	43,091

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

As outlined above, the material adjustments are made in respect of:

- Amortisation of acquired intangibles – the cost of £35.7 million (2021: £26.2 million) is excluded from the adjusted results of the Group since the costs are non-cash charges arising from investment activities. As such, they are not considered reflective of the core trading performance of the Group.
- Impairment of goodwill and intangibles and closure provisions – these costs are excluded from the adjusted results of the Group since the costs are one-off charges related to closure of the non-core UK apprenticeship business in early 2023.
- Acquisition-related share-based payments, contingent consideration and earn-outs – these costs are excluded from the adjusted results since these costs are also associated with business acquisitions and represent post-combination remuneration, which is not included in the calculation of goodwill and also not considered part of the core trading performance of the Group.
- Fair value movement on contingent consideration – similar to the above, any adjustments to contingent consideration through profit or loss are excluded from adjusted results on the basis that it is non-cash non-operational income or costs.
- Impairment of right-of-use assets – these costs are excluded from the adjusted results of the Group since the costs are one-off, non-cash charges related to an abandoned lease that cannot be sub-let.
- Foreign exchange (gains) or losses associated with business acquisitions – excluded from the adjusted results of the Group since these costs relate to investment activities and occur irregularly.
- Other income includes amounts received in relation to a contract and is an adjusting item due to its quantum and non-recurring nature.
- Cloud computing configuration and customisation costs reflects the impact of a change in accounting policy following review of IFRIC guidance issued in March 2021 relating to capitalisation of cloud computing software implementation costs. Where there is no underlying intangible asset over which we retain control, the Group recognises configuration and customisation costs as an expense.
- Costs of acquisition and integration – the costs of acquiring and integrating subsidiaries purchased. These costs associated with completed acquisitions are excluded from the adjusted results on the basis they are directly attributable to investment activities, rather than the core trading activities of the Group. Included within the £3.5 million integration costs are certain retention bonuses of £1.2 million, severance costs of £0.9 million and an allocation of internal labour for employees who have worked on integration activities during the year of £0.6 million.

6. Finance income and expenses

		31 Dec 2022	31 Dec 2021
		£'000	£'000
Finance expenses	Charge on contingent consideration	-	82
	Net foreign exchange loss arising from term loans	800	-
	Interest on borrowings	9,102	2,065
	Interest on lease liabilities	573	435
	Total	10,475	2,582
Finance income	Credit on contingent consideration	(77)	-
	Net foreign exchange gain arising from term loans	-	(246)
	Interest receivable	(352)	(7)
	Total	(429)	(253)
	Net finance expense	10,046	2,329

7. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Note	31 Dec 2022	31 Dec 2021
		£'000	£'000
Amortisation of software development costs	14	7,460	5,605
Amortisation of acquired intangibles	14	35,723	26,182
Impairment of goodwill and acquired intangibles	14	7,958	-
Fees payable to the company's auditor and its associates for the audit of the Group's annual accounts		1,987	1,619
Other fees payable to auditors:			
- Covenant compliance review		-	7
- Interim statement review		25	20
Depreciation	12	6,484	3,609
Directors' fees (including compensation for loss of office)	9	1,836	1,222
Directors' pension contributions	9	24	23
Lease expense – short-term leases exempt from IFRS 16		594	487
Acquisition-related contingent consideration and earn-outs		3,273	5,207
Interest income		(352)	(7)

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Total research & development costs	23,145	20,020
Of which capitalised development costs	9,966	8,390
Capitalisation ratio	*43%*	*42%*
Amortisation of capitalised development costs	7,460	5,605
Research & development costs (including amortisation) recognised in the income statement	20,639	17,235

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

8. Staff costs

	31 Dec 2022	31 Dec 2021
The average monthly number of employees was:	No.	No.
Production	4,838	1,599
Administration	549	525
Management	7	7
	5,394	**2,131**
Aggregate remuneration (including Directors):	£'000	£'000
Wages and salaries (including bonuses)	273,708	104,473
Social security costs	49,890	15,219
Share-based payments	7,235	5,244
Pension costs	8,404	2,020
	339,237	**126,956**

9. Directors' remuneration, interests and transactions

Directors' remuneration, interests and transactions are disclosed in the Report of the Remuneration Committee.

The Directors of the Company are considered to be the key management personnel of the Group.

10. Income tax

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Current tax expense:		
- UK current tax on profits for the year	(282)	926
- Adjustments in respect to prior years	2,522	(4,678)
- Foreign current tax on profits for the year	19,193	9,598
Total current tax	21,433	5,846
Deferred tax (note 20)		
- Origination and reversal of temporary differences	(7,459)	(3,711)
- Adjustments in respect to prior years	(3,597)	(7,611)
- Change in deferred tax rate	(307)	(110)
Total deferred tax	(11,363)	(11,432)
Income tax expense/(credit)	**10,070**	**(5,586)**

The increases in UK and foreign current tax reflect inclusion of full-year results of GP Strategies Corporation and its subsidiaries for 2022 compared to results for 2021 representing the post-acquisition period 14 October to 31 December in 2021 only.

The 'changes in tax rate' reflect the remeasuring of temporary differences using the enacted rate applicable when the liabilities are settled, or the asset realised and primarily arise in the UK and US. The UK Government announced an increase in the corporation tax rate from 19% to 25%, with an effective date of 1 April 2023, which was substantively enacted on 24 May 2021. The impact from the US is due to the change in the blended tax rate derived from state income apportionment as well as fluctuations in state tax rates.

In 2021, the Group applied a valuation allowance against losses acquired with the PeopleFluent and Reflektive acquisitions pending completion of a tax study to confirm their availability. The Group has completed the study and determined that tax effected losses amounting to £24.7 million are available for recognition, consisting of £12.9 million for the period 2022-2038 and £11.8 million to be carried forward indefinitely. The Group has considered both positive and negative evidence available and recognised a deferred tax asset for losses of £5.5 million, of which £2.6 million has been utilised in the current year and £2.9 million expected to be utilised over the subsequent three-year period in line with the forecast period prepared for the Group. In subsequent years, the Group will consider recognition of further deferred tax assets on the remaining losses on an annual basis.

Further to the above credit arising for loss utilisation and recognition, the Group has identified and reflected adjustments to prior years amounting to £4.4 million, primarily arising in the US and Hong Kong of £3.4 million and £1.0 million respectively. In respect of Hong Kong, the adjustment includes of £0.5 million additional tax charge pending completion of the 2021 tax return.

The current year deferred tax credit of £7.5 million, arising from the origination and reversal of temporary differences, relates to the deferred tax liability release associated with acquired intangible amortisation and impairments amounting to £8.9 million, recognition of a new deferred tax asset in respect of capitalised R&D associated with changes in US legislation, effective from 2022, of £1.5 million, offset by utilisation of deferred tax losses of £2.6 million referenced above and other net timing differences of £0.3 million.

The £1.4 million non-current corporation tax liability is in relation to amounts payable over eight years by GP Strategies Corporation and TTi Global, Inc. in relation to 2017 US tax reform, decreased from the prior year amount payable of £1.7 million. This will be fully settled by 2025.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to the income tax expense at the effective tax rate of the Group is as follows:

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Profit before taxation	40,476	9,334
Tax calculated at the domestic tax rate of 19% (2021: 19.00%):	7,690	1,774
Tax effects of:		
Expenses not deductible for tax purposes	2,148	3,238
Adjustments in respect to prior years	2,522	(4,678)
Utilisation of previously unrecognised or acquired tax losses	(2,589)	-
Recognition of previously unrecognised deferred tax assets	(2,881)	(7,611)
Reversal of prior year deferred tax short-term timing difference	1,872	-
Effect of differences in tax rates	1,308	1,691
Income tax expense / (credit)	**10,070**	**(5,586)**

The aggregate current and deferred tax directly charged to equity amounted to £1,946,000 (2021: credit £689,000).

11. Earnings per share

	31 Dec 2022	31 Dec 2021
	Pence	Pence
Basic earnings per share	3.857	1.959
Diluted earnings per share	3.710	1.878
Adjusted basic earnings per share	8.443	5.226
Adjusted diluted earnings per share	8.121	5.010

Basic earnings per share is calculated by dividing the profit/loss after tax attributable to the equity holders of the Group by the weighted average number of shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive shares, namely share options or deferred consideration payable in shares where the contingent conditions have been met.

In order to give a better understanding of the underlying operating performance of the Group, an adjusted earnings per share comparative has been included. Adjusted earnings per share is stated after adjusting the profit after tax attributable to equity holders of the Group for certain charges as set out in the table below. Adjusted diluted earnings per share has been calculated to also include the contingent shares payable as deferred consideration on acquisitions where the future conditions have not yet been met, as shown below.

Adjusted earnings per share is stated after the impact of the adjusting items disclosed in note 5.

In the prior year, management had excluded the profit or losses on disposal of fixed assets and right-of-use assets and included the impact of financing items (see note 6) in their calculation of adjusted earnings per share. When including the profit or losses on disposal of fixed assets and excluding interest receivable, finance expense on contingent consideration and finance expense on lease liabilities to present earnings per share on a like for like basis, the adjusted basic earnings per share would have been 5.024p and adjusted diluted earnings per shares 4.816p, a difference of 0.151p and 0.145p, respectively.

The calculation of earnings per share is based on the following earnings and number of shares.

	Profit after tax	Weighted average number of shares	Pence per share	Profit after tax	Weighted average number of shares	Pence per share
	2022			2021		
	£'000	'000	Pence	£'000	'000	Pence
Basic earnings per ordinary share attributable to the owners of the Parent	**30,406**	**788,295**	**3.857**	**14,920**	**761,627**	**1.959**
Effect of adjustments:						
Total adjusting items (see note 5)	50,421			43,091		
Adjusting items excluded from earnings per share adjustments						
Loss on disposal of fixed assets	-			(272)		
Profit on disposal of right-of-use assets	-			70		
Interest receivable	-			(7)		
Net foreign exchange gain on borrowings	-			(246)		
Finance expense on contingent consideration	-			82		
Finance expense on lease liabilities (IFRS 16)	-			435		
Income tax expense / (credit)	10,070			(5,586)		
Effect of adjustments	**60,491**	**-**	**7.673**	**37,567**	**-**	**4.949**
Adjusted profit before tax	**90,897**	**-**	**-**	**52,487**	**-**	**-**
Tax impact after adjustments	(24,338)	-	(3.087)	(12,811)	-	(1.682)
Adjusted basic earnings per ordinary share	**66,559**	**788,295**	**8.443**	**39,676**	**761,627**	**5.226**
Effect of dilutive potential ordinary shares:						
Share options	-	31,310	(0.322)	-	32,804	(0.216)
Adjusted diluted earnings per ordinary share	**66,559**	**819,605**	**8.121**	**39,676**	**794,431**	**5.010**
Diluted earnings per ordinary share attributable to the owners of the parent	**30,406**	**819,605**	**3.710**	**14,920**	**794,431**	**1.878**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

