



Learning Technologies Group plc

ANNUAL REPORT 2022

For the year ended 31 December 2022



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The Annual Report contains certain forward-looking statements regarding the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results to differ from those anticipated. Nothing contained in this Annual Report should be construed as a profit forecast.

Helping Organisations Transform Through Their People

Our purpose

We are a global market leader in learning and talent development and we work as a strategic partner, helping our customers transform through their people. We do this via a combination of thinking (consulting), services and technologies.

Highlights

- Transformational year for LTG following the successful integration of GP Strategies, which became our lead market-facing brand in Q4
- Broader offering supports cross-selling and positions LTG to capture growth opportunities in >\$100bn digital learning and talent management market
- Resilient model with high levels of visibility due to the majority of revenues from SaaS and long-term contracts (71%) from diversified end markets
- Organic revenue up 3%; pro forma constant currency organic revenue growth of 5%
- Achieved margin targets for GP Strategies of an average of 12% and a Q4 2022 exit rate of 14%, a significant increase compared to c.5% pre-acquisition
- Significant addition of scale, with revenues more than doubling and adjusted EBIT almost doubling
- Robust cash conversion of 82% (2021: 81% on a like-for-like basis) resulted in swift deleveraging, in spite of US dollar strength, with net debt of £119.8m at year end (2021: £141.4m)
- Strong balance sheet supports ability to make accretive acquisitions that fit long-term strategy
- Progressive dividend policy: final dividend increased 64% to 1.15p. Full-year dividend 1.60p (+60%)

Who we are

We are a global provider of learning and talent technologies and services, with a focus on the estimated \$100 billion global external corporate training market. We have a strong track record of driving organic revenue growth and profit while also investing in the future through innovation, content, software and systems. This approach, when combined with selective acquisitions, provides cross-selling and margin improvement opportunities which helps drive sustainable value for our stakeholders. The Group has over 5,000 employees in 35 countries around the world and circa £600 million in revenue.

What we do

We play a valuable and important role in society. As a business, we help our customers manage and develop human capital, and our products and services have provided efficient learning to more than 200 million people globally during 2022.

Our key ESG initiatives

LTG's ESG framework and initiatives are focused around five key objectives, which are integral to our business strategy:

1. Supporting clients in making a positive ESG impact
2. Taking care of our people
3. Environmental sustainability
4. Meeting our stakeholder expectations on governance
5. Achieving high standards of data privacy and security

See page 33 for our ESG report.

Revenue

£596.9m

2021: £258.2m

Adjusted EBIT*

£100.9m

2021: £54.8m

Adjusted, diluted EPS*

8.121p

2021: 5.010p

Adjusted operating cash flow conversion*

82%

2021: 81% on like-for-like basis (76% reported)

Organic revenue growth

5% (pro forma)

3% (underlying)

2021: 8%

Statutory operating profit

£50.5m

2021: £11.7m

Basic EPS

3.857p

2021: 1.959p

Net debt/(cash)*

£119.8m

2021: £141.4m

*For details of Alternative Performance Measures see Glossary on page 145.

Chairman's Statement

“LTG continues to deliver impressive and sustainable growth in a challenging macroeconomic environment.”

Introduction

We are pleased to announce that Learning Technologies Group plc (LTG) has completed another year of strong operational results, including organic revenue growth in addition to a substantial increase in adjusted EBIT and adjusted diluted Earnings per Share driven by a full year's contribution from GP Strategies.

LTG has consistently delivered remarkable and sustainable growth for its shareholders since its inception nine years ago. The Group has achieved a compound annual growth rate (CAGR) in revenue of 59% from 2014 to 2022. Our ability to consistently deliver value to shareholders is demonstrated by our growth, which is driven by both organic revenue growth and margin improvement, as well as creating value from the addition of strategic acquisitions. Furthermore, our adjusted EBIT and adjusted diluted EPS have shown similar or higher levels of growth, with CAGRs of 63% and 47% respectively, over the same period from 2014 to 2022. Statutory operating profit has a CAGR of 88% over the 2014 to 2022 period and diluted EPS has grown 48% since 2015.

ESG

ESG is a top priority for the Board as we recognise its importance and our responsibility to integrate it into the solutions we provide not only to our clients, but also to our employees. This commitment is reflected in many of our offerings to stakeholders, including our custom content and training courses on ESG-related topics. In 2022, we estimate our technology and services reached more than 200 million people globally. Furthermore, we offer virtual training solutions to help minimise travel requirements and promote environmental sustainability.

We not only support our clients on making a positive ESG impact, but we also focus on our internal operations where we have delivered several benefits. During 2022, we reduced our office space which has resulted in a reduction in our carbon footprint. In addition, we implemented several policies within the sustainability space. Looking ahead to 2023, we have already begun a number of new ESG initiatives, and we remain committed to a net zero emissions target by 2050, or earlier. Further details of LTG's environmental initiatives and performance in 2022 are set out on pages 33 to 48.

Revenue

59%
CAGR 2014-2022

Adjusted EBIT

63%
CAGR 2014-2022

Adjusted diluted EPS

47%
CAGR 2014-2022

During 2022, LTG devoted significant effort to delivering the commercial transformation and integration of GP Strategies, which is our largest acquisition to date. The strategic combination of LTG and GP Strategies has established us as a leading global workforce transformation business focused on learning and talent development. This has enabled us to expand our global reach, enhanced our service offerings and strengthened long-standing customer relationships.

The Board

There have been no changes to the LTG plc Board in 2022. Our Board currently consists of eight members, of which four are non-executive directors. The Board notes the recommendations of the Hampton-Alexander and Parker reviews in relation to increasing Board and senior management gender and ethnic diversity, and it takes these into consideration when making appointments. Four of our Board members are women, representing 50%, exceeding the Hampton-Alexander target for FTSE 100 and FTSE 250 Boards. In addition, we are proud to have some 40% of our wider senior leadership positions held by women, also exceeding the Hampton-Alexander target.

As a Board we take our governance responsibilities seriously and believe these allow the Group to pursue its strategy with more pace and less risk. The approach to our wide range of responsibilities is set out in the Corporate Governance Report on pages 49 to 54.

Dividend and capital allocation

The Board remains committed to a progressive dividend policy. Given the robust operational performance during the year, the Board is pleased to announce it is recommending a final dividend of 1.15 pence per share (2021: 0.7 pence).

Together with the interim payment of 0.45 pence, this gives a total dividend for the year of 1.60 pence, an increase of 60% on the prior year.

If approved the final dividend will be paid on 14 July 2023 to all shareholders on the register on 23 June 2023.

People

On behalf of the Board, I would like to welcome to the LTG family our new Chief People Officer, Liz Freedman, and our new Chief Customer Strategy Officer, Karie Willyerd. Liz came to us from Intercontinental Hotel Group, bringing a wealth of global company experience. Karie, former Chief Learning Officer at Visa, will further enable us to support customers as they move towards a new era of learning and talent transformation. We also welcomed our new Chief Information Officer, David Anderson, who joined us in January 2023.

As a business that exists to help our customers manage and develop their human capital, we rely on our employees to deliver superior customer service. This includes designing and delivering content, managing our client's learning services, and developing and delivering capabilities through our technology platforms. Our employees are the daily face of our business across the broad spectrum of our commercial and government customers.

Our employees continue to demonstrate their dedication, hard work and an ability to drive our delivery and performance forward in challenging conditions and I continue to be impressed by their energy, professionalism and adaptability as they satisfy the ever-changing needs of our customers. On behalf of the Board, I express appreciation and thanks to our employees for their dedication and hard work through the year.

Looking forward

The Board sees much to be excited about in 2023. Our business is well-positioned in attractive and sustainable learning and talent development markets and has an expanded global reach. It is in robust financial health with differentiated capabilities and technology, and this will help us continue our enviable, long-term record of value creation. The GP Strategies acquisition has already delivered significant value, underpinned by margin enhancement as well as cross-selling to our combined customer base. These factors provide the Board with confidence in the Group's near and longer-term prospects.



A handwritten signature in blue ink, reading "Andrew Brode". The signature is fluid and cursive, written on a light-colored background.

Andrew Brode
Chairman

25th April 2023

Case Study Financial



First Direct (HSBC)

Overhauling onboarding training to support the changing needs of the hybrid workforce while re-energising a customer-centric focus.

The challenge

First Direct – a UK-based retail banking division of HSBC – formerly operated its contact centre onboarding training programmes exclusively via in-person sessions at its offices. Plans to modernise the delivery and content of its curriculum were already in motion prior to COVID-related lockdowns, but the disruption catalysed their implementation.

Simply adapting legacy training programmes, which jumped from topic to topic and were difficult to digest without a facilitator's expert guidance, wouldn't be flexible enough to meet remote working needs. A self-guided learning approach was needed, taking advantage of a range of learning modalities.



The solution

First Direct and GP Strategies developed a streamlined learning journey dubbed "youfirst", intuitively delivered in five distinct phases. In sequence, the phases:

1. Pre-board new hires with information necessary for their first day
2. Orientate learners to the business and brand
3. Convey role-specific knowledge
4. Let learners practice tasks they need specific support on
5. Explain HSBC's digital resources from a customer perspective

Learners now benefit from a broader mix of learning modes, including learning aids, on-demand videos, articles, knowledge assessments and case studies. Facilitated sessions are now reserved for priority and high-risk tasks, but learners enjoy more opportunities to practice material and receive coaching. First Direct also gained a social element to training via learner networks, message boards and Q&A sessions. This content exists across several different learning systems, but is presented in a learner-friendly format via First Direct's in-house learning platform.

The results

Since youfirst's launch, trainers have experienced a 76% reduction in overall classroom time which can now instead be devoted to one-on-one coaching. Time to competency has also improved: there's been a 23% increase in learners becoming ready to take live calls without needing additional training. The programme has additionally contributed to a 27% decrease in attrition.

"youfirst has modernised our new joiner journey at First Direct, ensuring everybody can learn in their own style and at their own pace. Since its introduction, we have seen an improvement in speed to competency, efficiency, as well as a reduction in overall cost. A great step forward and one that is in line with our people-focused culture."

- Customer Service Director

The youfirst programme received the Gold "Best technology-based onboarding programme" prize at CloserStill Media Ltd's prestigious Learning Technologies Awards in November 2022.

Case Study Financial



Sanlam

Upskilling the workforce and facing future demands with an award-winning digital transformation.

The challenge

South Africa-based financial services group Sanlam is the largest insurance company in Africa, listed on the Johannesburg Stock Exchange and Namibian Stock Exchange.

Its HR leaders, like so many in the financial services sector, have been under increasing pressure to quickly adopt data and analytics technologies. Success in the space often depends on the ability to recruit, onboard and retain the right talent – particularly digital specialists increasingly attracted away by top software companies – quickly and consistently.

Sanlam has recently experienced growth in its contingent workforce specifically, making the move to cloud-based talent technologies essential from the perspective of providing an equally exceptional experience for all employees. Its existing on-premise solution was also officially approaching end-of-life support, providing an extra incentive.

The solution

Sanlam chose Effective People as its certified implementation partner for the full SuccessFactors suite. This solution allows Sanlam to operate with cleaner data sets with the view of making its processes more predictive, keeping it in line with the direction of travel of its competitors and the talent market at large.

Sanlam can now treat HR data with the same robustness as finance and actuary data, opening up new possibilities in collecting, tracking, understanding and decision-making. The solution aims to streamline the base SuccessFactors implementation and provide a slicker and more intuitive experience.

The results

Due to the new solution's higher data clarity and portability, Sanlam has been able to identify and cut ineffective talent acquisition channels, resulting in a R2.3 million ZAR (approximately £106,000 GBP) recurring saving per annum.

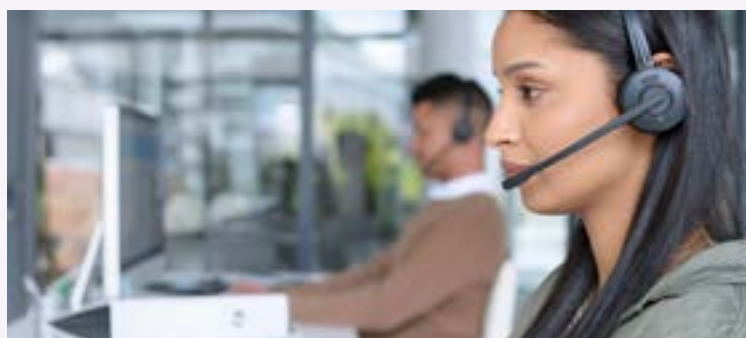
Further successes include:

- 88% of employees completing biannual performance forms in the newly unified, and newly measurable, performance module
- 46% of vacancies are now filled by internal applicants as a result of insights via the succession planning module
- Graduate position fill time reduced from three weeks to three days
- Digitisation to be extended to 105,000 employees in 43 countries

Sanlam's wider talent program – of which the SuccessFactors suite implementation is a key component – earned an honourable mention in the 2022 SAP Innovation Awards.

"For us, it was critical to have a partner with fantastic, certified team members who really took the time to understand us as a client. Effective People, SAP and Sanlam worked together in cohesive unity, which helped us to fast-track some of our implementations and achieve our budget. It took many hours and lots of grit to get through it, but the well-connected team carried us through."