12. Property, plant, equipment and right-of-use assets

					Right-of-use assets			
	Computer equipment	Fixtures and fittings	Leasehold	Total	Computer equipment	Property	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 January 2021	**2,202**	**857**	**214**	**3,273**	**83**	**13,387**	**-**	**13,470**
Additions on acquisitions	657	224	1,713	2,594	181	12,429	134	12,744
Additions	278	28	266	572	315	982	-	1,297
Foreign exchange differences	12	(4)	21	29	(20)	36	-	16
Impairments	-	-	-	-	-	(2,120)	-	(2,120)
Disposals	(1,345)	(667)	(597)	(2,609)	-	(1,367)	-	(1,367)
At 31 December 2021	**1,804**	**438**	**1,617**	**3,859**	**559**	**23,347**	**134**	**24,040**
Reclassifications	1,134	140	(1,274)	-	-	-	-	-
Additions	1,515	103	23	1,641	-	2,062	-	2,062
Foreign exchange differences	2,042	(26)	229	2,245	12	199	-	211
Reclassified as assets held for sale	(236)	(48)	(43)	(327)	-	(278)	-	(278)
Disposals	(591)	(233)	(159)	(983)	(101)	(4,065)	(57)	(4,223)
At 31 December 2022	**5,668**	**374**	**393**	**6,435**	**470**	**21,265**	**77**	**21,812**
Accumulated depreciation								
At 31 January 2021	**1,706**	**541**	**1**	**2,248**	**83**	**4,581**	**-**	**4,664**
Charge for the year	397	142	241	780	103	2,713	13	2,829
Transfers out	(64)	-	-	(64)	-	-	-	-
Disposals	(1,758)	(559)	(20)	(2,337)	-	(698)	-	(698)
At 31 December 2021	**281**	**124**	**222**	**627**	**186**	**6,596**	**13**	**6,795**
Charge for the year	1,619	270	252	2,141	161	4,129	53	4,343
Reclassifications	129	-	(129)	-	-	-	-	-
Reclassified as assets held for sale	(178)	(47)	(43)	(268)	-	(105)	-	(105)
Disposals	(480)	(221)	(148)	(849)	(20)	(987)	(22)	(1,029)
Foreign exchange differences	1,765	(10)	172	1,927	-	-	-	-
At 31 December 2022	**3,136**	**116**	**326**	**3,578**	**327**	**9,633**	**44**	**10,004**
Net book value								
At 31 December 2021	**1,523**	**314**	**1,395**	**3,232**	**373**	**16,751**	**121**	**17,245**
At 31 December 2022	**2,532**	**258**	**67**	**2,857**	**143**	**11,632**	**33**	**11,808**

The above property, plant and equipment and right-of-use assets are held as security as part of the fixed and floating charge over the assets of the Group. Refer to note 23 for further details of the Group's borrowings.

The reclassifications in the year relate to misclassification of assets acquired as part of a business combination in 2021.

13. Prior year acquisition measurement period adjustments

Outlined below are the retrospective adjustments to the provisional amounts recognised as goodwill in relation to the acquisitions that occurred in 2021. These adjustments have been made to reflect new information obtained about the circumstances that existed at each respective acquisition date and would have affected the measurement of goodwill at the time.

	Assets acquired and liabilities assumed	Increase/(decrease) to recognised amounts	Goodwill
		£'000	£'000
GP Strategies	Non-current assets	(3,069)	3,069
	Trade and other receivables	742	(742)
	Corporation tax	(579)	579
	Trade and other payables	3,589	(3,589)
	Provisions	(2,200)	2,200
	Other non-current liabilities	393	(393)
	Net assets	**(1,124)**	**1,124**

	Categories of adjustments	Increase/(decrease) to recognised amounts	Goodwill
		£'000	£'000
GP Strategies	Cloud computing configuration and customisation cost adjustments	(2,194)	2,194
	Litigation	1,075	(1,075)
	Accounts receivables	1,051	(1,051)
	Taxation	(970)	970
	Other remeasurements	(86)	86
	Net assets	**(1,124)**	**1,124**

Other remeasurements include lease adjustments and the fair value of other liabilities.

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For the year ended 31 December 2022

14. Intangible assets

	Goodwill	Customer contracts & relationships	Branding	Acquired software and IP	Internal Software Development	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2021	**156,860**	**109,315**	**2,485**	**48,702**	**18,103**	**335,465**
Additions on acquisitions	176,541	79,368	12,644	40,847	-	309,400
Additions	-	-	-	-	8,390	8,390
Measurement period adjustments	1,269	-	-	-	-	1,269
Foreign exchange differences	3,084	177	148	765	(294)	3,880
At 31 December 2021	**337,754**	**188,860**	**15,277**	**90,314**	**26,199**	**658,404**
Additions	-	-	-	-	9,966	9,966
Adjustment related to cloud computing costs	-	-	-	-	(640)	(640)
Reclassified as assets held for sale	(501)	(1,095)	(450)	(28)	-	(2,074)
Impairment	(5.401)	(2,581)	(497)	(59)	-	(8,538)
Foreign exchange differences	35,417	13,937	2,448	9,345	2,291	63,438
At 31 December 2022	**367,269**	**199,121**	**16,778**	**99,572**	**37,816**	**720,556**
Accumulated amortisation						
At 1 January 2021	**-**	**54,354**	**1,228**	**14,430**	**9,169**	**79,181**
Amortisation charged in year	-	16,593	840	8,749	5,605	31,787
Transfers in	-	-	-	-	64	64
At 31 December 2021	**-**	**70,947**	**2,068**	**23,179**	**14,838**	**111,032**
Amortisation charged in year	-	20,651	3,056	12,016	7,460	43,183
Reclassified as assets held for sale	-	(182)	(105)	(7)	-	(294)
Impairment	-	(446)	(120)	(14)	-	(580)
Foreign exchange differences	-	2,703	981	1,944	615	6,243
At 31 December 2022	**-**	**93,673**	**5,880**	**37,118**	**22,913**	**159,584**
Carrying amount						
At 31 December 2021	**337,754**	**117,913**	**13,209**	**67,135**	**11,361**	**547,372**
At 31 December 2022	**367,269**	**105,448**	**10,898**	**62,454**	**14,903**	**560,972**

The measurement period adjustments in 2021 relate to £145,000 for acquisitions in 2020 and £1,124,000 in relation to adjustments to acquisitions made in 2021 (see note 13).

The above intangible assets are held as security as part of the fixed and floating charge over the assets of the Group. Refer to note 23 for further details of the Group's borrowings.

The goodwill acquired in each of the acquisitions is not expected to be deductible for tax purposes.

Goodwill and acquisition-related intangible assets recognised have arisen from acquisitions. Internal software development reflects the recognition of development work undertaken in-house.

The amortisation charge for the year of £43.2 million (2021: £31.8 million) includes £35.7 million (2021: £26.2 million) relating to acquired intangibles. Amortisation is included within operating expenses in the Statement of Comprehensive Income.

Annual impairment review

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ('CGUs') that are expected to benefit from that business combination. Following a change in the aggregation of cash inflow and assets for identifying CGUs discussed above, the Group has nine (2021: nine) CGUs. The carrying amount of goodwill has been allocated as follows:

CGU	Goodwill		Growth rate for years 2 to 5		Post-tax discount rate	
	2022	2021	2022	2021	2022	2021
	£'000		%		%	
Content & learning services	12,712	12,676	2%	4%	10.7%	9.5%
Diversity & inclusion	28,020	25,908	6%	5%	10.6%	10.4%
Software solutions	166,370	150,185	4%	4%	10.6%	9.7%
GP Strategies - Global Services	35,839	31,602	5%	5%	10.2%	11.2%
GP Strategies - Americas	106,995	95,256	5%	5%	10.1%	10.3%
GP Strategies - EMEA	2,832	3,341	4%	5%	10.2%	13.0%
GP Strategies - APAC	2,623	1,921	5%	5%	10.2%	13.0%
GP Strategies - HCT	12,379	10,906	8%	6%	10.2%	13.0%
GP Strategies - SFA	-	4,824	-	6%	16.8%	13.0%
	367,770	**336,619**				

The difference between the net book value of the goodwill generated on acquisitions as at 31 December 2022 of £367,269,000 and the £367,770,000 stated above relates to £501,000 of goodwill relating to assets classified as held for sale (see note 33).

The difference between the net book value of the goodwill generated on acquisition as at 31 December 2021 of £337,754,000 and the £336,619,000 stated above relates to the prior year acquisition measurement adjustments as presented at the closing balance sheet rate (see note 13).

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates (being the companies cost of capital), growth rates (based on Board-approved forecasts and estimated growth rates in years 2 to 5) and future EBIT margins (which are based on past experience).

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For the year ended 31 December 2022

The Group monitors its pre-tax Weighted Average Cost of Capital and those of its competitors using market data. In considering the discount rates applying to CGUs, the Directors have considered the relative sizes, risks and the inter-dependencies of its CGUs. The impairment reviews use a discount rate adjusted for post-tax cash flows. The Group prepares cash flow forecasts derived from the 2023 financial plan approved by the Board and extrapolates revenues, net margins and cash flows for the following four years based on forecast growth rates of the CGUs. Cash flows beyond this five-year period are also considered in assessing the need for any impairment provisions. The growth rates are based on internal growth forecasts of between 2% and 8% for the first five years. The terminal rate used for the value in use calculation thereafter is 2.5%.

All CGUs have substantial headroom between the calculated value-in-use and the net book value except for the GP Strategies - SFA CGU which has been fully impaired following the Board's announcement in December 2022 regarding closure of the UK apprenticeship business in early 2023. Approximately 80% of operations within the GP Strategies – SFA CGU are being discontinued. The remaining contracts within the CGU are of uncertain longevity and management is not targeting further investment in this area. The resultant impairment charge is £8.0 million.

Sensitivity analysis

A reduction to 0% for the terminal rate applied to the cash flows (with other assumptions remaining constant) would not result in an impairment to any CGU.

A 10% decrease in the 2023 cash flows used in the discounted cash flow model for the value-in-use calculation (with other assumptions remaining constant) would not result in an impairment to any CGU.

A 250bps increase in discount rates used in the discounted cash flow model for the value-in-use calculation (with other assumptions remaining constant) would not result in an impairment to any CGU.

A 10% decrease in the 2023 cash flows and a 250bps increase in the discount rates used in the discounted cash flow model for the value-in-use calculation (with other assumptions remaining constant) would not result in an impairment to any CGU. Our sensitivity analysis has concluded that these changes would not result in an impairment to any other CGU.

Management do not consider that any reasonably possible changes in the assumptions for the above CGUs would result in an impairment.

As disclosed in note 2, Accounting policies, the forecast cash flows used within the impairment model are based on assumptions which are sources of estimation uncertainty and it is possible that significant changes to these assumptions could lead to an impairment of goodwill and acquired intangibles. Given the uncertainty surrounding the macroeconomic factors including the impact of COVID-19, geopolitical uncertainties and inflationary pressures on the Group's operations and on the global economy, management has considered a range of sensitivities on each of the key assumptions, with other variables held constant. The sensitivities which were each assessed in isolation include applying a 10% reduction in the revenue assumption in the next financial year from the base cash flow projections, representing a slower recovery from the impact of COVID-19; increases in the discount rate by 1% and reductions in the long-term growth rates to 0%. Under these severe scenarios, the estimated recoverable amount of goodwill and acquired intangibles still exceeded the carrying value of all CGUs.

The sensitivity analysis showed that no reasonably possible change in assumptions would lead to an impairment.

Customer contracts & relationships, branding and acquired software and IP

These intangible assets include the Group's aggregate amounts spent on the acquisition of industry-specific knowledge, software technology, branding and customer relationships. These assets arose from acquisition as part of business combinations.

The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists.

The cost of these intangible assets is amortised over the estimated useful life of each separate asset of between 2 and 12 years.

Internal software development

Internal software development costs principally comprise expenditure incurred on major software development projects and the production of generic e-learning content where it is reasonably anticipated that the costs will be recovered through future commercial activity.

Capitalised development costs are amortised over the estimated useful life of between 2 and 10 years.

15. Investments accounted for using the equity method

Joint ventures

The joint venture has share capital consisting solely of ordinary shares, which are held directly by the Group. The nature of the investments is listed below.

Name of entity	Country of registration or incorporation	Principal activity	Percentage of ordinary shares held by Group	
			31 December 2022	31 December 2021
LEO Brasil Tecnologia Educacional Ltda (formerly Epic Brasil Tecnologia Educacional Ltda)	Brazil	Bespoke e-learning	17%	17%
National Aerospace Solutions, LLC	United States	Engineering services	-	10%

LEO Brasil Tecnologia Educacional Ltda

On 27 August 2019, the Group entered into a debt for equity swap agreement whereby Epic Group Limited and the other 50% investor agreed to convert debts due from Leo Brasil Tecnologia Educacional Ltda ('LEO Brazil') to equity in the proportion to amounts owed at that date. Epic Group Limited had a total of $268,000 (equivalent to approximately £200,000) converted to equity and, following such conversion, its shareholding was reduced from 50% to 38%. A further reduction of the proportionate ownership was made during the year ended 31 December 2020 by a debt/equity conversion reducing the Group's proportional ownership to 19%. During the year ended 31 December 2021, an additional investor was acquired by issuing further equity into the joint venture, which reduced the Group's proportional ownership to 17%. As all amounts receivable from the investee had been written off by the Group, there was no financial impact, either on the carrying value of the investment or the results for the year.

LEO Brazil is a private company and there is no quoted market price available for its shares.

The accounting reference date of LEO Brazil is coterminous with that of the Company.

There are no contingent liabilities or commitments relating to the Group's interest in LEO Brazil.

Where the Group's share of losses in LEO Brazil exceeds its interests in the company, the Group does not recognise further losses as it has no further obligation to make payments on behalf of the company.

No further disclosures are provided on the grounds of materiality.

National Aerospace Solutions, LLC

	Share of joint venture's net assets	
	2022	2021
	£'000	£'000
Cost		
At 1 January	**1,018**	**-**
Additions from acquisitions	-	1,162
Share of profit after tax	155	124
Disposals	(1,173)	-
Disbursements	-	(305)
Foreign exchange differences	-	37
At 31 December	**-**	**1,018**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

The joint venture was acquired through the acquisition of GP Strategies and represents the Group's investment in National Aerospace Solutions, LLC, which has a Test Operations and Sustainment (TOS) Contract for the management and operations of the Arnold Engineering Development Complex in Tullahoma, Tennessee.

On 18th April 2022, the Group sold its 10% investment in National Aerospace Solutions LLC for proceeds of $3.0m (£2.3 million), realising a gain on sale of £1.2 million.

16. Trade receivables

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Trade receivables	140,951	126,448
Allowance for impairment losses	(4,926)	(2,543)
	136,025	**123,905**

Trade receivables as at 31 December 2021 have been adjusted relating to the impact of prior year acquisition measurement period adjustment (see note 13).

The Group's normal trade credit term is 30-60 days. Other credit terms are assessed and approved on a case-by-case basis.

The fair value of trade receivables approximates their carrying amount, as the impact of discounting is not significant. No interest has been charged to date on overdue receivables.

In accordance with IFRS 15, the Group has disclosed trade receivable balances net of the associated contract liabilities, as outlined below. These balances will be shown net until the earlier of either the date the payment becomes due and a receivable is recognised or the date that the services are delivered and an associated contract asset is recognised.

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Contract liabilities offset within trade receivables above	6,639	6,257

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and ageing. The amounts receivables on contacts have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced in the previous period and then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

The expected credit loss rate and the aged gross trade receivables and aged loss allowance as at 31 December are as follows:

31 December 2022	Expected loss rate	Gross trade receivables	Allowance for impairment losses
	%	£'000	£'000
Not past due	1%	117,464	1,608
Past due:			
Less than three months	5%	12,143	619
Three to six months	7%	2,637	184
Past six months	29%	8,707	2,515
Total		**140,951**	**4,926**

31 December 2021	Expected loss rate	Gross trade receivables	Allowance for impairment losses
	%	£'000	£'000
Not past due	1%	102,592	868
Past due:			
Less than three months	-	7,136	28
Three to six months	1%	3,830	49
Past six months	12%	12,890	1,598
Total		**126,448**	**2,543**

The movement in the allowance for expected credit loss is as below:

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Impairment losses:		
At 1 January	**2,543**	**1,495**
Reclassified as assets held for sale	11	-
Additions	1,949	1,017
Foreign exchange	423	31
At 31 December	**4,926**	**2,543**

As at 31 December 2022, trade receivables of £1,091,000 had lifetime expected credit losses of the full value of the receivables. The receivables due at the end of the financial year relate to 51 customers and have been fully provided based on the aged profile of the debt or public information available to management indicating the customers may be unable to settle the debt.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

17. Other receivables and prepayments

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Current assets		
Sundry receivables	6,767	3,976
Prepayments	9,998	10,955
	16,765	**14,931**
Non-current assets		
Sundry receivables	1,874	441
	1,874	**441**

Other receivables as at 31 December 2021 have been adjusted relating to the impact of prior year acquisition measurement period adjustment (see note 13).

Sundry receivables includes rent deposits and other sundry receivables.

18. Amount recoverable on contracts

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Current assets		
Contract assets	33,221	31,604
	33,221	**31,604**
Non-current assets		
Contract assets	1,303	1,200
	1,303	**1,200**

Disclosure of the expected credit losses tables are not included as they are not material.

19. Cash and cash equivalents, restricted cash and short-term deposits

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less:

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Cash and bank balances	94,847	83,850

Restricted cash balances comprise amounts held on behalf of third parties and employees as part of the Employee Stock Purchase Plan ('ESPP'):

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Restricted cash	2,608	2,987

20. Deferred tax assets/(liabilities)

The deferred tax balances relate to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax assets are recognised to the extent that it is probable that the future taxable profits will allow the deferred tax assets to be recovered.

The movements in deferred tax assets and liabilities prior to offsetting are shown below:

Deferred tax assets	Share options	Tax losses	Short-term timing differences	Intangibles	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2021	**3,994**	**2,239**	**1,381**	**-**	**7,614**
Deferred tax recognised on acquisition	28	396	6,259	5,414	12,097
Deferred tax (charge)/credit directly to the income statement	1,127	(887)	2,447	(177)	2,510
Deferred tax credited directly to equity	689	-	-	-	689
Exercise of share options, charged directly to the income statement	(411)	-	-	-	(411)
Exchange rate differences, charged directly to OCI	(5)	1	60	-	56
Changes in tax rate, credited to the income statement	238	32	(267)	-	3
At 31 December 2021	**5,660**	**1,781**	**9,880**	**5,237**	**22,558**
Deferred tax (charge)/credit directly to the income statement	(566)	3,469	1,868	(923)	3,848
Deferred tax charged directly to equity	(1,946)	-	-	-	(1,946)
Exchange rate differences, charged directly to OCI	188	144	962	650	1,944
Changes in tax rate, credited to the income statement	286	(146)	104	(25)	219
At 31 December 2022	**3,622**	**5,248**	**12,814**	**4,939**	**26,623**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

Deferred tax liabilities	Intangibles	Accelerated tax depreciation	Short-term timing differences	Total
	£'000	£'000	£'000	£'000
At 1 January 2021	**23,172**	**2,142**	**303**	**25,617**
Deferred tax on acquired intangibles and via acquisition	33,850	(164)	1,570	35,256
Deferred tax credit/(charge) directly to the income statement	(6,063)	(1,744)	(1,419)	(9,226)
Exchange rate differences, charged directly to OCI	276	3	12	291
Changes in tax rate, charged to the income statement	-	(110)	6	(104)
At 31 December 2021	**51,235**	**127**	**472**	**51,834**
Deferred tax credit/(charge) directly to the income statement	(9,900)	585	2,106	(7,209)
Exchange rate differences, charged directly to OCI	5,206	51	9	5,266
Changes in tax rate, charged to the income statement	-	(148)	61	(87)
At 31 December 2022	**46,541**	**615**	**2,648**	**49,804**

The total deferred tax assets and liabilities subject to offsetting are presented below:

	Total deferred tax assets		Total deferred tax liabilities	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	£'000	£'000	£'000	£'000
As at 31 December prior to offsetting	26,623	22,558	49,804	51,834
Offset of tax	(22,539)	(20,167)	(22,539)	(20,167)
As at 31 December after offsetting	**4,084**	**2,391**	**27,265**	**31,667**

The deferred tax liability as at 31 December 2021 has been represented to include the prior year acquisition measurement period adjustment as described in note 13.

The financial statements include a correction to the amounts presented to the comparative 2021 amounts following a review of the requirements of IAS12 to offset deferred tax assets and liabilities when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. This has resulted in a reduction in deferred tax assets and liabilities included in non-current assets and non-current liabilities respectively of £20.2 million.

The impact on the 31 December 2020 balance sheet in relation to offetting is to reduce deferred tax assets and deferred tax liabilities by £4.6 million. There is no impact on net assets, cash flow or reserves in 2020.

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. The 'changes in tax rate' reflect the remeasuring of temporary differences using the enacted rate applicable when the liabilities are settled, or the asset realised and primarily arise in the UK and US. The US corporate tax rate is unchanged at 21% plus state and local taxes at 4-8% which varies by jurisdiction.

The Group has recognised £5.2 million (2021: £1.8 million) of deferred tax assets relating to carried forward tax losses. These losses have been recognised as it is probable that future taxable profits will allow these deferred tax assets to be recovered. The Group has performed a continuing evaluation of its deferred tax asset valuation allowance on an annual basis to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets.

Deferred tax assets of £19.3 million, relating primarily to trading losses carried forward arising in the US totalling £91.9 million (2021: £25.4 million), consisting of £35.5 million available for utilisation for the period 2026-38 and £56.4 million to be carried forward indefinitely, continue to be matched by a valuation allowance. The Group has completed a tax study in 2022 that confirms the availability of these losses. The Group has utilised approximately £12.3 million of trading losses (2021: £10.4 million) and recognised deferred tax assets relating to trading losses of £13.7 million that are expected to be utilised in the period 2023-2025.

21. Trade and other payables

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Trade payables	31,813	39,596
Contract liabilities	99,303	70,154
Tax and social security	22,300	21,931
Contingent consideration	21	749
Acquisition-related contingent consideration and earn-outs	4,876	6,427
Accruals	22,321	30,501
Total	**180,634**	**169,358**

Trade and other payables as at 31 December 2021 has been represented to include the prior year acquisition measurement period adjustment as described in note 13.

The contract liabilities balance relates mainly to the Group's right-to-access licences, support and maintenance and hosting contracts which are recognised over the contract term as the customer receives and consumes the benefits of the service. All of the current contract liabilities balance at 31 December 2021 was recognised as revenue in 2022 and the current contract liabilities balance at 31 December 2022 is expected to be recognised as revenue in 2023.

The acquisition-related contingent consideration and earn-outs balance in 2022 relates to the acquisitions of PDT Global, eCreators, eThink and BreezyHR Inc ('BreezyHR'). In 2021, the contingent consideration balances related to the acquisition of Watershed Systems Inc and Moodle News and were financial instruments held at fair value within the scope of IFRS 9 and were repaid during 2022. The 2022 and 2021 contingent consideration balance relates to Moodle News.

The Group has netted off £6.6 million (2021: £6.3 million) of contract liabilities against its trade receivables balances as outlined in note 16 above.

22. Other long-term liabilities

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Acquisition-related contingent consideration and earn-outs	-	1,090
Contingent consideration	-	19
Contract liabilities	3,517	1,935
Total	**3,517**	**3,044**

Contract liabilities as at 31 December 2021 has been represented to include the prior year acquisition measurement period adjustment as described in note 13.

The acquisition-related contingent consideration and earn-outs balance in 2021 related to the acquisitions of PDT Global, BreezyHR, eCreators and eThink. The 2021 contingent consideration balance related to the acquisition of Moodle News.

The non-current contract liabilities balance relates mainly to the Group's right to access licences, support and maintenance and hosting contracts which are recognised over the contract term as the customer receives and consumes the benefits of the service. The non-current contract liabilities balance at 31 December 2022 is expected to be recognised during 2024.

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For the year ended 31 December 2022

23. Borrowings

The Group has a debt facility dated 15 July 2021 with HSBC UK Bank PLC, Silicon Valley Bank UK Limited, Barclays Bank PLC, Fifth Third Bank NA and The Governor and Company of the Bank of Ireland.