- Ronel Pfothenauer, SAP SuccessFactors Product Owner, Sanlam



Case Study

HR solutions



Paychex

Seamlessly integrating training and development platforms into an all-in-one HR solution used by 500,000 business owners.

The challenge

Paychex is a payroll and HR solutions provider with payroll platforms serving approximately 750,000 clients in the US and Europe, making it one of the five largest payroll companies in the world. In 2017, the organisation identified growing demand for digital learning delivery within its flagship Paychex Flex platform.

Paychex's vision was to author and offer mandatory training libraries which clients could then distribute to their workers. These would be offered alongside skill development courses created by third-party providers as a seamless part of the overall HR and payroll service. This would require a highly scalable Learning Management System (LMS) that could meet the needs of 500,000 US-based business owners. Such a solution needed to offer a modern and intuitive experience, seamlessly integrated into Flex.

The solution

With a commitment to integration via open APIs and the software's modern and intuitive look and feel, Bridge emerged as the obvious solution. Bridge allows Paychex to offer a wide range of additional features to its customers, including learning pathway creation via Bridge Journeys, as well as learner performance measurement via Bridge's robust analytics tool.

Paychex also leverages Bridge Advanced Video (formerly Instilled) as a self-service support portal hosting various types of training content, including video, eLearning and PDF content. Bridge further supports the partnership with sales, product support and customer enablement.



The results

With Bridge as part of the Paychex Flex offering, the organisation has experienced an upward trend in user enrolments across its entire ecosystem – over 1 million by the end of 2022, up from 500,000 in 2021, with a goal of 1.5 million enrolments by the end of 2023. Paychex has also seen a 15% increase in customers in its 'Administrative Services Only' segment (for which Bridge delivers compliance best-practice eLearning). Bridge integration is considered an important differentiator for Paychex's go-to-market strategy.

"We receive many compliments from our clients that the Bridge LMS is extremely easy to use. We've really created a unique relationship with Bridge from a partnership perspective, which has allowed us to scale, learn and deliver the right solutions for our mutual customers."

- James Kirchhoff, Senior Technical Product Manager, Talent Solutions, Paychex



Case Study Logistics

breezy

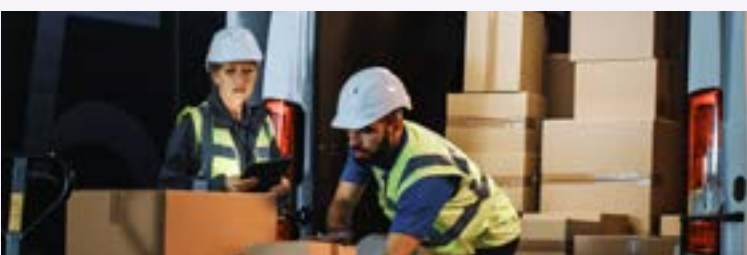
DP Logistics

Tackling recruiter burnout and dramatically reducing time-to-hire through customisation and automation.

The challenge

DP Logistics has a four-person Amazon Delivery Service Partner team dedicated to hiring a fleet of drivers for – at minimum – 20 routes. This high-volume recruiting work had previously been a phone-only operation, but the approach risked creating scheduling issues and inefficiencies that cause unnecessary stress for recruiters, and long waits for clients with large fleet requirements.

Recognising that there were elements of the process that could be just as effectively and more efficiently handled via other channels such as text and email, DP Logistics sought a platform that could help it automate repetitive hiring tasks. However, the team was wary of one-size-fits-all systems and needed a tool that could be customised to fit its talent acquisition process.



The solution

Breezy HR allows DP Logistics to create custom candidate pipelines and use automated stage actions to progress applicants through hiring stages in a way that makes sense to its team. Automated emails and text messages keep candidates informed and the platform provides a quick overview on candidate progress via a Kanban board-style interface.

The platform enables the automation of the early stages of the process – in particular, job posting and the sending of screening questions – ensuring that the busy recruiter's call time is exclusively spent with appropriately qualified candidates.

The results

Before implementing Breezy HR, the time from a typical candidate's first to last contact was around a month. Now, it's just 10 days. Furthermore, Breezy's reporting and analytics have helped DP Logistics provide accurate forecasting to Amazon, allowing it to form an idea of how many drivers will be needed in a month's time and how staffing will facilitate that.

"It would be impossible to do what I'm doing right now without Breezy. I would probably have to have somewhere in the neighbourhood of at least two more people, and that would be just the minimum."

- Evan Darby, Amazon Delivery Service Provider Partner, DP Logistics

Case Study Energy



A global energy business

Bringing multiple technologies together to unify a complex global learning ecosystem.

The challenge

The integrated energy business operates on six continents and has a large external population of distributors and partners to which it provides training. These audiences, which consume content in 40+ languages, are its:

- Distributor network, including its automotive original equipment manufacturers (OEMs), third-party retail networks and independent workshops. This audience requires highly technical information about lubricant products and their correct application.
- European retail network
- Network of partners and businesses, which included the largest EV charging network in the world and significant alternative energy such as wind and solar

With its large global reach and expansive brand portfolio, the energy company found itself with five learning management systems (LMSs) and an array of smaller supplementary learning environments. Some of these solutions had been in place for over a decade, and were outdated and unengaging. Many of the systems were incompatible with each other, restricting broader adoption. Users found it difficult to navigate between systems and had no way of sharing insights with peers. Meanwhile, learning leaders were unsatisfied with the consistency of content quality, and the learning data insight available.

The solution

LTG provided a unified ecosystem drawn from the best components across the group, providing both a comprehensive product and service offering with a view to driving improved accessibility, uptake, engagement and usability. The new learning ecosystem consists of:

- A beautiful frontend learning portal developed by LEO Learning (now GP Strategies) that can be modified to meet the different design needs of the client's distinct brands
- An underlying scalable, heavy-lifting and highly secure LMS via PeopleFluent Learning



- Modern, multi-language social video learning capabilities provided by Bridge Advanced Video (formerly Instilled)
- Content distribution and intellectual property management via Rustici Content Controller
- Expansive analytics capability via Watershed, enabling usage data from all components to be used in reports tailored to all levels of management
- Services and support from GP Strategies to manage migration of existing content from depreciated systems and transition learners to the new system as well as stepping in to provide first-line support for retail network across Europe
- Additionally, GP Strategies continues to produce a wide range of highly personalised content for different brands within the organisation. The learning environment is fully mobile-responsive, catering to the needs of retail and on-the-road employees.

The results

The ecosystem project is a powerful example of LTG's ability to coordinate expertise and resources from the different but complementary disciplines under its umbrella. The combined effort creates a unified platform that required the establishment of a single cross-brand project and an integrated global support team.

The successful initial launch was achieved 12 months after the project began and the project is currently being expanded to the full European retail network of 35,000 learners.

Case Study

Food manufacturing

watershed

Danone

Achieving data-driven learning insights and annual six-figure savings by connecting a learning ecosystem.

The challenge

Danone is a multinational food manufacturing corporation with products available in over 120 countries worldwide and 100,000 employees across 57 countries. It's committed to cultivating a development-focused mindset among its employees, with its primary outlet for this being its on-demand "Campus X" learning ecosystem. Campus X unites learning content housed in various systems, maintaining the different strengths of those systems while increasing ease of overall access.

However, to obtain a central view of learning activity and system usage for these disparate and dispersed data sources, the organisation also required a new set of data-handling systems.

The solution

Watershed's solution aggregates, cleanses and sorts data using its learning record store (LRS), converting all data into a unified format. However, only two of the seven major platforms in the learning ecosystem natively used this format, necessitating Watershed's intervention via a combination of expert integration and its automated data connector.

The datasets – which can additionally originate from HR and other non-learning systems – are transformed into meaningful insights in the solution's learning analytics platform (LAP). Danone's systems can now automatically assign and track unique learner IDs across each employee interaction while generating relevant, targeted reports for every level of the organisation's hierarchy. The solution enables Danone to now shed light on the value over time of user-generated learning content created by frontline employees.



The results

Watershed estimates that if Danone were to centrally collect, cleanse and aggregate all data across its global network without the assistance of the solution, it would cost around €120,000 per year.

Within the first 28 months of Campus X's implementation, Watershed recorded over 150 million individual data points. As time goes on, this data will continue to accumulate, allowing for even greater depth of insight into individual learners' engagement and allowing Danone to make decisions that grow skillsets in line with organisational needs. The ecosystem itself has a similar scope for evolution as Watershed's use of reusable and custom-created connectors makes it possible to add additional reporting dashboards and incorporate smaller, regional systems (as planned in the project's next phase).

"Already, we have new insights on 'shadow learning' [user-generated eLearning] that we never thought could be tracked, but more excitingly, we'll have the data we need to enable future initiatives such as predictive learning and sentiment analysis. By connecting our ecosystem using an LRS, we're opening our doors to an exciting, 'big data' approach. We can now start to measure and benchmark learner KPIs. We're laying the foundations that shift us to an insights-driven, analytical world of L&D."

- Frédéric Hebert, Digitalization Stream Lead for Talent and Learning, Danone





We Empower Our Customers to Achieve Their ESG Priorities

As Learning Technologies Group provides customers with solutions for Human Capital Development, we are intrinsically aligned with ESG principles.

We enhance our customers' operational resilience through ethical compliance, organisational and technical performance solutions and systems security training. ESG sits at the heart of LTG's market provision. Our portfolio of digital learning, talent mobility, workforce transformation and talent management platforms advance the personal and professional development of millions of people worldwide. Through our global reach of Learning and Talent products and services, we help in the development of over 80 million people directly, and a further 200 million through Rustici's interoperability software which connects more than 75% of the world's learning systems. Our virtual and online training provides a travel-free solution that limits environmental impact, while being aligned to flexible working models.

A few specific ways in which LTG supports ESG initiatives with clients, both directly and indirectly, are described below. It is an important part of our business and something we take great pride in.

Travel/carbon reduction: Reaching more than 1 million learners annually with our instructor-led training events, and nearly 60% of those events are delivered virtually. When in-person training is needed, we 'think global and act local', developing regional trainer pools to support our clients with an eye to reducing travel.

Social inclusion: A full range of DE&I courses delivered globally, both in person and virtually to our clients, by facilitators who implement methods that transition learners from a place of comprehension to a place of reflection and action.



Performance improvement: We constantly drive measurable performance improvement in close partnership with our clients by focusing on three key ingredients: strategic alignment of learning to their business goals, operational excellence and creating value.

Remote learning: Mobile compatibility on devices such as iOS and Android phones and tablets enables learners to complete their training anywhere.

Preventing waste: Digital portals create a clear interface where learners can see their learning journey and access and re-use the content, eliminating the need for printed course materials.

Sustainable engagement: From augmented and virtual reality experiences, gamification and micro-learning, to cloud technology for cataloging, tracking and reporting, we leverage an array of methodologies and sustainable technologies.

This year, we are highlighting two ESG specific case studies for Humentum and Reckitt/Dettol. These are just two examples of the type of offering we can provide to help our clients achieve their ESG priorities.

Case Study - ESG Consumer goods

LEO
PRELOADED

Reckitt/Dettol

Building long-lasting hygiene habits for children through a mix of interactive play and story-led learning.

The challenge

Reckitt is a multinational company known for a wide range of health, hygiene and nutrition-based consumer goods brands, including Dettol. Reckitt has embarked on a new hygiene education initiative with the objective of reaching 100 million children globally by the end of 2026.

Its educational content aims to reduce incidences of preventable illness and absenteeism. Success hinges on finding innovative new methods of delivering serious and sometimes complex subjects in a way that children will find both engaging and easy to understand.

The solution

Dettol Hygiene Quest, created by teams at Reckitt, PRELOADED and LEO, is a learning programme aimed at children aged 6-9 using a combination of interactive play and story-led learning. The story-led framework merges real-life lessons with a fantastical world filled with unique characters that capture imaginations (while camouflaging learning). A colourful, comic book art style was created to ensure maximum global appeal.

With a mix of digital and physical delivery, the programme serves the varied learning preferences and internet availability of different global classrooms and learners. A range of material has been developed, including short animated episodes, comic strips, mini-games and printable worksheets. Care has been taken to convert facts into behaviours – for example, Hygiene Quest's virtual hand washing game uses the same 20-second rule children should observe in reality.



The results

The Hygiene Quest pilot has been rolled out in schools and communities across five countries. A full 10-country rollout is ongoing.

A post-pilot evaluation report found that:

- 1,249,793 students learned from the Hygiene Quest curriculum
- 33,077 teachers were trained on how to deliver the Hygiene Quest in future years

Based on these figures, Hygiene Quest has assisted with creating:

- 640 million additional handwashes over the coming two years
- 8,129 fewer absence days at school
- A 7.3% reduction in diarrhoea cases in Nigeria, and a 14% reduction in COVID-19 cases in Italy
- \$4,225,000 in additional total societal value from Reckitt's products, for a social Return on Investment of 4.8 to 1

"The team were fantastic and able to distil the science into a story-led curriculum that has universal appeal across cultures. It's driven measurable behaviour change and is creating impact."

- Hamzah Sarwar, Global Social Impact and Partnerships Director, Reckitt



Case Study - ESG Non-profit/Humanitarian



Humentum

Enabling the training of over 200,000 learners at more than 100 humanitarian and development organisations.