At the outset, this comprised two committed term loans: Term Facility A, with an original commitment of $265.0 million available to the Group until October 2025 and Term Facility B for $40.0 million, subsequently fully repaid in March 2022.

Subsequent to the year end, HSBC UK bank plc ("HSBC") purchased Silicon Valley Bank UK Limited ("SVB UK") on 13 March 2023. SVB UK, a direct wholly-owned subsidiary of HSBC, remains as the facility agent and security agent for the debt facility (see note 34).

The facilities available also include a $50.0 million committed Revolving Credit Facility (£41.3 million at the year-end exchange rate) and a $50.0 million uncommitted accordion facility (£41.3 million at the year-end exchange rate), both available until July 2025. The term facility attracts variable interest based on LIBOR plus a margin of between 1.25% and 2.00% per annum, based on the Group's leverage to December 2022, following this it attracts SOFR plus the margin discussed above and an adjusted credit spread until repaid.

Term Facility A is repayable with quarterly instalments, starting December 2022, of $9.6 million (c £8.0 million at the year-end exchange rate) with the balance repayable on the expiry of the loan in October 2025. Term Facility B was repayable in full in April 2022 but was fully repaid early in March 2022.

The bank loan is secured by a fixed and floating charge over the assets of the Group and is subject to financial covenants that are tested quarterly based on a calendar year.

The financial covenants are that the Group must ensure that its interest cover ratio is at least 4.0 times and its leverage ratio does not exceed 3.0 times. The interest cover and leverage ratio is not a statutory measure and so its basis and composition may differ from other leverage measures published by other companies.

The interest cover ratio is the ratio of EBITDA to Finance Charges and the leverage ratio is total net debt on the last day of the relevant period to adjusted EBITDA for that relevant period. Both numerator and denominator in each calculation comprise several adjustments as defined in the debt facility agreement and as such are not directly calculable from the financial statements.

The Group was compliant with all financial covenants throughout the year and as at 31 December 2022, the Group's interest cover was 12.90 (2021: 31.76) and its leverage ratio was 1.08 (2021: 1.77).

The lease liabilities have arisen on adoption of IFRS 16 and are secured by the related underlying assets. See note 32 for the undiscounted maturity analysis of lease liabilities at 31 December 2022.

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Current interest-bearing loans and borrowings	36,714	37,503
Non-current interest-bearing loans and borrowings	177,944	187,759
Current lease liabilities	5,082	6,755
Non-current lease liabilities	9,792	15,090
Total	**229,532**	**247,107**

Net debt reconciliation

Net debt, which excludes lease liabilities, can be analysed as follows:

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Cash and cash equivalents	94,847	83,850
Borrowings:		
- Revolving credit facility	-	-
- Term loan	(214,658)	(225,262)
Net debt	**(119,811)**	**(141,412)**

24. Lease liabilities

This note provides information for leases where the group is a lessee.

	2022	2021
	£'000	£'000
At 1 January	**21,845**	**10,258**
Additions	1,948	1,210
Additions on acquisitions	-	14,586
Interest expense	614	434
Lease payments (principal and interest)	(7,333)	(4,854)
Disposals	(2,367)	-
Liabilities in disposal group held for sale	(175)	-
Foreign exchange movements	342	211
At 31 December	**14,874**	**21,845**

Additional profit or loss and cash flow information

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Income from subleasing office premises	256	245
Total cash outflow in respect of leases in the year	(7,333)	(4,854)
Expense related to short-term leases not accounted for under IFRS 16	(594)	(487)
Additions to right-of-use assets	2,062	14,041

The Group's accounting policy for leases is set out in note 2. Details of income statement charges are set out in note 7. The right-of-use asset categories on which depreciation is incurred are presented in note 12. Interest expense incurred on lease liabilities is presented in note 6. The maturity of undiscounted future lease liabilities are set out in note 32.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

25. Provisions

	Property provisions (1)	Litigation and regulation provisions (2)	Onerous contract provisions (3)	Closure provisions (4)	Total
	£'000	£'000	£'000	£'000	£'000
At 31 January 2021	**121**	**580**	**-**	**-**	**701**
Additions arising from acquisitions	1,139	4,225	1,134	-	6,498
Released to the income statement	-	(580)	(121)	-	(701)
Paid in the year	(284)	-	-	-	(284)
Additions	90	-	-	-	90
Measurement period adjustments (note 13)	-	2,200	-	-	2,200
Foreign exchange movements	9	64	11	-	84
At 31 December 2021	**1,075**	**6,489**	**1,024**	**-**	**8,588**
Released to the income statement	(34)	(3,769)	(643)	-	(4,446)
Paid in the year	(143)	(2,260)	-	-	(2,403)
Additions	204	-	-	1,047	1,251
Foreign exchange movements	(99)	461	107	-	469
At 31 December 2022	**1,003**	**921**	**488**	**1,047**	**3,459**
Current	348	11	488	755	1,602
Non-current	655	910	-	292	1,857
Total provisions	**1,003**	**921**	**488**	**1,047**	**3,459**

Provisions as at 31 December 2021 have been represented to include the prior year acquisition measurement period adjustment as described in note 13.

1. The Group is party to a number of leasehold property contracts. Provision has been made for the unavoidable non-rent costs on those leases where the property is now vacant. As a result of the implementation of IFRS 16, the rental elements of certain property provisions are now included within lease liabilities. In addition, the Group has provided for dilapidation costs expected to be incurred at the end of property leases.
2. Litigation and regulation provisions relate to estimates for potential liabilities which may arise in the Group as a result of client claims and past practices. Whilst the nature of legal claims means that the timing of settlement can be uncertain, we expect all claims to be settled in the next 1 to 2 years. Whilst the provisions are based on management's best estimate of the likely liability for obligations that exist at the year end date, the maximum potential exposure could be materially higher or lower than the provisions made as there is a range of potential outcomes.
3. Onerous contract provisions relate to provisions made for certain software contracts where the unavoidable costs of meeting the obligation under the contract, exceed the economic benefits expected to be received under the contract.
4. Closure provisions relate to expected redundancy costs and facility obligations in relation to the announced closure of the UK apprenticeship business given the nature of the customer relationships and quality of the offering in the business do not match the high standards elsewhere in the Group.

26. Share capital

	Number of shares	Share capital	Share premium	Merger reserve	Total
		£'000	£'000	£'000	£'000
Shares were issued during the year as follows:					
At 1 January 2022	**787,642,975**	**3,034**	**317,114**	**31,983**	**352,131**
Shares issued on the exercise of options	2,181,866	8	1,029	-	1,037
Reserves transfer	-	(80)	40	-	(40)
At 31 December 2022	**789,824,841**	**2,962**	**318,183**	**31,983**	**353,128**

The par value of all shares is £0.00375. All shares in issue were allotted, called up and fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company.

On 3 March 2015, the Group incorporated Learning Technologies Group (Trustee) Limited, a wholly-owned subsidiary of the Company. The purpose of the company is to act as an Employee Benefit Trust ('EBT') for the benefit of current and previous employees of the Group. At 31 December 2022, the EBT holds 404,340 (2021: 404,340) ordinary shares in the Company.

A total of 2,181,866 (2021: 4,045,565) ordinary shares were issued during the course of the year as a result of the exercise of employee share options.

Notes to the Consolidated Financial Statements (continued)

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27. Share-based payment transactions

The Group operates an approved and unapproved share option plan and a number of contributory Sharesave schemes. The Group's share-based payment arrangements are summarised below.

(a) Share option plans

As part of its strategy for executive and key employee remuneration, on admission to AIM, the Company established a Share Option Scheme under which share options may be granted to officers and employees or members of the Group. Under the rules of the Share Option Scheme, the Company may grant EMI options and/or unapproved options. Prior to the reverse takeover by LTG in November 2013, Epic Group Limited ran their own share option scheme. Option holders in this plan either exercised their options or modified them into share options in the new scheme, such that they had a neutral effect on the option holders immediately before and after the amendment of the options.

There is no limit on the number of shares, or the percentage of issued share capital, that can be used by the Company for share options. The rules of the Share Option Scheme do not comply with the ABI's guidelines on policies and practices in respect of executive remuneration.

Approved share option plan - Enterprise Management Incentive ('EMI'):

	2022		2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		pence		pence
At 1 January	**922,045**	**11.942**	**1,152,545**	**12.838**
Granted by Company	-	-	-	-
Forfeited	-	-	-	-
Cancelled	(525,000)	17.63	-	-
Exercised during the year	(16,500)	15.50	(230,500)	16.422
At 31 December	**380,545**	**3.947**	**922,045**	**11.942**

EMI options are granted to employees of the Group and vesting criteria are subject to challenging performance targets such as share price growth or other criteria such as annual sales. Except where agreed by the Board, options will lapse if an option holder ceases to be an employee of the Group. All EMI options are settled by equity.

Unapproved share option plan:

	2022		2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		pence		pence
At 1 January	**29,204,641**	**84.460**	**31,215,665**	**83.099**
Granted by Company	7,445,000	0.375	1,943,976	104.417
Forfeited	(4,641,667)	96.41	(1,400,000)	100.211
Cancelled	(3,100,001)	50.88	-	-
Exercised during the year	(1,061,399)	15.53	(2,555,000)	74.388
At 31 December	**27,846,574**	**66.35**	**29,204,641**	**84.460**

Unapproved options are granted to employees of the Group and vesting criteria are subject to challenging performance targets such as revenue and Adjusted EBIT growth or other criteria such as annual sales. Except where agreed by the Board, options will lapse if an option holder ceases to be an employee of the Group. All unapproved options are settled by equity.

Long-term Incentive ('LTIP') share option plan:

	2022		2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		pence		pence
At 1 January	**15,500,000**	**0.375**	**-**	**-**
Granted by Company	2,716,667	0.375	15,500,000	0.375
Forfeited	-	-	-	-
Exercised during the year	-	-	-	-
At 31 December	**18,216,667**	**0.375**	**15,500,000**	**0.375**

LTIP options are granted to senior management of the Group and are subject to challenging performance targets such as a achieving different levels of compound annual growth rates across both total shareholder return ('TSR') and adjusted diluted earnings per share ('EPS'). The awards vesting date is split with 50% in four years and 50% in five years.

The grant of the LTIP options during 2021 was conditional on each recipient waiving and forfeiting all of their existing share options in the Company. The LTIP options issued were considered replacement options for any unapproved options forfeited.

(b) Sharesave Option Scheme

In the UK, the Company established the 2016, 2017, 2018, 2019, 2020 and 2022 Learning Technologies Group plc Sharesave Scheme in April 2016, April 2017, April 2018, April 2019, October 2020 and July 2022, respectively. In October 2020, the Company established a Colombian share save scheme. The schemes enables UK and Colombian permanent employees of the Group to buy shares in the Company at a discount on maturity of a three-year savings contract, unless they are made redundant, in which case they can exercise their options, at the time of redundancy. The savings are held with the Yorkshire Building Society and the Link Group for UK employees and with Alianza Fiduciaria S.A for Colombian employees.

Each member of the scheme may save a fixed amount of up to £500 ($COL 2,500,000) per month for three years at the end of which period, each employee may buy shares at a fixed price of 29.6, 40.8, 68.4, 55.0, 94.7 and 99.4 pence per share respectively (the 'Option Price'), being a discount of 20% on the share price as of 26 April 2016, 20 April 2017, 11 April 2019, 9 April 2020, 9 October 2020 and 1 July 2022 respectively. At the end of three years, an employee may either opt to buy shares at the Option Price or take the savings in cash.

Sharesave Option Scheme:

	2022		2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		pence		pence
At 1 January	**1,426,781**	**78.684**	**2,066,080**	**75.438**
Granted by Company	2,446,211	99.4	-	-
Forfeited	(119,855)	96.12	(87,633)	69.099
Exercised during the year	(531,641)	55.22	(551,666)	68.048
At 31 December	**3,221,496**	**97.64**	**1,426,781**	**78.684**

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(c) Employee Stock Purchase Plan

The Company established the Learning Technologies Group plc U.S. and Canada 2019, 2020 and 2022 Employee Stock Purchase Plan (ESPP) in May 2019, November 2020 and July 2022, respectively. The scheme enables US and Canadian permanent employees of the Group to buy shares in the Company at a discount on maturity of a two-year savings contract. The savings are held by Learning Technologies Group plc and treated as restricted cash.

Each member of the scheme may save a fixed amount each month over the two-year period, at the end of which each employee may buy shares at a fixed price of 70.6, 102.0 and 94.61 pence per share (the 'Option Price'), being a discount of 15% on the share price as of 17 May 2020, 2 November 2020 and 1 July 2022. No participant may purchase more than 40,000 shares during an offering period. At the end of two years, a participant's option to purchase shares will be exercised automatically on the purchase date provided that the fair market value of the shares is greater than the purchase price, otherwise the accumulated payroll deductions held on behalf of a participant will be repaid promptly.

Employee Stock Purchase Plan:

	2022		2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		pence		pence
At 1 January	**811,944**	**102.00**	**1,709,272**	**86.760**
Granted by Company	2,473,989	94.61	8,393	70.550
Forfeited	(176,006)	97.12	(197,322)	81.552
Exercised during the year	(494,819)	102.00	(708,399)	70.550
At 31 December	**2,615,108**	**95.33**	**811,944**	**102.00**

(d) Employee Share Ownership Plan

The Company established the LTG Peak Performance Trust ('PPT') in December 2020. The scheme enables Australian permanent employees of the Group to buy shares in the Company at a discount on maturity of a one-year savings contract, with an additional two-year savings contract available upon remaining in the scheme each year. The savings are held by Succession Plus Australia.

Each member of the scheme may save AUD416.67 each month over the one-year period, at the end of which each employee may buy shares at a discount of 15% on the share price at the time of acquisition. At the end of the one year, a participant's option to purchase shares will be exercised automatically on the purchase date. In years two and three, an increased monthly purchase limit of AUD625.00 and AUD716.67 is available to employees who have remained in the scheme in the prior years.

Employee Share Ownership Plan:

	2022		2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		pence		pence
At 1 January	**15,108**	**139.456**	**16,320**	**139.456**
Granted by Company	-	-	-	-
Forfeited	(905)	139.456	(1,212)	139.456
Exercised during the year	(8,528)	139.456	-	-
At 31 December	**5,675**	**139.456**	**15,108**	**139.456**

At 31 December 2022, options granted to subscribe for ordinary shares of the Company, and the valuation criteria, are as follows:

Date of grant	Number of shares under option			Exercise price	Remaining vesting period	Fair value of options	Life	Volatility
	Approved scheme	LTIP / Unapproved scheme	Sharesave scheme / ESPP	Pence		Pence	Years	Percent
Jun-2013	343,945	-	-	2.718	-	11.96	10	45%
Mar-2014	36,600	-	-	15.500	-	8.76	10	45%
Mar-2017	-	550,000	-	42.500	-	19.63	10	34%
May-2017	-	1,500,000	-	37.500	-	29.63	10	34%
Dec-2017	-	600,000	-	60.114	-	30.10	10	38%
Dec-2017	-	300,000	-	60.114	Jan 2024	30.10	10	38%
Apr-2018	-	-	10,526	68.400	-	32.15	3	40%
Jul-2018	-	700,000	-	102.000	-	52.61	10	38%
Jul-2018	-	300,000	-	102.000	Jan 2023	52.61	10	38%
Aug-2018	-	950,000	-	103.490	-	56.14	10	40%
Aug-2018	-	1,050,000	-	103.490	Jan 2023	56.14	10	40%
Aug-2018	-	1,050,000	-	103.490	Jan 2024	56.14	10	40%
Aug-2018	-	1,050,000	-	103.490	Jan 2025	56.14	10	40%
Apr-2019	-	-	40,180	55.100	May 2022	35.12	3	66%
Apr-2019	-	1,593,333	-	75.200	-	55.64	10	68%
Apr-2019	-	1,975,000	-	75.200	Jan 2023	55.64	10	68%
Apr-2019	-	1,925,000	-	75.200	Jan 2024	55.64	10	68%
Apr-2019	-	1,441,667	-	75.200	Jan 2025	55.64	10	68%
Apr-2020	-	945,000	-	115.000	-	74.82	10	56%
Apr-2020	-	775,000	-	115.000	Jan-23	74.82	10	56%
Apr-2020	-	775,000	-	115.000	Jan-24	74.82	10	56%
Apr-2020	-	775,000	-	115.000	Jan-25	74.82	10	56%
Jul-2020	-	66,000	-	115.000	Jan-23	70.99	10	55%
Jul-2020	-	66,000	-	115.000	Jan-24	70.99	10	55%
Jul-2020	-	66,000	-	115.000	Jan-25	70.99	10	55%
Oct-2020	-	250,000	-	114.300	Jan-23	62.03	10	52%
Oct-2020	-	250,000	-	114.300	Jan-24	62.03	10	52%
Oct-2020	-	250,000	-	114.300	Jan-25	62.03	10	52%
Oct-2020	-	250,000	-	114.300	Jan-26	62.03	10	52%
Oct-2020	-	100,000	-	120.00	Jan-23	65.46	10	52%
Nov-2020	-	250,000	-	137.700	Jan-23	75.98	10	52%
Nov-2020	-	250,000	-	137.700	Jan-24	75.98	10	52%
Nov-2020	-	250,000	-	137.700	Jan-25	75.98	10	52%
Nov-2020	-	250,000	-	137.700	Jan-26	75.98	10	52%
Nov-2020	-	-	760,808	94.7000	Nov-23	50.97	3	52%
Nov-2020	-	-	257,192	102.000	Nov-22	41.89	2	52%
Dec-2020	-	-	5,675	139.456	Dec-21	48.89	1	52%
Aug-2021	-	4,000,000	-	0.375	Jan-25	51.97	10	42%
Aug-2021	-	4,000,000	-	0.375	Jan-26	56.68	10	43%
Aug-2021	-	2,000,000	-	0.375	Jan-25	168.26	10	42%
Aug-2021	-	2,000,000	-	0.375	Jan-26	177.54	10	43%

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Date of grant	Number of shares under option			Exercise price	Remaining vesting period	Fair value of options	Life	Volatility
	Approved scheme	LTIP / Unapproved scheme	Sharesave scheme / ESPP	Pence		Pence	Years	Percent
Aug-2021	-	666,667	-	0.375	Jan-25	41.07	10	42%
Aug-2021	-	666,667	-	0.375	Jan-26	45.78	10	43%
Aug-2021	-	333,333	-	0.375	Jan-25	157.36	10	42%
Aug-2021	-	333,333	-	0.375	Jan-26	166.64	10	43%
Aug-2021	-	500,000	-	0.375	Jan-25	27.61	10	42%
Aug-2021	-	500,000	-	0.375	Jan-26	32.32	10	43%
Aug-2021	-	250,000	-	0.375	Jan-25	143.90	10	42%
Aug-2021	-	250,000	-	0.375	Jan-26	153.18	10	43%
Jan-2022	-	1,625,000	-	0.375	Jan-24	93.8	10	42%
Jan-2022	-	1,625,000	-	0.375	Jan-25	93.8	10	42%
Jan-2022	-	1,625,000	-	0.375	Jan-26	93.8	10	42%
Jan-2022	-	1,625,000	-	0.375	Jan-27	93.8	10	42%
Jul-2022	-	23,575	-	0.375	-	101.97	10	42%
Jul-2022	-	175,000	-	0.375	Jan-23	101.97	10	42%
Jul-2022	-	175,000	-	0.375	Jan-24	101.97	10	42%
Jul-2022	-	175,000	-	0.375	Jan-25	101.97	10	42%
Jul-2022	-	-	2,409,982	99.40	Jul-25	34.99	3	42%
Jul-2022	-	-	2,357,916	94.61	Jul-24	32.33	2	42%
Sep-2022	-	905,556	-	0.375	Jan-25	27.61	10	42%
Sep-2022	-	452,777	-	0.375	Jan-25	143.90	10	42%
Sep-2022	-	905,555	-	0.375	Jan-26	32.32	10	42%
Sep-2022	-	452,778	-	0.375	Jan-26	153.18	10	42%
Oct-2022	-	35,000	-	0.375	Jan-23	110.04	10	52%
Oct-2022	-	35,000	-	0.375	Jan-24	110.04	10	52%
Oct-2022	-	35,000	-	0.375	Jan-24	187.03	10	52%
Oct-2022	-	35,000	-	0.375	Jan-25	110.04	10	52%
Oct-2022	-	35,000	-	0.375	Jan-25	187.03	10	52%
Oct-2022	-	35,000	-	0.375	Jan-26	110.04	10	52%
Oct-2022	-	35,000	-	0.375	Jan-26	187.03	10	52%
Totals	380,545	46,063,241	5,842,279					

An option-holder has no voting or dividend rights in the Company before the exercise of a share option.

The weighted average share price at grant date of options granted during the year in the LTIP Share Option Scheme at grant date was £1.083 (2021: £1.779) and the estimated fair value of each share option granted was £0.695 (2021: £0.901).

The weighted average share price at grant date of options granted during the year in the Unapproved Share Option Scheme at grant date was £1.714 (2021: £1.762) and the estimated fair value of each share option granted was £0.946 (2021: £0.583).

The weighted average share price at grant date of the Sharesave Scheme was £1.119 (2021: £nil) and the estimated fair value of each share option was £0.350 (2021: £nil). It is assumed that 50% of members will remain in the Group after three years.

The weighted average share price at grant date of the ESPP was £1.119 (2021: £1.659) and the estimated fair value of each share option was £0.323 (2021: £0.444). It is assumed that 50% of members will remain in the Group after two years.

The weighted average share price at grant date of the PPT was £nil (2021: £nil) and the estimated fair value of each share option was £nil (2021: £nil). It is assumed that 50% of members will remain in the Group after one year.

A 0.26% - 0.29% (2021: 0.26% - 0.29%) risk-free interest rate has been assumed for the unapproved, ESPP or Sharesave schemes. The estimated fair value was calculated by applying a Black-Scholes option pricing model. The expected volatility of the Group's share price is calculated based on an assumption of historical volatility.

The LTIP awards have been valued using a Stochastic model for the TSR element, the Black-Scholes option pricing model for the EPS element and a Chaffee model for the one-year holding period. A 0.73% risk free interest rate has been used for the awards vesting in four years and a 0.82% risk free interest rate has been used for the awards vesting in five years.

The option life factored into the model for EMI and unapproved options is 10 years, for Sharesave scheme options 3 years, for ESPP options 2 years and for PPT options 1 year.

The expense and equity reserve arising from share-based payment transactions recognised in the year ended 31 December 2022 was £7,235,000 (year ended 31 December 2021: £5,364,000).

The weighted average share price at the date of exercise of options under the EMI Share Option Scheme was £1.288 (2021: £1.336).

The weighted average share price at the date of exercise of options under the Unapproved Share Option Scheme was £1.322 (2021: £1.715).

The weighted average share price at the date of exercise of options under the Sharesave Scheme was £1.088 (2021: £1.505).

The weighted average share price at the date of exercise of options under the ESPP Scheme was £1.123 (2021: £1.905).

The weighted average share price at the date of exercise of options under the PPT was £1.122 (2021: £nil).

The number of options that are exercisable at 31 December 2022 is 7,161,907 (2021: 8,366,167).