The challenge

Humentum is a global non-profit that works to improve the effectiveness of finance, people, project and compliance processes at social good organisations around the world. It offers an online learning subscription, Humentum Learning Services (HLS), that provides the tools, resources and support for NGOs to achieve their mission. Subscribers include staff at Save the Children, Habitat for Humanity, Mercy Corps and the World Wildlife Fund.

Many NGOs operate within restricted operating budgets, of which only a small portion is allocated to HR and learning and development teams. Learning functions are frequently run by people who are juggling multiple roles. Humentum negotiates significant discounts on the charitable basis of its work, granting its subscribers access to otherwise unaffordable resources and solutions. These solutions must also be affordable, low-maintenance and deployable on a global scale.

The solution

Two key LTG solutions are provided to Humentum at a heavy discount and form the basis of the learning ecosystem for HLS subscribers.

Around 60% of Humentum's subscribers use PeopleFluent LMS, a learning management system on which Humentum hosts two tiers of learning library, tailored to different resourcing needs:

- A curated "quick start" package for those with limited resources. This consists of 500 courses and an intentionally stripped-back implementation of the LMS.
- A higher-tier offering with an expanded 900-course library, allowing teams with a more substantial learning and development resource to upload additional courses and create learning paths.

The remainder of HLS's subscribers have their own LMS and receive the full course library via Rustici's SCORM Cloud Dispatch tool, which offers a flexible way to deliver the

library while maintaining control of their courses. Once installed, users will automatically receive course updates and additions to Humentum's library, while being able to track utilisation

The results

Humentum uses a powerful combination of PeopleFluent LMS and Rustici's SCORM Cloud Dispatch to support a diverse array of organisations in the humanitarian relief, health, microfinancing and conservation sectors. By leveraging these tools, Humentum enables a quick and effective response to local crises, compliance with key laws and regulations, all while providing a place for subscribers to better understand best practices and learn new skills.

Rustici and PeopleFluent have individually assisted Humentum in HLS's operations for over a decade. Since 2010, Humentum has served more than 84,000 learners via SCORM Cloud Dispatch, with the number of clients using Dispatch growing by 900% and the number of learners increasing by nearly 54% year-over-year. Meanwhile, it has over 138,000 active users in PeopleFluent LMS, and in the last year, it has had 293,371 enrollments across 156 countries.

"We know what it's like to train people whose power goes out five times a day. PeopleFluent LMS and Rustici's SCORM Cloud Dispatch are invaluable as platforms that are forgiving when it comes to low bandwidth, and PeopleFluent LMS allows us to keep things simple and easy to navigate to overcome these barriers. We literally couldn't do what we do without our partners and their generosity. This software is the backbone of everything we do."

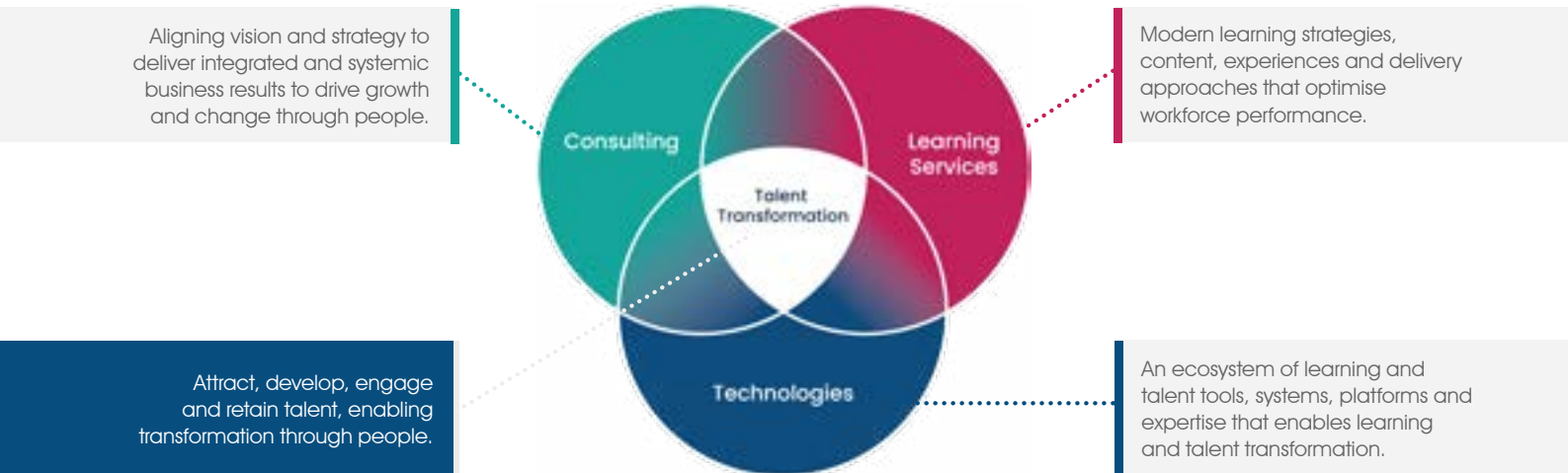
- Gus Curran, Senior Manager, Humentum Learning Services (HLS)

Growth Strategy and Business Model

LTG has a strong track record of driving growth on a global scale in the increasingly complex field of learning and talent management.

Our focus in 2023 is on establishing GP Strategies as the market-facing brand which will combine LTG's services and products, building upon GP Strategies' strong global brand awareness.

During 2022 cross-company teams worked collaboratively to develop a new go-to-market strategy, which was tested with customers and industry analysts. The result is a powerful yet simple approach.



The new go-to-market strategy enables the Group's software and platform businesses to go to market through the combined route as well as via direct channels. In future, all major cross-selling opportunities which include services together with more than one LTG or partner technology will be offered as a single contract via GP Strategies. By offering a range of services alongside the technology solutions in a single contract we have a significant competitive advantage, further bolstered by our global reach.

The growth plan is focused on 5 main areas:

- 1 Focused new client acquisition
 - Leverage the power of the new go-to-market, client experience and insights to win new business
- 2 New offerings
 - Built on synergies from the go-to-market and combination of our technology and services
- 3 Geographic expansion
 - Leverage geographic footprint and experience to take LTG solutions into new markets/clients
- 4 Growing LTG clients
 - Leverage GP Strategies client approach to drive growth within the LTG client base
- 5 Continued GP Strategies top client growth
 - Significant growth opportunities within GP Strategies' current clients (expansion of GP Strategies solutions)
 - Cross-selling of LTG solutions into top clients

The aim is to cultivate deep and enduring relationships with our significant clients by making a transformational difference to their businesses. Our approach involves delivering results that align with our clients' strategic goals, rather than emphasising any particular product or service. By focusing on outcomes, and by providing independent expertise we establish trust and credibility with our clients. Moreover, our ability to provide comprehensive solutions, including cutting-edge technology, sets us apart from our competitors. GP Strategies' track record of building trusted relationships with some of the world's largest and most respected brands is a testament to our success and potential (see below).



We help organisations **transform** through their people.



LTG has expanded to over 6,000 clients across the group. While not every client is suitable for cross-selling, the potential for industry and market access is almost unlimited thus providing the Group with a unique opportunity to showcase our products and services. To assist in maximising this opportunity we have made a number of key hires, including Chief People Officer and the recently appointed Chief Customer Strategy Officer, all of whom bring extensive experience. These appointments, and a broader remit for the GP Strategies' Chief Revenue Officer, will be instrumental in devising and executing our cross-selling strategy, which will be implemented through our global team of 5,000 employees across 35 countries.

Growth through acquisition

LTG has a strong track-record of driving growth and creating value from selective, high-quality acquisitions. Going forward, we remain committed to this approach, with a particular focus on identifying SaaS businesses that can help to bring software revenue in line with our services revenue. We are excited about the many opportunities that lie ahead, and our strategic goals include investing over £200m in acquisitions over the next three years. We plan to fund these investments through a combination of internally generated cash and debt, while maintaining a net debt/adjusted EBITDA covenant range of 1.0-1.25x. We are committed to achieving these goals without resorting to equity funding.

Favourable market and positioning

Despite recent economic challenges, the need to train and retain staff remains a critical trend in our industry. The retirement of 'baby boomers' has led to a significant shortfall in available labour, estimated at an \$8.5 trillion in lost GDP by 2030 according to Korn Ferry¹. Additionally, the shortening of skills half-life has increased demand for our products and services. Our unique position in the market is strengthened by the fact that few competitors can offer the same level of global support for customers and this is further enhanced by leveraging our expertise in measurement and analytics, and providing exceptional customer service. Our focus on optimising our customer offerings has enabled us to distinguish ourselves from the competition.

The result

Our business model provides a range of advantages for a variety of stakeholders. We deliver a highly skilled and trained workforce to our customers, resulting in higher levels of employee fulfillment and improved retention rates. Our approach also allows our customers to manage their talent in a more joined up way, helping them expand their management bench strength, improve their business performance and deliver better customer service.

As we continue to grow, we generate increased revenue and profits, leading to healthy levels of cash flow that we can reinvest in innovation and value-creating acquisitions. We see ample opportunities to capitalise on a market that remains fragmented. By delivering exceptional value to our customers and stakeholders, we remain confident in our ability to achieve sustained success over the long term.

1. Franzino, M. et al. (2018). The \$8.5 Trillion Talent Shortage. Korn Ferry. Available online.

Strategic Report:

Chief Executive's Review

“After more than a year of ownership of GP Strategies, we are thrilled with the results and progress made to date, delivering significant shareholder value as expected. This continues our excellent track record of delivering value from acquisitions.”

A new go-to-market to drive growth

We are a global provider of integrated talent management and learning software and services. Following the transformational acquisition and successful integration of GP Strategies, we have a powerful combined offering that is expected to drive new growth opportunities in the >\$100 billion market that we address.

We made a firm commitment in 2022 to work together to achieve an outstanding commercial transformation. We are delighted to report that, with our GP Strategies colleagues taking the lead, we've successfully delivered on this initiative. Consequently, GP Strategies' adjusted EBIT margin has increased from c.5% prior to acquisition to Q4 2022 margins of 14%. This is a significant achievement and a testament to the hard work and dedication of our teams.

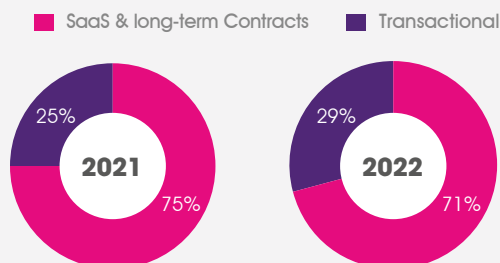
We have a differentiated and well-integrated customer offering, including a leading digital presence. In the fourth quarter, we announced a new go-to-market strategy to provide an integrated solution to talent transformation with GP Strategies as the Group's lead market-facing brand.

Effective January 1, 2023, LEO Learning, a digital learning specialist, integrated with GP Strategies' global content design team to create the world's largest and most creative custom content and learning experience design offering. Simultaneously, PDT Global joined GP Strategies to create a combined force in Diversity, Equity and Inclusion (DE&I). These additions to GP Strategies' portfolio enhance its capabilities as a world-leading learning and talent transformation company.

In addition, LTG's BAFTA-winning games studio, PRELOADED, is expected to join GP Strategies later in 2023, offering a unique brand within the GP Strategies portfolio. With deep expertise in developing immersive experiences, PRELOADED will help GP Strategies to establish a new global presence in the practical application of emerging technologies such as XR and AI. Meanwhile, LTG's existing software and product brands, such as Bridge, Rustici, PeopleFluent, Watershed and Open LMS, will continue to operate under their own market-facing brands. These product offerings will be channelled via GP Strategies when part of an integrated solution, creating a powerful suite of services and solutions.

We have seen sustained business momentum through 2022 which has helped deliver good Group organic revenue growth, 5% on a pro forma basis and 3% on an underlying basis, with GP Strategies, Software & Platforms and businesses in Content & Services contributing. We have also seen a significant increase in adjusted EBIT and adjusted diluted Earnings per Share, substantially enhanced by the contribution of GP and other acquisitions made in 2021. The quality of earnings is further strengthened by GP Strategies' long-term contracts, which are backed by embedded customer relationships.

Long-term revenue visibility



As a result of the significant strategic and operational progress we made in 2022, in the fourth quarter we announced new financial objectives for the business that capture LTG's opportunities in the digital learning and talent management industry and the compelling prospects for the Group.

In October, the Board outlined its ambition to achieve run-rate revenues of £850 million and run-rate adjusted EBIT¹ of £175 million by the end of 2025 despite the current challenging economic environment. To attain these financial objectives, we aim to achieve c. 5% organic revenue growth, in line with our medium-term targets, and deliver strategic acquisitions that focus primarily on SaaS (Software as a Service) businesses. This approach will allow us to rebalance services and SaaS revenues, which will assist in providing long-term visibility. It is anticipated that future acquisitions will be funded using internally generated cash flows and prudent debt financing with year-end net debt/adjusted EBITDA in the range of 1.0-1.25x.

Results and operations

The Group more than doubled revenue in the period, delivering £596.9 million (2021: £258.2 million). Organic constant currency revenue growth on a pro forma basis was 5%. On an underlying basis, organic constant currency revenue growth was 3% including the contribution from our 2021 acquisitions. GP Strategies (67% of Group revenue) delivered 5% for the comparable period of ownership, Software and Platforms (25% of Group revenue) delivered 5% growth, 12% excluding the more mature PeopleFluent, and Content and Services (8% of Group revenue) declined 7%. GP Strategies pro forma revenue growth for the year was 6%, and 8% in H2. Combined, pro forma GP Strategies and Content and Services businesses delivered 6% organic constant currency revenue growth for the full year and 7% in H2.

Adjusted EBIT increased by 84% to £100.9m (2021: £54.8 million), driven by organic growth and the full year contribution from 2021 acquisitions. Statutory operating profit was £50.5 million (2021: £11.7 million), including adjusting items of £50.4 million (2021: £43.1 million).

We have a strong track record of cash generation, and this remains a top priority for us with net cash generated from operating activities of £71.9 million (2021: £37.5 million), equivalent to an adjusted operating cash flow conversion rate of 82% (2021: 81% on a like-for-like basis, 76% on reported basis).

Net debt was £119.8 million at 31 December 2022 (31 December 2021: £141.4 million), excluding £14.9 million (31 December 2021: £21.8 million) of lease liabilities. The covenant net debt/adjusted EBITDA ratio was 1.1 times (2021: 1.9).

Large addressable market opportunity

We operate within a very large global learning and training market, estimated to be worth approximately \$390 billion in 2023². This market which comprises internal, external and tuition remains fragmented. With our new go-to-market strategy and integrated businesses, we have a powerful combined offering that can address the >\$100 billion external corporate training segment of this market.

We also operate in the smaller, complementary talent management market. This is the future evolution of learning and development, encompassing software applications that enable all facets of the employee 'lifecycle' to be brought together in one place. It includes recruitment, performance management, learning and development, diversity and inclusion, talent mobility and compensation management. It represents a logical progression from the disparate systems and processes that prevent businesses from aligning strategy with workforce learning and development.

Our focus is on the faster-growing digital training and development segment. As a result of the range of services and software products available to us, we can offer comprehensive learning and development solutions to our corporate and government customers in a unique way that

sets us apart from others, in what remains a fragmented market. Our suite of analytic tools enables us to track the performance of our learning and development solutions, demonstrating to customers the cost-effectiveness of the services and software we provide. We can selectively 'bolt on' technology capabilities, additional geographic reach or differentiated service offerings to further enhance our customer proposition. The learning services market is forecast to grow approximately 5% in 2023.³

We continue to believe that there are five forces that are rapidly evolving our marketplace, underpinning its attractiveness by increasing the need for the range of learning and development solutions we provide. These five forces are driving the need for corporates and governments to continually reskill and transform their workforces, as follows:



In addition to these five forces, Dave Ulrich, PhD and Professor at The University of Michigan has designed the "human capability framework"⁴ model to provide a tool to help CEOs and other stakeholders think about how to treat people and organisational matters interdependently versus independently. The model helps provide a framework based on four pathways to ultimately make informed choices about how to prioritise people-related initiatives to drive key business outcomes. The focus on talent, leadership, organisation and the HR function offers an opportunity to focus on where employees have the most impact while also uncovering strengths and weaknesses. This type of data provides an opportunity for us to work with customers to understand where they fit within their framework to ultimately provide solutions that help meet needs. We continue to be excited by our markets and the huge opportunities they provide.

¹ Alternative performance measures used by the Group are defined in the Glossary on page 145

² Training Industry, Inc. Research Data 2022 - 2023

³ Training Industry, Inc. Learning Services Market 2022

⁴ Dave Ulrich: How human capability creates value for all stakeholders (hrdconnect.com)

Strategic Report (continued)

For the year ended 31 December 2022

Investment case

We have a strong track record of value creation. This includes a proven ability to grow organically and drive strong margins, as well as pursue an acquisition strategy that increases the Group's capabilities and market reach and delivers accretive earnings. All of this has enabled us to generate strong cash flows, which have underpinned swift deleveraging and a progressive dividend policy.

The main drivers that have enabled us to deliver a robust financial performance over a sustained period are as follows:

- We have significant exposure to attractive digital training markets, which are the future of learning and development, and these are benefiting from structural growth trends. We support learning with rigorous data analytics, enabling our customers to measure effectiveness.
- Our portfolio of businesses has products that bring best-in-class specialist expertise, including recruitment, learning, performance, learning analytics, succession, compensation, vendor management, diversity and inclusion, immersive virtual, augmented, and mixed reality experiences, and consulting. This makes us well-placed to help customers 'join up' their learning and talent management activities. We are regarded as a thought-leader in a fast-paced and evolving market.
- We have a highly skilled and experienced workforce that can bring together our rich product and content offerings to deliver integrated solutions for our customers' talent transformation needs. In 2022 we increased the cross sales of LTG products and services into GP clients by 29%. With only 85 cross-over customers in the top 500 LTG customers there is considerable opportunity to extend this.
- We leverage our global scale to attract new customers and expand with existing customers. We have more than 5,000 employees in 35 countries globally, including in attractive US and Asian markets. Using our local presence, we deliver training that is aligned with local culture and needs, for the best results.

- We have long-standing relationships and deep expertise in highly regulated, high-consequence markets, which are difficult to enter, and where training needs are complex and mandatory. These include automotive, financial and insurance, defence, aerospace and technology markets.
- We invest in software-related learning innovation, in close partnership with customers, and focus on continuous improvement to optimise our performance.

The requirement for our services and software is becoming more acute as training and development becomes a pressing need in many industries. This is delivered through a high proportion of predictable and recurring revenue streams, comprising SaaS-related subscriptions and long-term service contracts.

Creating value through investment in innovation

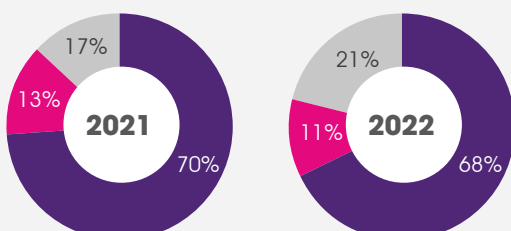
Investment in innovation is a high capital allocation priority, and we have a strong track record of creating value in this area. Part of our investment strategy is to leverage value from complementary technologies acquired through our selective M&A programme. We invest in consolidating products to provide integrated and cohesive solutions. In this way, our investment is aligned to the strategy of providing differentiated and comprehensive capabilities to customers. Where possible, we adopt a lower-risk approach to innovation by applying our existing technology to different markets.

During 2022, we continued to make investments consistent with our strategy. Examples include:

- Continued investment in Bridge to enhance capability by combining certain LTG products which will lead to a very powerful mid-market offering;
 - The integration of Rustici technology has allowed us to build the fundamentals of industry standards right into our DNA, and rapidly deploy new functionality like offline course viewing on mobile devices.
 - Instilled has given us video capabilities, editing, commenting and captioning.
 - Gomo has brought advanced authoring tools to Bridge customers as well as more sophisticated course branching and other tools needed by professional instructional designers.
- The Rustici, Instilled and Gomo integrations occurred in 2022, cutting our time to market down to months versus years to deploy.
- We are now in the midst of building out skills management onto Bridge using the technology of Patheer, bringing a skills library, AI content recommendations and more in the first half of 2023.

Revenue by geography

■ UK ■ N. America ■ RoW



- During 2023, we will also be enhancing our offering with a lot of the excellence found in the Reflektive product, enhancing recognition, engagement and performance management tools. While this is being rolled out as it develops, we see the entirety of the key technology integration manifesting in 2024.
- There has been considerable effort in developing and testing the new go-to-market strategy, with new combined product and service offerings in:
 - Learning experience design
 - Enhanced managed learning services
 - A combined consulting and measurement approach

Our ability to integrate our offerings enables us to offer holistic solutions and cross-sell to customers. We have had a particularly notable success providing a learning ecosystem for the partners, distributors and third-party audiences of a global energy business. This involved services and integrated software provision from six of our businesses, working together in close collaboration (reference case study on page 7). We now have a good range of strategic cross sell examples. For example, selling services to software customers (a global investment bank) and software to services customers (bringing LTG technology to a global automotive rebid) and tactical solutions (e.g. bringing the PDT specialist DE&I portfolio into an MLS aerospace client).

Creating value through acquisitions - GP Strategies

In October 2021, we completed the transformational acquisition of NYSE-listed GP Strategies. During the year, we spent a significant amount of time and effort on the commercial transformation and planning for the integration of our core capabilities, managing costs of IT systems and back-office, and increasing staff utilisation. These actions have improved execution and delivery and increased operating margins and cash generation.

The GP Strategies acquisition brought many strategic and customer benefits, including new and complementary capabilities; expertise in target customer markets in highly regulated, complex industries; an expanded geographic footprint, including in the US and faster-growing Asian markets; and an outstanding reputation servicing 125 of the US Fortune 500 and 121 of Global 500 constituents. Almost three-quarters of its revenue is from customers of more than ten years.

We worked through many integration activities in 2022 and realised the benefits early on from the opportunities GP Strategies offered to cross-sell products and services to a combined customer base of more than 6,000 customers. We achieved our target of launching our combined strategic customer offering by sharing our new go-to-market strategy in the fourth quarter.

We have an excellent track record of enhancing our margin over many years, including from acquisitions. The priority for GP Strategies management was to deliver cost efficiencies and savings from a range of actions, including improved commercial governance and enhanced procurement controls, shared procurement efficiencies and a reduction of spend on third-party subcontractors, all of which were successfully achieved. GP Strategies management put in place new commercial and supplier approvals and controls, and it made substantial progress on the rationalisation of the supplier base, achieving significant supplier cost efficiencies.

We are delighted with the progress made this year in operational performance as reflected by the significant increase in adjusted EBIT margins from c.5% pre-acquisition to an impressive 14% in Q4 2022. We remain confident that there is potential for further margin improvement.

In 2022, we did not acquire any additional businesses as our focus and priority remained on the new go-to-market strategy and the commercial transformation of GP Strategies. The Group anticipates acquisitions will resume in 2023, looking for strategic opportunities with an emphasis on the Software & Platforms division.

Non-core assets

In the company's half-year results announced in September 2022, we disclosed that two UK businesses, based within GP Strategies, had been identified as non-core and planned to exit as soon as practicable. A further update was provided in December 2022, confirming we intended to close the UK apprenticeship business following a decision by the Board that the nature of the customer relationships and quality of the offering in the business did not match the high standards elsewhere in GP Strategies and the Group, especially following a negative Ofsted report in late 2022.

The other non-core asset is trading well, has an increased order book and is a candidate for disposal in 2023.

LTG remains focused on delivering the integration of GP Strategies, the new go-to-market strategy and future value-enhancing acquisitions.

People

Our new Chief People Officer, Liz Freedman, joined us in May. Liz came from Intercontinental Hotels (IHG) where she was Head of Global Talent. Prior to IHG, she held regional and global leadership roles at The Coca-Cola Company and Procter & Gamble. Liz has brought a unique combination of sales and customer marketing, operations, human capital management and large-scale transformational change experience with some of the world's largest multinational companies. She has made progress this year with integrating the global HR teams, allowing for process improvement and efficiency.

Strategic Report (continued)

For the year ended 31 December 2022

Our new Chief Customer Strategy Officer, Karie Willyerd, joined us in September 2022. As an award-winning Chief Learning Officer, including two-time winner of the prestigious #1 ATD Best award and with over 30 years of experience in learning and development, Karie is focusing on helping our customers with their learning and talent strategies and helping embed the benefits of our new combined go-to-market strategy with the C-Suite in multiple organisations.

Our new Chief Information Officer joined us in January 2023. David Anderson came to us from Pilgrims Shared Services where he was Chief Information Officer, leading a team of 150 IT professionals. During his time there, he was responsible for a range of international IT functions and held overall responsibility for IT Shared Services strategy and transformation. David brings to us a wealth of experience and knowledge that we are excited to leverage, with proven experience in:

- Designing and setting up a multi-disciplinary shared service that could effectively support the needs of thousands of colleagues across dozens of locations
- Leading business integration projects for IT infrastructure and business systems
- Ensuring that technology strategy, policies, infrastructure, systems and processes are continually optimised to meet the rapidly evolving needs of group businesses
- Implementing cyber security and IT compliance frameworks to support mitigation of key business risk
- Partnering with operational leaders to deliver improved business intelligence and process optimisation across the enterprise application suite

Outlook

2022 was another exciting and successful year for LTG, despite a challenging macroeconomic backdrop. Our strong organic revenue growth reflects the pressing and growing need for organisations to recruit, train, motivate and retain talent and LTG's ability to meet these demands. We have also continued our track record of improving the operating model and performance of businesses we acquire.

Our transformational GP Strategies acquisition has given us a platform to capture a greater proportion of the circa \$100 billion and growing, addressable market in digital learning and talent management. We have a deeper offering to serve a global customer base facing greater complexity, change and need for productivity. We launched our new go-to-market strategy, announcing that GP Strategies would be the Group's lead market-facing brand representing the breadth and depth of the expertise and experience our solutions provide. We began significant work on combining several of our businesses, allowing us to become the world-leading learning and talent transformation company.

While mindful of the current macroenvironment, the Board's confidence for the year ahead is underpinned by LTG's resilient model for sustained organic growth, strong business momentum continuing into the new financial year and a robust balance sheet to support further strategic acquisitions in the future.