28. Subsidiaries of the Group

The subsidiaries of the Group, all of which are private companies limited by shares, as at 31 December 2022, are as follows:

Company	Country of registration or incorporation	Registered office	Principal activity	Percentage of ordinary shares held by Company
Held directly by Learning Technologies Group Plc:				
Learning Technologies Group Holdings (UK) Limited (previously named Epic Group Limited)	England and Wales	Projects The Lanes, Nile House, Nile Street, Brighton BN1 1HW	Holding company	100%
Learning Technologies Group (Trustee) Limited	England and Wales	Projects The Lanes, Nile House, Nile Street, Brighton BN1 1HW	Employee Benefit Trust	100%
Learning Technologies Group Holdings Limited (previously named NetDimensions (Holdings) UK Limited)	England and Wales	Projects The Lanes, Nile House, Nile Street, Brighton BN1 1HW	Holding company	100%
Learning Technologies Acquisition Corporation	USA	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808	Holding company	100%

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

Company	Country of registration or incorporation	Registered office	Principal activity	Percentage of ordinary shares held by Company
Held indirectly by Learning Technologies Group Plc:				
Leo Learning Inc	USA	c/o Corporation Service Company, 80 State Street, Albany, NY 12207	Bespoke e-learning	100%
Preloaded Limited	England and Wales	The Arts Building, Morris Place, London, N4 3JG	Educational games	100%
Learning Technologies Group (UK) Limited (previously named Leo Learning Limited)	England and Wales	Projects The Lanes, Nile House, Nile Street, Brighton BN1 1HW	Bespoke e-learning	100%
Eukleia Training Limited	England and Wales	Projects The Lanes, Nile House, Nile Street, Brighton BN1 1HW	Bespoke e-learning	100%
Rustici Software LLC	USA	c/o Corporation Service Company, 2908 Poston Avenue, Nashville, TN 37203	e-learning interoperability	100%
Watershed Systems Inc[1]	USA	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808	SaaS learning analytics platform	100%
Learning Technologies Group (Hong Kong) Limited (previously known as NetDimensions Limited)	Hong Kong	Room 7, 11/F Hewlett Centre, 52-54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong SAR	e-learning software licencing and services	100%
NetDimensions, Inc.	USA	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808	e-learning software licencing and services	100%
NetDimensions (UK) Limited	England and Wales	Projects The Lanes, Nile House, Nile Street, Brighton BN1 1HW	e-learning software licencing and services	100%
NetDimensions (China) Limited	Hong Kong	Room 7, 11/F Hewlett Centre, 52-54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong SAR	e-learning software licencing and services	100%
Learning Technologies Group Pty Limited (previously named NetDimensions (Australia) Pty Limited)	Australia	Level 4, 91 William Street, Melbourne VIC 3000	e-learning software licencing and services	100%
NetDimensions Asia Limited	Hong Kong/Philippines	Room 7, 11/F Hewlett Centre, 52-54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong SAR	e-learning software licencing and services	100%
Learning Technologies Group GmbH (previously known as NetDimensions Germany GmbH)	Germany	Dieninghölt 9, 59387 Ascheberg, Germany	e-learning software licencing and services	100%
E-Creators Pty Ltd.	Australia	Level 3, 210 Albert Road South Melbourne, VIC 3205	SaaS learning management system	100%
NetDimensions (Holdings) Limited	Cayman Islands	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	Dormant	100%
Gomo Learning Limited	England and Wales	Projects The Lanes, Nile House, Nile Street, Brighton BN1 1HW	Mobile e-learning	100%
PeopleFluent Holdings Corp.	USA	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808	Holding company	100%
Learning Technologies Group Inc. (previously known as PeopleFluent Inc)	USA	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808	Integrated talent management and learning solutions	100%
Learning Technologies Group (Canada) Inc (previously known as Strategia Communications Inc)	Canada	305 Victoria Avenue, Suite 401, Westmount, Quebec H3Z2N2	Integrated talent management and learning solutions	100%
Bedford HCIT Holdings Corp	USA	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808	Holding company	100%

Company	Country of registration or incorporation	Registered office	Principal activity	Percentage of ordinary shares held by Company
Held indirectly by Learning Technologies Group Plc:				
Gomo Learning Inc. (previously named KZO Innovations Inc)	USA	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808	Video distribution software	100%
PeopleFluent Limited	England and Wales	Projects The Lanes, Nile House, Nile Street, Brighton BN1 1HW	Integrated talent management and learning solutions	100%
Learning Technologies Group Brasil Servicos de Tecnologia Ltda	Brazil	Alameda ITU 215, Conj 52 Sala 7, Jardim Paulista, 01421001 São Paulo	SaaS learning management system	100%
LTG UK MEX SDRL	Mexico	Montecito 38, Piso 16, Oficina 27, WTC, Napoles, Benito Juarez, 03810 CDMX, Mexico	SaaS learning management system	100%
Learning Technologies Group (Colombia) S.A.S.	Colombia	Cr 7 #71 52 To A of 706 Bogotá D.C.	SaaS learning management system	100%
Breezy HR, Inc.	USA	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808	SaaS talent acquisition platform	100%
eThink Education LLC	USA	c/o Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808	SaaS learning management system	100%
eThink Education Limited	England and Wales	15 Fetter Lane, Ground Floor London EC4A 1BW	SaaS learning management system	100%
Reflektive, Inc.	USA	c/o Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808	Integrated talent management solutions	100%
Reflektive Labs Private Limited	India	2nd and 3rd Floors, No. 61, 2nd Cross, Residency Road, Bangalore 560025, Karnataka, India	Integrated talent management solutions	100%
Reflektive Solutions D.O.O.	Serbia	Old Town, Belgrade, Gospodar Jovanov 23b/1, 11000	In liquidation	100%
getBridge LLC	USA	c/o The Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808	Integrated talent management solutions	100%
Learning Technologies Group Kft.	Hungary	c/o HABEMUS Kft. Homokos u. 68. 2049 Diósd	Integrated talent management solutions	100%
Learning Media Services	England and Wales	15 Fetter Lane, Ground Floor, London EC4A 1BW	Non-trading	100%
The People Development Team	England and Wales	15 Fetter Lane, Ground Floor, London EC4A 1BW	Diversity & Inclusion	100%
LTG PPT Nominees Pty Ltd.	Australia	Level 4, 91 William Street, Melbourne VIC 3000	Corporate trustee	100%
LTG Peak Performance Trust	Australia	Level 4, 91 William Street, Melbourne VIC 3000	Employee unit trust	N/A
GP Strategies Argentina S.R.L.	Argentina	Uruguay 775 Piso 8º Ciudad Autónoma de Buenos Aires	Custom training & consulting services	100%
GP Strategies Australia Pty Limited	Australia	Level 15, 1 O'Connell Street Sydney NSW 2000	Custom training & consulting services	100%
TTi International (Australia) Pty Ltd	Australia	Unit 10, 168 Christmas Street Fairfield VIC 3078	Custom training & consulting services	100%
GP Bahamas Ltd	Bahamas	C/O Dupuch & Turnquest & Co. 308 East Bay Street P.O. Box N-8181 Nassau, Bahamas	Holding company	100%
GP Treinamento Brasil Ltda	Brazil	Nex Coworking Rua Francisco Rocha, 198 Studio 09 Batel – 80420-130 Curitiba - PR, BRAZIL	Custom training & consulting services	100%

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

Company	Country of registration or incorporation	Registered office	Principal activity	Percentage of ordinary shares held by Company
Held indirectly by Learning Technologies Group Plc:				
TTI – Inovações em Treinamento Ltda.	Brazil	Alameda Caulim, 115 Salas 1024 e 1025 – Torre Gate Bairro Cerâmica São Caetano do Sul, SP CEP 09531-195	Custom training & consulting services	100%
GP Strategies Canada ULC	Canada	725 Granville Street, Suite 400 P.O.BOX 10325 Vancouver, BC V7Y1G5	Custom training & consulting services	100%
GP Strategies Chile Ltda	Chile	Camino Lonquen 13070 La Casona San Bernardo Santiago, Chile	Custom training & consulting services	100%
GP Strategies Capacitación Chile Ltda	Chile	Camino Lonquen 13070 La Casona San Bernardo Santiago, Chile	Custom training & consulting services	100%
TTi Consulting (Beijing) Limited	China (Beijing)	Room07, Floor23, Tower1, No. 36 Xiaoyun Road, Chaoyang District, Beijing, China	Custom training & consulting services	100%
GP (Shanghai) Co., Ltd.	China (Shanghai)	Suite 1201, Building A Phoenix Place, No.A5 Shuguangxili, Chaoyang District, Beijing, China	Custom training & consulting services	100%
GP Strategies Colombia Ltda	Colombia	Carrera 9A No. 99-02 Edificio Citibank Oficina 811, Bogotá, Colombia	Custom training & consulting services	100%
GP Strategies Cyprus Limited	Cyprus	195, Arch. Makariou III Ave., Neocleous House, 3030, Limassol, Cyprus	Custom training & consulting services	100%
GP Strategies Nordic A/S	Denmark	Lersø Parkallé 101 2100 København Ø Denmark	Custom training & consulting services	100%
GP Strategies Denmark ApS	Denmark	Lersø Parkallé 101 2100 København Ø, Denmark	Custom training & consulting services	100%
GP Strategies Egypt, LLC	Egypt	Unit 101, 13 Mohamed Ali Gannah Street – Garden City – Cairo	Custom training & consulting services	100%
GP Strategies France S.A.R.L	France	45 Allée des Ormes - BP1200 06250 Mougins CEDEX FRANCE	Custom training & consulting services	100%
GP Strategies Finland Oy	Finland	Pohjoisesplanadi 21 B 00100 Helsinki, Finland	Custom training & consulting services	100%
GP Strategies Deutschland GmbH	Germany	Max-Planck-Str. 3, High-Tech-House 85716 Unterschleißheim Germany	Custom training & consulting services	100%
GP Strategies (Hong Kong) Limited	Hong Kong	11/F, Lee Garden Two 28 Yun Ping Road, Causeway Bay, Hong Kong	Custom training & consulting services	100%
GP Strategies Hungary Kft	Hungary	1136 Budapest, Tatra u. 12/B. 2. em. 2, Hungary	Custom training & consulting services	100%
GP Strategies India Pvt. Ltd.	India	No. 4/363 Kandanchavadi Block B, 1st & 2nd floor (Max Fashion Building) Old Mahabalipuram Road, Chennai, Tamil Nadu INDIA 600096	Custom training & consulting services	99%
Total Training Innovations Private Limited	India	F-7, Laxmi Mills, Shakti Mills Lane, off Dr. E. Moses Road, Mahalakshmi (west), Mumbai, Maharashtra, India - 400011	Custom training & consulting services	99%