Jonathan Satchell

Chief Executive

25th April 2023

Strategic Report:

Chief Financial Officer's Review

Financial results

Revenue

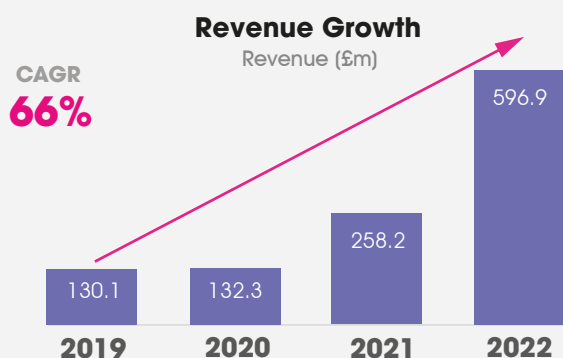
In 2022, the Group delivered a strong performance, ahead of expectations with revenue more than doubling to £596.9 million (2021: £258.2 million) benefitting from the full-year contribution of 2021 acquisitions, including the transformational acquisition of GP Strategies in October 2021, and FX tailwinds due to the strength of the US dollar. On a pro forma basis, constant currency organic revenue growth was 5% and 3% on an underlying basis.

GP Strategies' (67% of Group revenue) organic constant currency growth on a pro forma basis was 6%, with increased revenue from customers in EMEA and the Americas, along with large individual project work within Effective People and enterprise technology services businesses. Organic constant currency growth for the comparable period of ownership was 5%.

There was 5% organic constant currency revenue growth in the Software & Platforms division (25% of Group revenue). This comprised of continued strong performance in the Rustici e-learning standards business, Breezy HR, a leading-edge talent acquisition platform business and Watershed, a learning analytics business, which more than offset expected lower revenue in the PeopleFluent talent management product line.

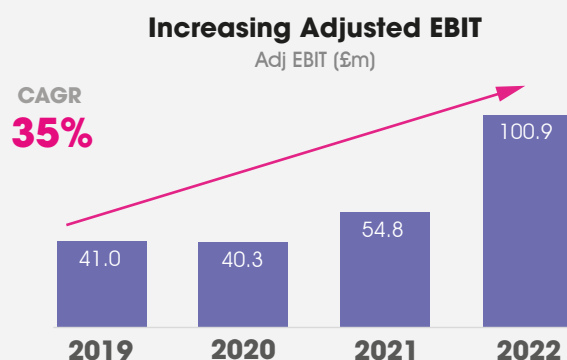
Our Content & Services division revenue (8% of Group revenue) declined 7% on an organic constant currency basis with good growth in PRELOADED and PDT Global. This growth was more than offset by lower service revenue from software businesses due to large implementation contracts in 2021 not repeated in 2022, and a combination of better H2 2021 revenue following a rebound after COVID lockdowns and clients taking longer to finalise and proceed into the delivery phase.

SaaS-based subscription and long-term contract revenue was 71% (2021: 75%) of total Group revenue, reflecting a full-year change in revenue mix primarily from GP Strategies.



Adjusted Earnings Before Interest and Tax (EBIT) and operating profit

Adjusted EBIT¹ increased by 84% to £100.9 million (2021: £54.8 million), driven by the full-year contribution from 2021 acquisitions and organic revenue growth. As anticipated, the Group's adjusted EBIT margin was lower at 16.9% (2021: 21.2%) due to a full-year ownership of GP Strategies, a predominantly service-related business which has a lower adjusted EBIT margin, and portfolio mix resulting from varying growth rates across the business. We intend to continue to invest in the business on an organic basis to drive both revenue and adjusted EBIT synergies with the aim of delivering Group adjusted EBIT margins of around 20% in the medium term.



Included within adjusted EBIT was a share-based payment charge which increased to £6.7 million (2021: £5.2 million), including granting new unapproved options to GP employees. An additional share-based payment charge of £0.5 million related to the acquisition of GP Strategies is included in adjusting items.

Also included within adjusted EBIT was an amortisation charge for internally generated development costs which increased to £7.5 million (2021: £5.6 million), as set out in note 14 on page 103. As relevant projects are completed, they are amortised over their useful economic lives, with the increase in the amortisation charge reflecting the increased investment in capitalised development costs in prior years. The Group does not include £12.0 million (2021: £8.7 million) of amortisation of acquired software and IP within adjusted EBIT due to an expectation that the quantum exceeds that which would have been incurred if internally developed, and therefore is not representative of a true ongoing cost of the business.

The Group's statutory operating profit was £50.5 million (2021: £11.7 million), including adjusting items of £50.4 million (2021: £43.1 million), discussed in more detail on page 23.

1. Alternative performance measures used by the Group are defined in the Glossary on page 145.

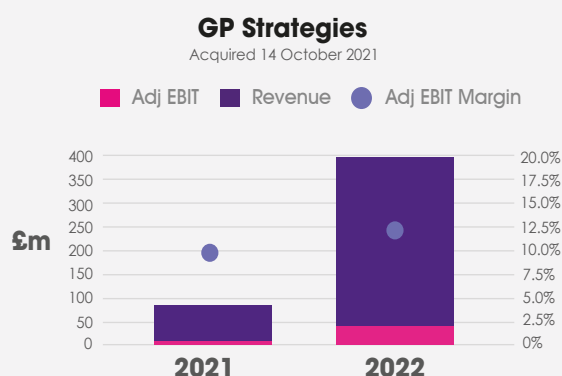
Strategic Report (continued)

For the year ended 31 December 2022

Divisional review

GP Strategies

GP Strategies is a global workforce transformation provider of organisational and technical performance solutions. It improves the effectiveness of organisations by delivering innovative and superior training, consulting and business improvement services customised to meet the specific needs of its clients. The division is well diversified with clients from Fortune 500 companies, automotive, financial services, technology, aerospace and defence industries, and other commercial and government customers.



GP Strategies comprised 67% of 2022 Group revenue (2021: 32%) and in the year, 66% (2021: 68%) of the revenue was from long-term contracts.

Revenue increased to £398.8 million (2021: £82.9 million) reflecting a full year of revenue following acquisition on 14 October 2021, with organic constant currency growth of 5% for the comparable period of ownership and pro forma organic constant currency growth of 6%. The drivers of revenue growth were primarily due to increased revenue with multi-year managed learning services customers in both the EMEA and Americas regions. In addition, these regions saw strong organic growth in large project work within its Effective People and enterprise technology adoption services businesses. The strength of the global business model was demonstrated with significant, new post-acquisition awards from blue-chip customers in Asia, Middle East and South America.

Adjusted EBIT increased to £48.7 million (2021: £7.7million), representing a full year of ownership. The adjusted EBIT margin was 12.2% (2021: 9.2%) as we delivered on the commercial and operational margin enhancements identified at the time of acquisition. As expected, these margins continue to improve steadily throughout the year with Q4 margins of 14%.

Statutory profit before tax was £22.8 million (2021: £1.6 million loss) after deducting adjusting items including amortisation of acquisition-related intangible assets, acquisition and

integration costs and acquisition-related contingent consideration, and finance expenses.

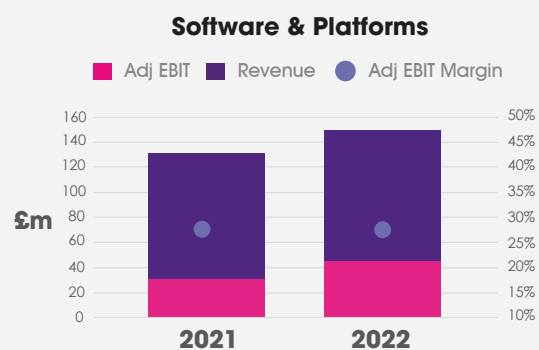
GP Strategies has continued to demonstrate the quality of its customer service within its embedded relationships through being awarded Supplier of the Year by General Motors in the US for a sixth consecutive year. This is a significant achievement, being one of only 125 companies chosen out of 20,000 of its suppliers. Feedback indicates that satisfaction levels from other major customers also continue to be high.

We are delighted by GP Strategies' achievement of the initial commercial transformation programme and are confident of substantial further progress in 2023.

As a result of the acquisition of GP Strategies, LTG owned a 10% stake in National Aerospace Solutions LLC (NAS). This shareholding was not considered to be core and on 18 April 2022, was disposed of for \$3.0 million. The GP Strategies employees supporting this business transferred to NAS as part of the transaction.

Software & Platforms

The Software & Platforms division comprises Software as a Service (SaaS) and on-premise solutions as well as hosting, support and maintenance services.



Software & Platforms comprised 25% of 2022 Group revenue, (2021: 51%) reflecting the change in portfolio mix as a result of the GP Strategies acquisition.

Revenue increased 14.7% to £149.7 million (2021: £130.5 million) with organic constant currency growth of 5% driven by good growth in Rustici, Watershed and Breezy HR in addition to FX tailwinds due to the strength of the US dollar and a full year of Bridge and Reflektive. Excluding the more mature PeopleFluent, organic growth was 12%.

Continued strong growth from the Rustici e-learning standards business drove organic growth, as it continued to benefit from increasing demand for digital learning tools from new customers, from existing customers purchasing extra functionality and a higher benefit in 2022 from on-

premise renewals. In Breezy HR, the division's cloud-based software product for talent acquisition for small and mid-size customers, there was continued strong organic growth in H1 which trended towards the divisional growth rate in H2. Watershed also delivered a strong performance across the year. The Open LMS business delivered growth at constant currency with customers continuing to benefit from its open-source software. This uses a platform that is customisable to specific needs within customers, including universities and educational establishments.

Partially offsetting this was higher churn in Reflektive as budgets for our customers within the technology sector tightened as we focus on building Reflektive into the Bridge platform, and the expected revenue decline in the more mature PeopleFluent talent management product line, an integral part of the Group's differentiated software offering. The product, which has good functionality and is highly configurable, continues to be well-embedded with its larger and more complex corporate customers. It is expected that customers requiring its more complex functionality will continue to use the product while some of those with less complex needs will migrate over the coming years to the division's fast-growing talent management solutions. One of PeopleFluent's largest customers, a large healthcare organisation, expanded its licence of the Performance product to 100,000 users, from 50,000 during its June 2022 renewal, setting the stage for future expansions as it continues to use our technology across its hospital network. In addition, an IT service management company with 10,000 employees, has expanded its initial licence into two additional products within the last 12 months.

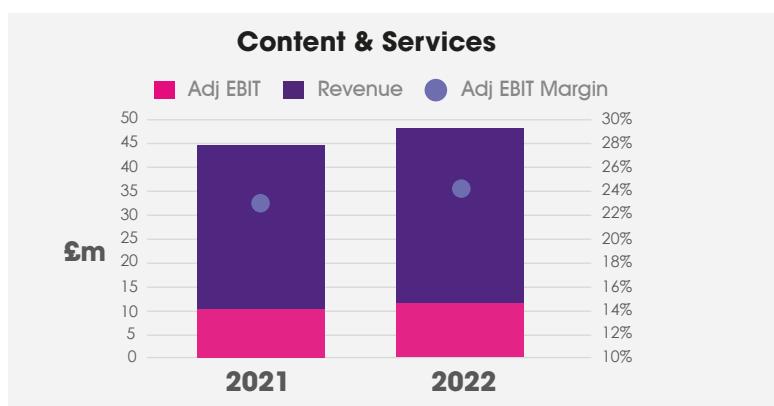
In 2022, 97% (2021: 97%) of the revenue in Software & Platforms was related to SaaS-based subscriptions and long-term contracts.

Adjusted EBIT increased in the year to £40.3 million (2021: £36.4 million) driven by organic revenue growth and a full-year contribution of the 2021 acquisitions of Reflektive and Bridge. Underpinning this was a strong performance from Rustici offset by the expected lower performance in PeopleFluent. The adjusted EBIT margin was 26.9% (2021: 27.9%), reflecting the varying growth rates of the portfolio.

Statutory profit before tax increased to £12.6 million (2021: £5.8 million) after deducting adjusting items including amortisation of acquisition-related intangible assets, acquisition and integration costs, acquisition-related contingent consideration and earn-out charges, other income and finance expenses.

Content & Services

The Content & Services division includes LEO Learning, the Group's innovative digital learning specialist which delivers organisational transformation through world-class consultancy and strategic learning blend design and creative content generation and PRELOADED, LTG's highly regarded games and immersive experiences studio. The division also includes PDT Global, a leading provider of diversity, equity and inclusion training solutions, Affirmity, LTG's affirmative action provider, and the services departments of our software businesses.



Content & Services (excluding GP Strategies) comprised 8% of 2022 Group revenue (2021: 17%), the reduction reflecting the change in portfolio mix as a result of the transformational GP Strategies acquisition.

Revenue increased to £48.2 million (2021: £44.8 million) reflecting FX tailwinds and a full year of PDT Global, partially offset by a 7% organic constant currency decline. This reflected lower services revenue from software businesses due to large implementation contracts in 2021 not repeated in 2022, in addition to a combination of a stronger comparative in LEO in H2 2021 following the COVID rebound, and clients taking longer to finalise and proceed into delivery phase. Partially offsetting these challenges was good growth in PRELOADED as it delivered on contracts for highly innovative projects with significant clients, including a global entertainment company and an international social media company. PDT Global achieved better growth in H2 as the sales pipeline in the first half of the year was delivered as expected. Affirmity delivered growth through the year, underpinned by excellent renewal rates although attenuated in the second half following the introduction of new US legislation in H2 2021 not repeated in 2022. Excluding the lower services revenue from software businesses, the organic constant currency revenue decline was 2%.

Adjusted EBIT also increased to £11.7 million (2021: £10.6 million), driven by the contribution from increased revenue. The adjusted EBIT margin was 24.4% (2021: 23.7%), reflecting a change in portfolio mix.

Strategic Report (continued)

For the year ended 31 December 2022

Statutory profit before tax was £4.9 million (2021: £5.1 million) after deducting adjusting items including amortisation of acquisition-related intangible assets, acquisition and integration costs and acquisition-related contingent consideration and earn-out charges, and finance expenses.

LEO's market is anticipated to continue to benefit from large corporates looking to advance their talent development programmes in an environment where employees increasingly work remotely. The market is also expected to benefit as traditional face-to-face training models, involving business travel, are impacted by environmental and sustainability issues, including the increased focus in reducing Scope 3 emissions.

In January 2023, LEO and PDT Global were integrated with GP Strategies, and PRELOADED is expected to follow later in the year.

Statutory operating profit

The Group's statutory operating profit was £50.5 million (2021: £11.7 million), including adjusting items of £50.4 million (2021: £43.1 million), which comprised:

- An amortisation charge for acquired intangibles of £35.7 million (2021: £26.2 million);

Amortisation of acquired intangible costs, including acquired software and IP, are excluded from the adjusted results of the Group since the costs are non-cash charges arising from investing activities. As such, they are not considered reflective of the core trading performance of the Group.

- Impairment of goodwill and intangibles of £8.0 million (2021: none);

Impairment of goodwill and intangibles are excluded from the adjusted results of the Group since the costs are one-off, non-cash charges related to closure of the non-core UK apprenticeship business in early 2023 announced on 19th December 2022.

- Acquisition and integration costs of £3.8 million (2021: £10.1 million);

The costs of acquiring and integrating subsidiaries purchased in the year or in prior periods, deemed to be incremental costs not part of the normal course of business. In 2022, this includes £0.3 million costs of acquisition and £3.5 million of integration costs, primarily related to acquisitions completed in a prior year. Within integration costs was £3.4 million relating to the integration of GP Strategies and legacy Content & Services businesses. These costs included staff-related costs such as retention bonuses, severance and recruitment costs as well as consulting costs.

- Acquisition-related contingent consideration, share-based payments and earn-out charges of £3.8 million (2021: £5.3 million);

The cost of acquisition-related contingent consideration and earn-out charges are mechanisms included in the purchase agreements of business combinations, relating to Breezy HR and eCreators, which are awarded based on the achievement of substantial incremental revenue growth. The former owners of each respective business are required to remain employed by the Group and, as such, the earn-out is considered to be post-combination remuneration, rather than contingent consideration which would be included in the purchase consideration of each respective acquisition.

- £1.5 million other income (2021: none);

Other income includes amounts received in relation to a contract and is an adjusting item due to its quantum and non-recurring nature.

- Closure provisions of £1.0 million (2021: none);

Closure provisions of £1.0 million relating to expected severance and future lease costs with respect to the closure of the non-core UK apprenticeship business are excluded from the adjusted results as they are restructuring in nature and not part of the normal operating costs of the ongoing Group.

- £0.7 million cloud computing configuration and customisation costs (2021: none);

Cloud computing configuration and customisation costs reflect the impact of a change in accounting policy following review of IFRIC guidance issued in March 2021 relating to capitalisation of cloud computer 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.

- £1.2 million profit on sale of joint venture (2021: none);

A joint venture was acquired through the acquisition of GP Strategies and represented 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 (see note 15).

For further details of the items excluded from statutory operating profit, see note 5.

Net finance charge and profit before tax

The net finance charge was £10.0 million (2021: £2.3 million), with the increase driven by the higher average level of debt in the year, due to acquisition-related cash outflows and increased interest rates.

After the net finance charge, adjusted profit before tax was £90.9 million (2021: £52.5 million) and statutory profit before tax was £40.5 million (2021: £9.3 million).

Taxation charge

The adjusted tax charge was £24.3 million (2021: £12.8 million), resulting in an adjusted effective tax rate of 27% (2021: 24%). The statutory tax charge was £10.1 million (2021: £5.6 million credit).

The increase in tax reflects the inclusion of full-year results of GP Strategies for 2022 compared to results for 2021, representing the post-acquisition period from 14 October. The adjusted tax charge includes £2.9m relating to foreign exchange gains on borrowings, payable at the entity level. On a statutory basis, this tax charge is matched with the foreign exchange gain within other comprehensive income.

During the year, the Group completed a tax study to confirm the availability and future use of the balance of losses carried forward 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 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 is expected to be utilised over the subsequent three-year period to 2025 in line with the forecast period prepared for the Group. In subsequent years, the Group will consider recognition of the further deferred tax assets on the remaining losses on an annual basis. Further details are provided in notes 10 and 20.

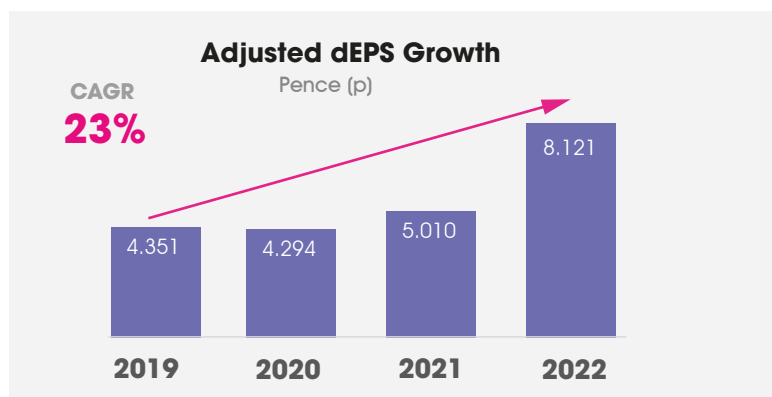
Foreign exchange

The Group is exposed to a number of currencies resulting from its geographical spread, with the majority of exposure to the US Dollar. The strengthening of the US Dollar has resulted in FX tailwinds for the Group and £31.0 million (2021: £1.7 million) exchange differences on translating foreign operations within other comprehensive income, largely due to the retranslation of foreign operations as well as £55.6 million of foreign currency gains generated on goodwill and acquired intangible assets. This is largely due to a significant proportion of these items being designated in USD and the weakening of the British Pound against the Dollar by c.10% year on year.

Earnings Per Share

Adjusted diluted EPS increased to 8.121 pence (2021: 5.010 pence), driven by the increase in adjusted EBIT. This was partially offset by the higher adjusted effective tax rate and higher average number of shares outstanding, resulting from the exercise of employee stock options during the year.

On a statutory basis, basic EPS increased to 3.857 pence (2021: 1.959 pence).



Cash generation

As per the Consolidated Statement of Cash Flows, cash generated from operations finished strongly at £92.1 million (2021: £46.9 million) and net cash flows from operating activities were £71.9 million (2021: £37.5 million).

There was a cash outflow of £18.4 million (2021: £11.6 million) from working capital with increased trade and other receivables, payables and inventory partially offset by a decrease in amount recoverable on contracts. Debtor days decreased to 81 days (2021: 91 days) and combined debtor work-in-progress and deferred income days (combined days) decreased to 41 days (2021: 57 days). The combined days metric benefits from payments being received annually in advance for recurring software licences.

Free cash flow¹ was £50.3m, £27.5m higher than 2021. Cash conversion² was strong at 82% (2021: 81% on a like-for-like basis, 76% on reported basis), as set out below.

	FY22	FY21	Variance
	£m	£m	£m
Statutory operating profit	50.5	11.7	38.8
Adjusting items	50.4	43.1	7.3
Adjusted EBIT¹	100.9	54.8	46.1
Depreciation & amortisation	13.9	9.2	4.7
Share-based payment charges	6.7	5.2	1.5
Dec / (Inc) working capital	(18.4)	(11.6)	(6.8)
Capital expenditure	(11.6)	(9.0)	(2.6)
Lease liabilities	(7.3)	(4.9)	(2.4)
Other	(1.0)	0.6	(1.6)
Adjusted operating cash flow²	83.2	44.3	38.9
Cash Conversion	82%	81%	1%pt
Net interest paid	(4.3)	(0.3)	(4.0)
Tax paid	(20.2)	(9.4)	(10.8)
Integration & transaction costs	(3.8)	(10.1)	6.3
Earnout & contingent consideration	(6.9)	(1.7)	(5.2)
Proceeds from asset sale	2.3	-	2.3
Free cash flow	50.3	22.8	27.5

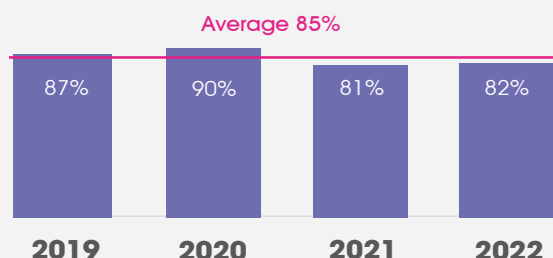
1-2. Alternative performance measures used by the Group are defined in the Glossary on page 145.

Strategic Report (continued)

For the year ended 31 December 2022

Strong Cash Generation

Adj. Operating Cash Flow Conversion



Net corporation tax payments increased to £20.2 million (2021: £9.4 million) reflecting the inclusion of full-year results of GP Strategies for 2022, compared to results for 2021 representing the post-acquisition period from 14 October. Net finance payments of £4.3 million (2021: £0.3 million) were lower than the £10.0 million net finance charge for the year as the final loan notice period for the year fixed the interest rate for six months becoming payable in January 2023. Payment of acquisition-related contingent consideration and earn-outs totalled £6.1 million (2021: £1.2 million) related to Breezy HR, Watershed, eCreators, eThink, PDT Global and Moodle News.

There were cash outflows from investment activities of £9.3 million (2021: £320.1 million) comprising of £10.0 million (2021: £8.4 million) of outflows relating to capitalised investment in internally generated IP, £1.6 million (2021: £0.6 million) from investment in property, plant and equipment, and £2.3 million cash inflow from the sale of the NAS joint venture in April 2022. The 2021 cash outflow of £311.2 million relating to acquisitions is stated net of cash acquired of £34.2 million and other closing adjustments.

Net cash outflows from financing activities were £58.8 million (2021: inflow of £277.6 million). This includes £38.5 million (2021: £18.1 million) for repayment of bank loans. In addition, there were £1.0 million (2021: £85.6 million) of proceeds from the issue of ordinary share capital, net of share issue costs. In 2021, this was primarily the equity placing in July 2021 which part funded the acquisition of GP Strategies, as well as the exercise of employee stock options. There were also lease payments of £6.7 million (2021: £4.4 million), as well as a payment of deferred contingent consideration £0.7 million (2021: £0.5 million) and dividend payments of £9.1 million (2021: £6.1 million).

Capital allocation, funding priorities and dividend

The Board remains committed to a capital allocation policy that prioritises investment in the business to drive growth, a progressive dividend policy and selectively acquiring value-enhancing businesses.

The Board's progressive dividend policy, while taking into account earnings cover, also considers other factors such as the expected underlying growth of the business, its capital and other investment requirements. The strength of the Group's balance sheet and its ability to generate cash are also considered.

The Group considers these factors in the context of the Group's Principal Risks, which are set out on pages 27 to 28, and the overall risk profile of the Group.

Given the strong operational performance during the year and the significant increase in EPS, the Board is recommending a final dividend of 1.15 pence per share (2021: 1.00 pence). The total cash cost of the final dividend is approximately £9.1 million.

Together with the interim dividend of 0.45 pence, this gives a total dividend for the year of 1.60 pence, an increase of 60% on the prior year.

If approved, the final dividend will be paid on 14 July 2023 to all shareholders on the register on 23 June 2023.

Net Debt and Gearing

At 31 December 2022, the Group's net debt was £119.8 million (31 December 2021: £141.4 million), excluding £14.9 million (31 December 2021: £21.8 million) of lease liabilities. On a constant currency basis, net debt was £106.6 million on 31 December 2022 at the 2021 exchange rate.

The Group's net debt comprised £214.6 million of debt (31 December 2021: £225.3 million) and £94.8 million of cash (31 December 2021: £83.9 million).

On the acquisition of GP Strategies, the existing debt facility with Silicon Valley Bank ('SVB') was repaid and a new facility with HSBC UK Bank, SVB UK, Barclays Bank, Fifth Third Bank, and the Governor and Company of the Bank of Ireland was put in place. This was made up of two variable rate committed term loans. The Term Facility A, with an original commitment of \$265.0 million is available to the Group until October 2025, with the Term Facility B of \$40.0 million subsequently fully repaid in March 2022. The facilities also include a \$50.0 million (£41.3 million at year-end exchange rates) Revolving Credit Facility and a \$50 million (£41.3 million at year-end exchange rates) uncommitted accordion, both available to July 2025. For further details of the Group's debt facility see note 23 on page 113.