Company	Country of registration or incorporation	Registered office	Principal activity	Percentage of ordinary shares held by Company
Held indirectly by Learning Technologies Group Plc:				
GP Strategies Ireland Limited	Ireland	Registered Address Service: c/o DHKN Limited 78 Merrion Square Dublin D02R251	Custom training & consulting services	100%
GP Strategies Japan G.K.	Japan	413 the SOHO, 2-7-4 Aomi, Koto-Ku Tokyo, JAPAN	Custom training & consulting services	100%
TTi - Japan Corporation	Japan	413 the SOHO, 2-7-4 Aomi, Koto-Ku Tokyo, JAPAN	Custom training & consulting services	100%
GP Strategies Malaysia Sdn. Bhd.	Malaysia	ZICO Registered Address Service: Level 13A-6, Menara Milenium Jalan Damanlela, Pusat Bandar Damansara 50490 Kuala Lumpur Malaysia	Custom training & consulting services	100%
General Physics Corporation Mexico, S.A. de C.V.	Mexico	Av. Ejército Nacional #769 2nd floor, Suite 219 Colonia Ampliacion Granada Alcandia Miguel Hidalgo Ciudad de México, Mexico 11520	Custom training & consulting services	100%
Trabajo Total Integrado, S.A. de C.V.	Mexico	Av. Ejército Nacional #769 2nd floor, Suite 219 Colonia Ampliacion Granada Alcandia Miguel Hidalgo Ciudad de México, Mexico 11520	Custom training & consulting services	100%
GP Strategies Netherlands B.V	Netherlands	Polarisavenue 130 – 148 2132 JX Hoofddorp NETHERLANDS	Custom training & consulting services	100%
TTi Peru S.A.C.	Peru	German Schreiber 291 Oficina 301 Lima, Peru	Custom training & consulting services	100%
GP Strategies Philippines, Inc.	Phillipines	Unit 301 3rd FLR Midway Court, 241 EDSA BrgyY Wack Wack Greenhills East, Mandaluyong City 1554 Philippines	Custom training & consulting services	100%
TTi Global Philippines, Inc.	Phillipines	2/F Unit 210, Building C, Aria Place, Jose Abad Santos Avenue, Dolores, San Fernando City, Pampanga, Philippines	Custom training & consulting services	40%
GP Strategies Poland sp. z.o.o	Poland	ul. Strzegomska 138 54-429 Wrocław	Custom training & consulting services	100%
Treinova Portugal, Unipessoal Ltda	Portugal	Rua Frederico George Nº39, 1º D 1600-012 Lisboa, Parish of Lumiar	Custom training & consulting services	100%
GP Strategies Performance Training S.R.L.	Romania	Charles de Gaulle Plaza, 15 Charles de Gaulle Square, 1st District Bucharest, 011857 Romania	Custom training & consulting services	100%
GP Strategies Singapore (Asia) Pte. Ltd.	Singapore	18 Robinson Road Level 02-03 Singapore 048547	Custom training & consulting services	100%
TTi Global Consultancy South Africa Proprietary Limited	South Africa	MIDLAND 43 MONTROSE STREET VORNA VALLEY, MIDRAND GAUTENG 1685 South Africa	Custom training & consulting services	100%
Team Core Investments No. 8 Proprietary Limited	South Africa	MIDLAND 43 MONTROSE STREET VORNA VALLEY, MIDRAND GAUTENG 1685 South Africa	Custom training & consulting services	100%

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

Company	Country of registration or incorporation	Registered office	Principal activity	Percentage of ordinary shares held by Company
Held indirectly by Learning Technologies Group Plc:				
Team Core Investments No.10 Proprietary Limited	South Africa	MIDLAND 43 MONTROSE STREET VORNA VALLEY, MIDRAND GAUTENG 1685 South Africa	Holding company	100%
GP Strategies Korea Y.H.	South Korea	Regus - Virtual Office: 16th Floor, Gangnam Building, 1321-1 Seoch-dong, Seocho-gu Seoul, 137-070 Republic of Korea	Custom training & consulting services	100%
TTI Global Consultancy S.L.	Spain	Avd/ JOSEPH TARRADELLAS Nº123, 9, 08029 BARCELONA	Custom training & consulting services	100%
GP Strategies Sweden AB	Sweden	P.O. Box 16285 103 25 Stockholm Sweden	Custom training & consulting services	100%
GP Strategies Switzerland GmbH	Switzerland	Registered Address Service: c/o Markus Alder Thouvenin Rechtsanwälte & Partner Klausstrasse 33 8034 Zürich	Custom training & consulting services	100%
GP Strategies Taiwan Ltd.	Taiwan	The Great Taipei Business Center Co., Ltd. 12F.-8, No. 155, Sec. 1 Keelung Rd., Xinyi Dist. Taipei City, Taiwan	Custom training & consulting services	100%
GP Strategies (Thailand) Co., Ltd.	Thailand	Office No. 3071, 3/F, Summer Hill, 1106 Sukhumvit Road, Phrakhanong, Klongtoey, Bangkok 10110, Thailand	Custom training & consulting services	100%
GP Strategies Automotive (Thailand) Co., Ltd.	Thailand	1739/1 Soi Sukhumvit 66/1, Prakanong Tai Sub-district, Prakanong District, Bangkok 10260	Automotive training services	100%
GP Strategies Danışmanlık Limited Şirketi	Turkey	Regus (Virtual Office): Hakki Yeten Cad. Selenium Plaza No: 10/c Kat: 5-6, 34349 Fulya, Besiktas, Istanbul	Custom training & consulting services	100%
GP Strategies Middle East FZ-LLC	United Arab Emirates (UAE)	P.O.Box 502139 Office 306, Block 12 Dubai International Academic City Dubai, UAE	Custom training & consulting services	100%
GP Strategies Middle East Training L.L.C	United Arab Emirates (UAE)	Exponenta Business Center Crystal Tower 10th Floor, Unit no. 1001-29 P.O. Box: 34534 Business Bay, Dubai, UAE	Custom training & consulting services	49%
General Physics (UK) Ltd.	United Kingdom	Oakwood Registered Address Service: 3rd Floor, 1 Ashley Road Altrincham, Cheshire United Kingdom WA14 2DT	Custom training & consulting services	100%
GP Strategies Holdings Limited	United Kingdom	Oakwood Registered Address Service: 3rd Floor, 1 Ashley Road Altrincham, Cheshire United Kingdom WA14 2DT	Holding company	100%

Company	Country of registration or incorporation	Registered office	Principal activity	Percentage of ordinary shares held by Company
Held indirectly by Learning Technologies Group Plc:				
GP Strategies Ltd	United Kingdom	Oakwood Registered Address Service: 3rd Floor, 1 Ashley Road Altrincham, Cheshire United Kingdom WA14 2DT	Custom training & consulting services	100%
GP Strategies Training Ltd.	United Kingdom	Oakwood Registered Address Service: 3rd Floor, 1 Ashley Road Altrincham, Cheshire United Kingdom WA14 2DT	Custom training & consulting services	100%
GP Strategies Automotive Limited	United Kingdom	Oakwood Registered Address Service: 3rd Floor, 1 Ashley Road Altrincham, Cheshire United Kingdom WA14 2DT	Automotive repair services	100%
GP Strategies Corporation	United States	251 Little Falls Drive Wilmington, Delaware 09808	Custom training & consulting services	100%
GP International Holdings LLC	United States	251 Little Falls Drive Wilmington, Delaware 09808	Holding company	100%
GP International Holdings 2 LLC	United States	251 Little Falls Drive Wilmington, Delaware 09808	Holding company.	100%
TTi Global, Inc.	United States	6001 North Adams, Suite 185, Bloomfield Hills, MI 48304	Custom training & consulting services	100%
Worldwide Staffing Solutions, Inc.	United States	3229 Dunstable Drive, Land O'Lakes, FL 34638	Holding company	100%
Staffing Latin America, Inc.	United States	848 First Avenue, Suite 300 Naples, FL 34102	Holding company	100%
GP Strategies South Africa Pty Ltd.	South Africa	MIDLAND 43 MONTROSE STREET VORNA VALLEY, MIDRAND GAUTENG 1685 South Africa	Custom training & consulting services	100%
GP Strategies Government Solutions, Inc.	United States	251 Little Falls Drive Wilmington, Delaware 09808	Custom training & consulting services	100%

1. During the period, Learning Technologies Group Plc sold its 27.27% holding in Watershed Systems Inc. to another group entity. The Group still maintained 100% holding.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

29. Reserves

The share premium account represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value and is non-distributable.

The merger reserve arose on the acquisition of Learning Technologies Group (UK) Limited (formerly LEO Learning Limited and Epic Performance Improvement Limited) by Epic Group Limited in 1996, and the Company's reverse acquisition of Epic Group Limited. The merger reserve also includes the merger relief on the issue of shares to acquire Line Communications Holding Limited on 7 April 2014, Preloaded Limited on 12 May 2014, Eukleia Training Limited on 31 July 2015 and Rustici Software LLC on 29 January 2016.

The reverse acquisition reserve was created in accordance with IFRS 3 'Business Combinations'. The reserve arises due to the elimination of the Company's investment in Epic Group Limited. Since the shareholders of Epic Group Limited became the majority shareholders of the enlarged group, the acquisition is accounted for as though there is a continuation of the legal subsidiary's financial statements. In reverse acquisition accounting, the business combination's costs are deemed to have been incurred by the legal subsidiary.

The share-based payment reserve arises from the requirement to value share options in existence at the grant date. It is the recognition of the fair value over the vesting period (see note 27).

The translation reserve represents cumulative foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends.

30. Related party transactions

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Amount owing (from)/to joint venture/associate:		
Current		
Trade balances with joint venture	(59)	(241)
Total	**(59)**	**(241)**

The amounts due to related parties were unsecured, interest-free and repayable on demand.

Balances and transactions between the Company and its subsidiaries are eliminated on consolidation and are not disclosed in this note. Balances and transactions between the Group and other related parties are disclosed below.

Remuneration of Directors and other transactions

During the year there were no material transactions between the Company and the Directors, other than their emoluments (disclosed in note 9) and the payments described below. The Directors of the Company are considered to be the key management personnel of the Group.

Andrew Brode is the Chairman of LTG and RWS Holdings plc. During the normal course of business, the Group purchased translation services from subsidiaries of RWS Holdings plc ("RWS Group") totalling £455,000 in the year ended 31 December 2022 (2021: £409,000). The amount due/accrued to RWS Group at 31 December 2022 was £29,000 (31 December 2021: £255,000). These balances are included in trade and other payables (refer to note 21).

Transactions with joint venture

During the year, in the normal course of business, the Group purchased graphics services from its joint venture, LEO Brazil, totalling £nil (2021: £nil) and received licence fee income, totalling £25,000 (2021: £17,000).

31. Dividends paid

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Final dividend paid	5,515	3,705
Interim dividend paid	3,547	2,360
Total	**9,062**	**6,065**

On 27 October 2022, the Company paid an interim dividend of 0.45 pence per share (2021: 0.30 pence per share) amounting to a total dividend payment of £3.5 million. Given the robust performance of the Group during the past year the Directors propose to pay a final dividend of 1.15 pence per share for the year ended 31 December 2022, equating to a total payment in respect of the year of 1.60 pence per share (2021: 1.00 pence per share).

The proposed final dividend of 1.15 pence per share, amounting to a final dividend of c. £9.1m, is not included as a liability in these financial statements and, subject to shareholder approval, will be paid on 14 July 2023 to shareholders on the register at the close of business on 23 June 2023. The final dividend will be paid gross.

32. Financial instruments

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

In the following notes the amounts presented as at 31 December 2021 have been amended as applicable following the prior year acquisition measurement period adjustment as described in note 13.

(a) Financial risk management policies

The Group's policies in respect of the major areas of treasury activity are as follows:

(i) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Pounds Sterling. The currencies giving rise to this risk are primarily the United States Dollar and Euro. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group maintains a natural hedge whenever possible, by matching the cash inflows (revenue stream) and cash outflows used for purposes such as capital and operational expenditure in the respective currencies.

The carrying amounts of the Group's foreign currency denominated financial assets and liabilities at the end of year were as follows:

		31 Dec 2022		31 Dec 2021	
		£'000		£'000	
Country	Currency	Financial assets	Financial liabilities	Financial assets	Financial liabilities
United States	Dollar	145,149	231,854	151,662	173,458
Brazilian	Real	2,991	110	1,568	73
Hong Kong	Dollar	5,600	51	2,034	401
Euro		24,918	3,434	14,435	5,051
Swiss	Franc	1,960	821	1,414	2,490
Canadian	Dollar	2,344	166	1,779	416
Australian	Dollar	5,053	206	1,805	169
Philippines	Peso	249	19	136	20

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For the year ended 31 December 2022

		31 Dec 2022		31 Dec 2021	
		£'000		£'000	
Country	Currency	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Colombian	Peso	982	99	566	28
Mexican	Peso	3,314	694	1,561	725
Japanese	Yen	2,096	137	1,639	590
Singapore	Dollar	784	24	685	3
New Zealand	Dollar	-	-	-	-
Hungarian	Forint	282	82	287	118
United Arab Emirates	Dirham	577	44	1,173	61
Czech	Koruna	4	7	32	1
Danish	Krone	3,751	1,900	3,322	2,579
Polish	Zloty	1,095	63	1,220	195
Qatari	Rial	5	-	11	-
Indian	Rupee	1,229	241	772	800
Malaysian	Ringgit	175	19	90	51
Chinese	Yuan	4,470	1,136	3,221	763
Argentine	Pesos	328	43	122	21
Egyptian	Pound	289	-	323	2
Swedish	Krona	104	3	118	2
Turkish	Lira	286	28	254	246
Taiwanese	Dollar	114	1	73	11
Thai	Baht	1,066	58	724	364
Chilean	Peso	330	11	223	48
Romanian	Leu	70	30	-	270
Peruvian	Sol	110	1	41	3
South Korean	Won	2	1	3	-
South African	Rand	867	49	19	-
Norwegian	Krone	-	3	-	-
		210,594	**241,335**	**191,312**	**188,959**

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to possible changes in the relative values of the above financial assets and liabilities held in foreign currencies to which the Group is exposed as at the end of each year, with all other variables held constant. We have disclosed the material sensitivities above £100,000 below:

	31 Dec 2022		31 Dec 2021	
	£'000		£'000	
Currency	Strengthened by 10% increase/ (decrease)	Weakened by 10% increase/ (decrease)	Strengthened by 10% increase/ (decrease)	Weakened by 10% increase/ (decrease)
United States Dollar	(8,671)	8,671	(2,180)	2,180
Euro	2,148	(2,148)	938	(938)
Swiss Franc	114	(114)	108	(108)
Canadian Dollar	218	(218)	136	(136)
Australian Dollar	485	(485)	164	(164)
Polish Zloty	103	(103)	102	(102)
Chinese Yuan	333	(333)	246	(246)
Japanese Yen	196	(196)	105	(105)
Brazilian Real	288	(288)	150	(150)
Danish Krone	185	(185)	74	(74)
Hong Kong Dollar	555	(555)	163	(163)
Mexican Peso	262	(262)	84	(84)
Thai Baht	101	(101)	36	(36)

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For the year ended 31 December 2022

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

Interest rate risk sensitivity analysis

The Group's external borrowings at the balance sheet date comprise loan facilities on floating interest rates at a margin over a base LIBOR or SOFR. The Group considers the exposure to interest rate risk acceptable.

If the interest rates had been 50 basis points higher and all other variables were held constant, the Group's profit for the year ended 31 December 2022 and net assets at that date would decrease by £836,000 (2021: £979,000). This is attributable to the Group's exposure to movements in interest rate on its variable borrowings.

(ii) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on the shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have a low risk profile as the Group has the right to bill the customer for work completed to date.

The expected loss rates are based on the historic payment profiles of sales and the credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information. Different loss rates have been calculated and applied to different business units, products and geography. The loss allowance calculated is detailed in note 16.

Credit risk concentration profile

The Group did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics (2021: No significant credit risk exposure). The Group defines major credit risk as exposure to a concentration exceeding 10% of a total class of such asset.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of each reporting period.

The exposure of credit risk for trade receivables by geographical region is as follows:

	31 Dec 2022	31 Dec 2021
	£'000	£'000
United Kingdom	24,104	14,157
North America	95,702	89,779
Europe	8,812	18,866
Asia Pacific	11,856	6,333
Middle East and Africa	1,120	960
South and Central America	5,996	2,610
Contract liabilities netted off (see note 16)	(6,639)	(6,257)
Allowance for impairment losses	(4,926)	(2,543)
	136,025	**123,905**

Ageing analysis

The ageing analysis of the Group's trade receivables is as follows:

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Not past due	117,464	102,592
Past due:		
Less than three months	12,143	7,136
Three to six months	2,637	3,830
Past six months	8,707	12,890
Gross amount	**140,951**	**126,448**

Trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Collective impairment allowances are determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to experience of past defaults.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantial companies with good collection track record and no recent history of default.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. There is no seasonality to the Group's liquidity risk.

The Group manages its exposure to liquidity risk by reviewing the cash resources required to meet its business objectives through both short- and long-term cash flow forecasts. The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. All current liabilities are repayable within one year.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

Ageing analysis

The table below summarises the maturity profile of the Group's financial liabilities, including interest payments, where applicable based on contractual undiscounted payments:

	Less than 1 year	1-2 years	2-3 years	>3 years	Total
	£'000	£'000	£'000	£'000	£'000
Year ended 31 December 2022					
Trade payables	31,647	164	-	2	31,813
Borrowings	36,714	31,848	31,848	114,248	214,658
Contingent consideration	21	-	-	-	21
Lease payments	5,108	9,515	7,273	8,383	30,279
	73,490	**41,527**	**39,121**	**122,633**	**276,771**
Year ended 31 December 2021					
Trade payables	39,596	-	-	-	39,596
Borrowings	36,851	28,558	28,558	131,295	225,262
Contingent consideration	749	19	-	-	768
Lease payments	7,883	6,872	4,870	7,039	26,664
	85,079	**35,449**	**33,428**	**138,334**	**292,290**

Refer to note 23 for a reconciliation of the Group's net debt position and details of the debt facilities available to the Group.

(b) Capital risk management

The Group defines capital as the total equity of the Group attributable to the owners of the parent company and net funds.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to provide funds for merger and acquisition activity.

During 2021, the Group fully repaid its debt facility with Silicon Valley Bank and replaced it with a new debt facility with HSBC UK Bank, Silicon Valley Bank UK Limited ('SVB UK'), Barclays Bank, Fifth Third Bank and the Governor and Company of the Bank of Ireland for a total of $405.0 million – see note 23 – this is the only external debt finance of the Group.

Subsequent to the year end, HSBC UK bank plc ("HSBC") purchased Silicon Valley Bank UK Limited ("SVB UK") on 13 March 2023. SVB UK, a direct wholly-owned subsidiary of HSBC, remains as the facility agent and security agent for the debt facility (see note 34).

The Company made dividend distributions of 1.15 pence per share during the year ended 31 December 2022 (2021: 1.00 pence per share).

Total equity increased from £371.3 million to £426.3 million during the year and net funds decreased from net debt of £141.4 million to net debt of £119.8 million.

(c) Classification of financial instruments

Financial assets	31 Dec 2022	31 Dec 2021
	£'000	£'000
Financial assets at amortised cost		
Trade receivables	136,025	123,905
Amounts recoverable on contracts	34,525	32,804
Amount owing by related parties	59	241
Cash and bank balances	94,847	83,850
	265,456	**240,800**

Financial liabilities	31 Dec 2022	31 Dec 2021
	£'000	£'000
Fair value through the profit and loss:		
Contingent consideration	21	768
	21	**768**
At amortised cost:		
Trade payables	31,813	39,596
Borrowings	214,658	225,262
Lease liability	14,874	21,845
	261,345	**286,703**

(d) Reconciliation of liabilities arising from financing activities

	Note	1 January 2022	Net financing cashflows	Interest paid	Fair value movement	Interest accrued	Acquisition of subsidiary	Net disposals	Foreign exchange movement	31 December 2022
Borrowings	23	225,262	(38,458)	(4,609)	-	9,102	-	-	23,361	214,658
Lease liabilities	24	21,845	(6,719)	(614)	-	614	-	(594)	342	14,874
Contingent consideration	21, 22	768	(705)	-	(21)	(77)	-	-	56	21

	Note	1 January 2021	Net financing cashflows	Interest paid	Fair value movement	Interest accrued	Acquisition of subsidiary	Net additions	Foreign exchange movement	31 December 2021
Borrowings	23	18,412	203,710	(316)	-	2,065	-	-	1,391	225,262
Lease liabilities	24	10,258	(4,420)	(434)	-	435	14,586	1,210	210	21,845
Contingent consideration	21, 22	1,155	(520)	-	22	82	36	-	(7)	768

The loan from HSBC UK Bank, SVB UK, Barclays Bank, Fifth Third Bank and the Governor and Company of the Bank of Ireland was designated as a hedging instrument in a net investment hedge. As a result, the foreign exchange gains and losses on the loan are taken to the other comprehensive income to be offset against the foreign exchange gains and losses arising on the retranslation of the net assets of foreign operations.

Refer to note 23 for details of the loan covenants attached to the loan from HSBC UK Bank, SVB UK, Barclays Bank, Fifth Third Bank and the Governor and Company of the Bank of Ireland.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

(e) Fair values of financial instruments

The financial assets and financial liabilities maturing within the next 12 months approximate their fair values due to the relatively short-term maturity of the financial instruments.

The Group holds certain financial instruments on the statement of financial position at their fair value. The following table provides an analysis of those that are measured subsequent to initial recognition at fair value through profit or loss, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- **Level 1 -** Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2 -** Fair value measurements are those derived from inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly (derived from prices); and
- **Level 3 -** Fair value measurements are those derived from the valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value of the contingent consideration is calculated using actual and forecast results to value the amount which will be payable according to the earnout metrics on acquisitions. These liabilities are discounted to their present value using the Group's weighted average cost of capital of 10%. Both the future cash flows and discount rate used are unobservable inputs. Management believes that reasonably possible changes to the unobservable inputs would not result in a significant change in the estimated fair value.

There have been no transfers between these categories in the current or preceding year.

The fair value of contingent consideration has been adjusted during the year, resulting in a credit (2021: expense) of £21,000 (2021: £22,000) which has been recognised within operating expenses included in Operating Profit. This has been treated as an adjusting item for the purposes of calculating Adjusted EBIT. Refer to note 5 for further details.

31 Dec 2022	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Contingent consideration	-	-	21	21
Total	**-**	**-**	**21**	**21**

31 Dec 2021	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Contingent consideration	-	-	768	768
Total	**-**	**-**	**768**	**768**

33. Assets and liabilities classified as held for sale

In December 2022, the Group decided to dispose the non-core Lorien Engineering business as soon as practicable and communicated this decision internally and to investors on 19 December 2022. This business was acquired as part of the GP Strategies acquisition in October 2021.

Following its classification as held for sale the asset group is held at the lower of fair value less costs to sell and net book value.

	31 Dec 2022
	£'000
Non-current assets	
Goodwill	501
Intangible assets	1,279
Property, plant and equipment	58
Right-of-use assets	173
	2,011
Current assets	
Trade receivables	5,299
Other receivables, deposits and prepayments	82
Amounts recoverable on contracts	977
	6,358
Assets in disposal groups classified as held for sale	**8,369**
Current liabilities	
Lease liabilities	77
Trade and other payables	3,809
	3,886
Non-current liabilities	
Lease liabilities	98
Liabilities directly associated with assets in disposal groups classified as held for sale	**3,984**

The net assets of the Lorien Engineering business held for sale as at 31 December 2022 exclude deferred tax assets of £39,000 and current tax liabilities of £412,000 which remain within the Group tax position.

The Group expects to recover greater than the net book value from the eventual sale which is expected to complete in 2023.

34. Events since the reporting date

Silicon Valley Bank

HSBC UK bank plc ("HSBC") purchased Silicon Valley Bank UK Limited ("SVB UK") on 13 March 2023. SVB UK, a direct wholly-owned subsidiary of HSBC, remains as the facility agent and security agent for the debt facility (see note 23).

Closure of non-core operations

Prior to the 31 December 2022, it was announced by management that it planned to exit the UK apprenticeship business. The relevant closure provisions (note 25) and impairment charges (note 14) have been recognised in the year ended 31 December 2022. The UK apprenticeship business ceased trading on 31 March 2023.

There have been no other notifiable events between the 31 December 2022 and the date of this Annual Report.

35. Audit exemption provided to certain UK Group subsidiaries

The Company is providing certain wholly-owned UK subsidiaries (as disclosed in note 28 and which are included within these Group consolidated financial statements) with guarantees of their respective debts in the form prescribed by section 479c of the Companies Act 2006 ("The Act") such that they can claim exemption from requiring an audit in accordance with section 479A of the Act. These guarantees cover all the outstanding actual and contingent liabilities of these companies as at 31 December 2022:

Subsidiary	Company No.
Learning Media Services Ltd	06762544
GP Strategies Automotive Ltd	11524006