The Group's covenant basis net debt/adjusted EBITDA ratio was 1.1 times (2021: 1.8 times).

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 31 December 2022 and the date of this Annual Report.

Balance sheet

The Group has a strong balance sheet with total shareholder equity of £426.3 million at 31 December 2022 (31 December 2021: £371.3 million). This is equivalent to 54.0 pence per share (2021: 47.1 pence per share). Key movements on the balance sheet in 2022 include:

- Intangible assets - intangible fixed assets have increased £13.6m year-on-year. This is largely due to additions of £10.0m and net foreign exchange gains of £57.2m offset by amortisation charge on intangible assets of £43.1m, assets reclassified as held for sale of £1.8m, total impairment charge of £8.0m and an adjustment related to cloud computing costs of £0.6m.
- Assets held for sale - in December 2022, the Group decided to dispose of the non-core Lorien Engineering business, that was acquired with GP Strategies, as soon as practicable and communicated this decision internally and to investors on 19 December 2022. As a result, the net assets of £4.4m associated with that business have been reclassified as held for sale (see note 33). The sale is expected to conclude in 2023.
- Following completion of a tax study to confirm availability of losses in respect of the PeopleFluent and Reflektive acquisitions which resulted in the recognition of previously unrecognised losses in the current year, the Group has presented the deferred tax assets and liabilities with set off of tax in accordance with IAS 12 for current and prior years.

- Measurement period adjustments on prior year acquisitions - certain measurement period adjustments amounting to £1.1m have been made to increase the provisional amounts recognised as goodwill primarily in relation to the acquisition of GP Strategies that occurred in 2021. Prior year comparatives have been adjusted for non-current assets, trade and other receivables, corporation tax, trade and other payables, provisions, and other non-current assets. These adjustments have been made to reflect new information obtained about the circumstances that existed at the acquisition date and would have affected the measurement of goodwill at the time (see note 13).

Key Performance Indicators (KPIs)

The Group's KPIs are revenue and organic revenue growth, adjusted EBIT, cash conversion and adjusted diluted EPS. A discussion of performance against each KPI is contained within the narrative above.

The profitability of the business, which has a relatively low fixed-cost base, is managed primarily via the divisional revenue review, with secondary measures addressing employee utilisation and project margin reviews in Content & Services and in GP Strategies.

Cash flow is reviewed at a Group level, aided by rolling cash forecasts and monitoring cash balances. There is a focus on working capital which is reviewed primarily against debtor days and combined debtor, WIP and deferred income days measures.

Adjusted diluted EPS, as well as incorporating all the elements of the above KPIs, is additionally impacted by the Group's treasury and taxation activities. These activities are carried out within the Group's finance team and seek to manage the Group's net finance and taxation charge.



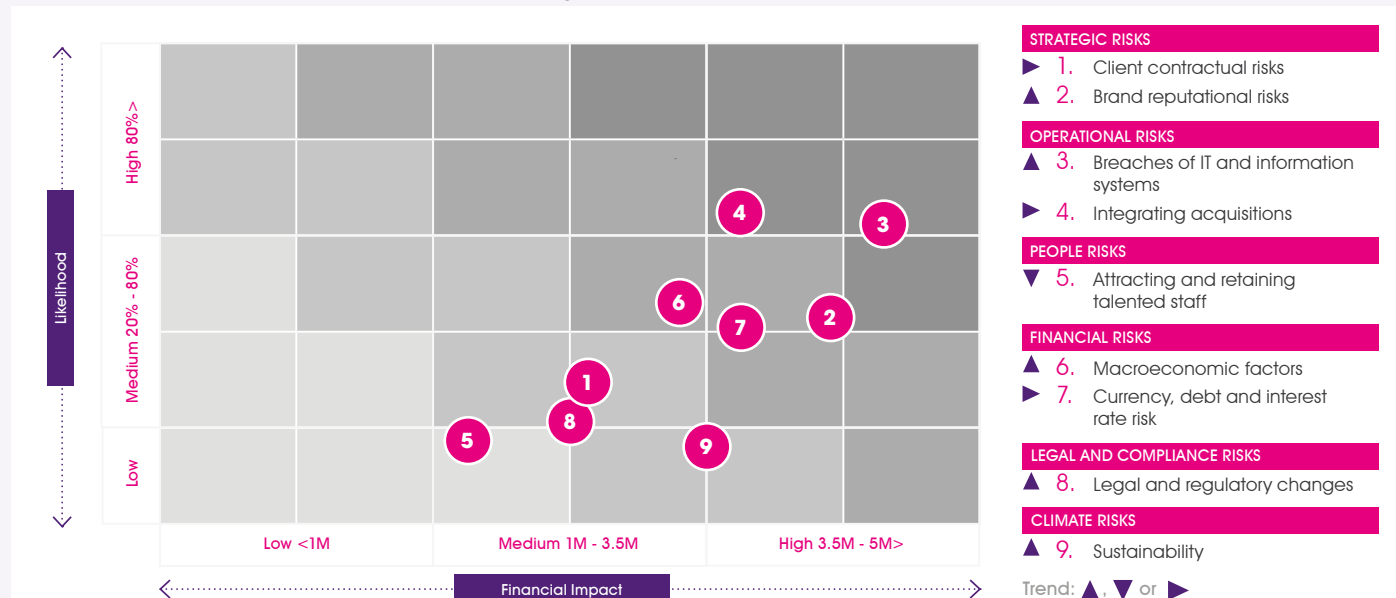
Kath Kearney-Croft

Chief Financial Officer

25th April 2023

Principal Risks and Uncertainties

The Directors undertake regular reviews of the risk and uncertainties facing the Group, including new and emerging risks, and consider the likelihood and impact on the Group of those risks in order to put in place mitigating actions. During 2022, as a result of the Group's increased reach, offerings and revenues, the methodology utilised by Directors to rate and categorise risk was revised to better align with the Group's size and activities. In addition to the financial risks discussed in note 32, the Directors consider that the principal risks and uncertainties facing the Group and a summary of the key measures taken to mitigate those risks are as follows:



Context and potential impact	Mitigation
STRATEGIC RISKS	
<p>1. Client contractual risk (stable)</p> <p>The Group offers a wide variety of products and services with different risk profiles and in different countries, to a diverse customer base, many of which operate in regulated sectors and/or will seek to contract under their own terms and conditions. At times, the business is subject to client and government audits with respect to assurance around quality and compliance. As a result of US Government contracts representing a high portion of the Group's revenue, the business must operate processes and procedures to ensure compliance with applicable regulations. The Group continues to expand through acquisition, which includes the transfer of customer contracts from the acquired business, which may present new or different contractual obligations.</p>	<p>The Group assigns account executives to foster relationships with key clients, and within market sectors and geographies. Competitive re-compete initiatives are forecast and managed to maximise success. Regulated market sectors are regularly monitored to maintain compliance with legislative requirements. Through operational and legal review, the Group ensures favourable contract terms and obligations, and skilled Project Managers are assigned to ensure quality and deliver results. In acquired businesses, client contractual risks are assessed during acquisition due diligence and addressed as part of the transformation and integration work stream for acquired businesses.</p>
<p>2. Brand reputation risk (increasing)</p> <p>The Group recognises that brand recognition, reputation and customer and supplier confidence is of great importance. Failure to maintain our reputation for delivering high quality products and services could lead to a decline in sales and revenue if customers were to choose to do business with competitors, could affect our ability to attract and retain key talent, or could damage our relationships with suppliers and other external partners, potentially leading to business disruption and increased costs. Negative brand reputation can spread quickly through industry relationships and social media platforms, making it increasingly essential for companies to protect and maintain their brand strategy.</p>	<p>The Group has a collaborative and transparent approach with clients and external partners, and aims to continuously meet customers' operational specifications, quality standards and delivery schedules. The Group strives to exceed customer expectations and maintain its reputation as a leader in the learning and talent management marketplace by offering a diverse set of superior platforms, content and services. Strategic planning is undertaken to forecast and execute activities that will develop and maintain client demand. The Group continually evaluates its performance, seeks feedback from customers, employees and stakeholders, performs market research, and utilises trade group research to anticipate client needs and develop action plans to continually improve its services.</p>
OPERATIONAL RISKS	
<p>3. Breaches of IT and information systems (increasing)</p> <p>To meet customer, supplier and operational needs, our IT infrastructure needs to be flexible, reliable and secure. Our delivery of efficient and effective solutions is dependent on our use of relevant and reliable technologies. There is potential for disruption to our products, services and operations from risks relating to cybercrime, malware, loss or theft of devices and data exposure. If unmanaged, these risks could adversely impact the company's ability to deliver high quality systems, services and client experiences.</p>	<p>In parallel to building IT roadmaps for platforms, technology tooling, business solutions and management information, there are many administrative and technical controls employed by the IT and Legal teams to monitor and mitigate risks, and ensure platforms and products are flexible, reliable and secure. Systems are carefully selected to meet long-term operational objectives. Data protection policies and protocols are enforced to safeguard data and meet data protection standards across the jurisdictions in which the Group operates. Access to sensitive data is restricted and closely monitored. Staff are required to complete information security training programmes. Business processes are kept under review and the IT function carries out internal and external audits including penetration testing, random phishing testing and testing the Group's disaster recovery and business continuity plans. To mitigate financial risk, the Oracle NetSuite ERP system continues to be rolled out to replace smaller and older legacy systems within the LTG SaaS businesses, and the company's Content businesses use the Oracle Cloud Fusion ERP system, with the business benefitting from the system's aligned processes.</p>

4. Integrating acquisitions (stable)

The Group aims to identify strong acquisition targets, but recognises that acquisitions can deliver lower than expected return on investment. Failure to effectively plan and execute our acquisition strategy may result in reduced sales, revenues, and profits, and could result in unanticipated impairment charges.

Integrating acquisitions is challenging, and may require merging businesses with existing operations and operating under foreign ownership rules. Challenges include providing an open and inclusive company culture, achieving business synergies and organisational structural changes, and standardising IT systems and business processes.

Potential acquisition targets are identified and assessed for strategic, operational and cultural fit through a structured due diligence process. Professional advisors are consulted by the Group's finance, legal, HR, IT and executive teams to evaluate the risks and benefits prior to developing a business and capital allocation plan for Board approval.

The Group structures acquisition purchase terms to incentivise and retain key staff and focus on improved customer experiences. Integration plans are developed to provide efficient operating procedures, deploy best practices and ensure delivery of expected benefits. Plans are implemented by experienced cross-functional teams of stakeholders and subject matter experts to maximise likelihood of success. This strategy has proved successful in improving margins and operating results, most recently demonstrated in the improved performance of the company's GP Strategies business unit, acquired in October 2021.

PEOPLE RISKS

5. Attracting and retaining talented staff (decreasing)

Our most important asset is our talented staff. We recognise that the future success of our business is dependent on attracting, developing, motivating and retaining our people. LTG and its operating companies must strive to be excellent employers with outstanding development experiences, competitive total rewards and a culture of creativity and inclusivity.

Failure to attract and retain key talent could negatively impact the Group's ability to innovate and grow, and could lead to decreased productivity, or undermine customer relationships. The market remains competitive for top talent despite the uncertain macroeconomic conditions and recent high profile company layoffs. While there is a greater influx of talent in the market, LTG's diverse product and service solutions often require niche skill sets and experiences to meet customer expectations and performance obligations.

We routinely benchmark ourselves against our peers and adopt best practices to ensure success in recruiting, hiring and maintaining a highly competent and engaged workforce. To manage hiring for specialist roles we have activated several successful strategies to source top talent, including expansion of our presence on hiring platforms, external talent pooling and hiring in other countries. We continue to focus on appointing high quality candidates to replace leavers or fill new roles, and continuously focus on employee development through training and other employee engagement measures.

FINANCIAL RISKS

6. Macroeconomic factors (increasing)

At Board, Executive and Finance level, the Group remains apprised of macroeconomic factors which could affect the Group, such as geopolitical uncertainties, rising interest rates and inflationary pressures, particularly wage inflation. Due to the Group's extensive geographic presence and diverse client base, pockets of the business could be disproportionately affected.

The Group monitors the changing macroeconomic environment and continually evaluates potential risks. Due to the Group's increased global presence, resources and work can be reallocated when needed to minimise disruptions, maintain quality and preserve financial performance.

7. Currency, debt and interest rate risk (stable)

Following the acquisition of GP Strategies, the Group now operates in 35 countries. The global nature of the Group's business means it is exposed to volatility in currency exchange rates in respect of foreign currency denominated transactions, and the translation of net assets and income statements of foreign subsidiaries. The Group is exposed to a number of foreign currencies, the most significant being the US Dollar.

Due to its debt, the Group is also exposed to the risk of increase in the base rates of the US Federal Reserve. The Group is required to comply with the covenants under its debt financing facility. If the covenants were breached, the lender could take action against the Group. This could include the lender exercising its security taken over the Group's assets to repay the outstanding debt, thus adversely impacting shareholders.

The Group regularly monitors its ongoing compliance with the terms of its debt financing facility. As at the end of December 2022, following the most recent acquisitions, the Group's net debt position has improved year over year from £141.4m to £119.8m, as a result of strong cash generation from the Group's operations.

The Group avoids over-reliance on single-source customers, suppliers and banking relationships. A treasury function is maintained to monitor cash and liquidity, and regular currency analysis is completed to forecast exposure, with hedging activities undertaken when needed. Contracts are transacted and cash balances are maintained in the functional currency of the local operation, which serves as a natural hedge. The Group continually monitors its outstanding Accounts Receivable and ensures favourable payment terms are included in customer contracts.

LEGAL AND COMPLIANCE RISKS

8. Legal and regulatory changes (increasing)

Legal and regulatory risk has increased due to an expanded employee population, diversity of services and complex customer contract requirements. As the Group's global presence expands, it must ensure compliance with regulatory requirements within the jurisdictions in which the Group operates.

Failure to meet contract terms and conditions, regulatory reporting requirements, or statutory compliance obligations could result in financial loss, fines, penalties, or reputational damage.

The Group's executive team and legal team are taking appropriate actions to monitor regulatory requirements, develop compliance strategies and implement risk-mitigating policies and procedures including mandatory contract reviews, corporate responsibility and business sanctions policies, security standards and data privacy reviews.

The Board of Directors appoints individuals to key roles within the business who are sufficiently knowledgeable in the legal aspects of their function to ensure requirements are met or guidance is sought when needed. The Group's key roles include the members of the Executive teams and a designated Data Protection Team.

CLIMATE RISKS

9. Sustainability (increasing)

There is growing focus on sustainability from a range of our stakeholders, including customers, providers of capital (investors and banks) and employees, as well as increasing regulatory and reporting requirements related to sustainability and ESG. The Board and Executive recognise the need for the management and reporting of the Group's sustainability framework, performance and targets, which if unmanaged, could impact our ability to attract and retain customers, employees and capital.

The Group has a broad reaching ESG response in place, as detailed in the Group's ESG report, which we are enhancing further through a number of initiatives aimed at improving our sustainability ratings. We are committed to achieving net zero by 2050, or sooner, and we are undertaking the necessary steps to develop our transition plan to reduce emissions in line with a Paris Agreement-aligned pathway.

Strategic Report:

S172 statement

The Directors must comply with the duties set out in Section 172(1) of the UK Companies Act 2006.

A director of a Company must act in the way he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

- a. The likely consequences of any decision in the long term
- b. The interests of the Company's employees
- c. The need to foster the Company's business relationships with suppliers, customers and others
- d. The impact of the Company's operations on the community and the environment
- e. The desirability of the Company maintaining a reputation for high standards of business conduct, and,
- f. The need to act fairly as between members of the Company

The Directors consider that they have fulfilled their duties in accordance with Section 172(1) of the UK Companies Act 2006 and have acted in a way in which is most likely to promote the success of the Company for the benefit of its members as a whole.

The Directors have identified key stakeholders as being our employees, our customers; our shareholders; our suppliers and partners; and the communities in which we operate.

Key decisions taken by the Directors in 2022 included the following:

(a) LEO and PDT reorganisation and GP Strategies being selected as the market-facing brand

A decision was made to make GP Strategies the Group's lead market-facing brand. As a consequence, there was a reorganisation where the LEO Learning business (including LEO GRC, formerly Eukleia) was integrated with GP Strategies' global content design team to create a combined content and learning experience design offering. Further, the PDT Global business joined GP Strategies to create a combined offering in Diversity, Equity and Inclusion (DE&I). These changes took place from 1 January 2023.

(b) The decision to dispose of the Group's non core assets

The Board took the decision to dispose of the UK-based businesses within GP Strategies previously identified as non-core. As disclosed in the Company's half year results announced on 22 September 2022, the Board planned to exit these two non-core assets as soon as practicable. One of the assets is trading well, has an increased order book and is a candidate for disposal in 2023.

(c) The decision to close the UK apprenticeships business

The Board decided to close one of the non-core businesses, the UK apprenticeships business, in early 2023. The closure followed a decision by the Board that the nature of the customer relationships and the quality of the offering in the business do not match the high standards elsewhere in GP Strategies and the Group, and especially following a negative Ofsted report in late 2022.

In taking each of these decisions, the Board considered the interests of employees, customers and suppliers. We recognise that our engagement strategy for these key stakeholders is crucial to our success. The way in which the Company engages with key stakeholders is set out in more detail below.

Employees

Engagement and communication strategy

We implement multiple strategies to engage and communicate with our employees in a meaningful and impactful way.

At the executive level, three of our Executive Directors and our Company Secretary are employees with significant management responsibilities for staff in numerous locations across the Group as a whole. Our Executive Board comprises the Executive Directors as well as our Chief People Officer, Chief Operations Officer, Chief Executive Officer of GP Strategies and Chief Revenue Officer, all of whom have operational and management responsibilities. This gives them critical insights into the needs and experiences of our employees. The Executive Board frequently engages with and receives feedback from employees. Members of the Executive Board and other employees regularly meet with the Board members in person and virtually, at company events and informally in the office, and through formal presentations that are given by individual business leaders and subject matter experts to the Board, the Audit Committee and the Remuneration Committee. A number of our employees presented at our Capital Markets Day.

We appointed a new Chief People Officer in 2022, Liz Freedman, who has put employee engagement at the heart of her strategy. She has personally engaged in two "fireside chats", made available to all employees, in which she has actively encouraged open and healthy dialogues within the workplace, promoted and contributed to DE&I initiatives, and discussed her strategy openly with employees. We have received very positive feedback from this initiative and intend to include further similar opportunities with other executive and senior management as part of our engagement strategy.

We continue to provide regular "all company updates" where our Chief Executive provides an overview to employees on business and financial performance, changes to the executive team, insights on strategy, and information on

other relevant issues which may cause employees concern, such as the current financial climate. This is a continuation of the communication strategy we implemented during the COVID-19 pandemic and has been well received by employees. We intend to continue this strategy into 2023 as it has proven effective. We also run regular employee surveys, where employees are invited to provide feedback, the results of which are analysed by the HR team and presented to the Executive Board.

We continued to support and engage with our Employee Resource Groups (ERGs) in 2022, appointing a Vice President of Diversity and Engagement to act as a key point of contact and work to support the Employee Resource Groups. The ERGs provide both a safe space for employees to feed back concerns and a direct route for employees to comment on and influence policy decisions at the executive level, particularly with regard to DE&I initiatives.

We have continued to build upon our commitment to DE&I, leveraging our new HR leadership and our internal expertise in this area.

Our employees in the UK, the US/Canada, Colombia and Australia are invited to participate in share save schemes that allow them to purchase shares in the Company at a discounted rate. Senior staff may be offered share options that will vest on the satisfaction of stated performance targets.

We offer a whistleblowing hotline and reporting service that allows employees to raise concerns anonymously.

As part of our corporate strategy for 2023-2025 that was approved by the Board in November 2022, we have committed to a goal of becoming an 'employer of choice'. We aim to achieve this objective through the following actions:

- Understanding our competition for people so we can design a competitive offer.
- Offering a compelling employee value proposition to attract and retain top talent.
- Focusing on delivering to ourselves what we advocate to others in terms of people development and talent mobility. We want to be our own best case study.
- Making it clear that 'people and career development' is an essential part of any team leader or manager role across LTG and enabling them to make this a natural part of daily work.
- Fostering a diverse, inclusive workplace where innovation and people thrive, fueled by a world-class DE&I approach with measured progress evident throughout the period.
- Evolving our organisational practices and culture to enable a highly collaborative, cohesive way of working best suited to the future of work.

- Introducing a New Manager Essentials course and further establishing our LTG Leadership Framework programme to pull through both experienced and young leaders and creating a comprehensive succession plan.
- Designing a skills-based approach and using our own talent mobility product to enable people to develop their own careers.

Accounting for interests

In 2022, the Executive Board continued to review the results of the employee surveys and the findings presented by our ERGs. These have been a key contributor to our corporate strategy as approved by the Board and announced at the Capital Markets Day. A key finding was that employees were seeking to participate in external training and, as a result, we have offered leading online learning courses to our employees in a diverse range of subjects.

Customers

Engagement and communication strategy

LTG considers its customers to be a key stakeholder, and accounting for customers' interests is key to our strategy as a market leader.

Following the acquisition of GP Strategies, we are able to offer services to a far broader global market and are able to better meet customer needs in their local jurisdiction.

We will continue to explore go-to-market partnerships with global technology businesses, academic institutions and large-scale prime contractors to government agencies.

In 2022, we continued to seek customer feedback via satisfaction surveys, account reviews and product feedback. Such feedback is discussed and reviewed by the Executive Board. The directors are kept advised of key customer wins, renewals and of any material issues related to customer acquisition, retention and feedback.

Data security continued to be one of the biggest concerns for our customers in 2022, and this has had an impact on both our product and services development plans, and on our security management program. In 2022, security responsibility for our product businesses was combined and brought under the expertise of our VP of Information Security to ensure consistency and better strategic planning for all product security roadmaps.

The state of the global economy was a focal point in 2022 as it touched the day-to-day lives of our employees, customers and business partners, many of whom were still recovering from the impact of COVID-19. Fiscal responsibility is a hallmark of our operations. This ensures that we can withstand any unforeseen events while also being able to make strategic acquisitions that can continue to expand our product and service offerings in a manner that meets the evolving needs of our customers.

Strategic Report (continued)

For the year ended 31 December 2022

We continued to conduct security audits, including ISO 27001/27002, SOC Type II with participating business units. This has allowed us to protect our interests and our client's interests by informing our security strategy and allowing us to effectively identify and manage security risks.

Accounting for interests

Customer feedback has been a key input for our new go-to-market strategy.

In response to customer feedback, we continue to improve and develop our services to provide the best possible user experience, which further allows us to maintain our strategic goal of providing market-leading products and services.

Shareholders

Engagement and communication

Throughout the year we provide opportunities for our current and prospective investors to engage and communicate with us. We provide regular updates to the market on our operations and financials. In October 2022, we hosted a Capital Markets Day event, where investors were invited to attend and learn more about LTG's products, services and strategy. It also provides an opportunity for shareholders and other stakeholders to meet the Board and senior management. Specifically, we announced our new go-to-market strategy relating to the acquisition and integration of GP Strategies, and the impact that this would have on our organisation. We were also able to demonstrate that the Group benefits from long-term contracts across both multi-year service contracts and product subscriptions with a total of > 70% of Group revenues.

The Board engages with shareholders at our AGM. Last year, shareholders were invited to attend in person or to join virtually. We intend to continue optimal investor relations and communications so that investors understand our new position in the market following the acquisition of GP Strategies to ensure that we have shareholder support for further acquisitions.

By leveraging our relationship with our advisers, we seek to broaden the range of institutional investors and market insight, as well as deepening relations with European and US institutional investors.

We announced our go-to-market strategy in part to ensure the 'the corporate story' is strong, consistent (and simplified) across all stakeholders.

We are responsive to changing market conditions and investor requirements.

We are also well placed to meet all new corporate governance and regulatory requirements as they appear.

Accounting for interests

LTG continues to account for shareholder interests by ensuring that we effectively manage risk, operate in a fiscally responsible manner, and follow our growth and development strategy to deliver on our projected results. We are also making a significant investment in ESG initiatives and allowing these to inform our strategy decisions.

This year, feedback from investors highlighted a need for more visibility on our ESG and corporate strategy. In response, we presented our strategy in more detail at the Capital Markets Day and announced new strategic targets. We continue to advance our ESG programme.

Suppliers and partners

Engagement and communication strategy

Our suppliers and partners are a key part of LTG's growth strategies and the running of our global operations. All suppliers have a key point of contact: the relevant purchaser. All partners have a dedicated account manager and through the account manager, we ensure regular and open communications.

We continue to ensure that our suppliers and partners meet LTG's high standards via due diligence and effective contract management. With regard to partners, we have several "partnership programs" in place across the business, and we regularly review the policies and documentation which are applicable to our partners.

Accounting for interests

We recognise the importance of making timely payments to suppliers and partners, and continued to make prompt payments in 2022. We continue to offer a standard 30-day payment term to suppliers and partners, particularly those that are smaller enterprises.

In 2022, we rolled out a new supplier security management program and all suppliers and partners who are involved in our provision of services to clients were asked to commit to baseline security standards. This supports LTG's data protection and security initiatives, and provides additional security to protect our customers' interests.

Our communities and environment

Engagement and communication strategy

LTG's strategic goals recognise the importance of giving back to our communities and using the capabilities that we have and technologies we have developed to support those in need. Our ESG Committee continues to have responsibility for community engagement, and provides feedback to the Executive Board and directors on the needs of our communities, and on the initiatives taken by LTG's local

operations to be responsible members of those communities. Kath Kearney-Croft, Chief Financial Officer, Piers Lea, Chief Strategy Officer, and Claire Walsh, General Counsel and Company Secretary, are all members of the ESG Committee.

Via the ESG Committee, LTG engages with employees, who in most cases are members of their local communities, to identify charitable organisations and other efforts which LTG can support.

Accounting for interests

With the support of the Directors, LTG has continued to provide pro-bono programmes across the business, allowing our business units to identify and provide pro-bono services to charitable organisations to give back to the community. Building upon this, and to create a more formal programme of support to charitable organisations, in 2022, LTG announced plans to establish "The LTG Foundation", a charity under which we will bring our expertise and tools to communities in need of access to learning. The Foundation is being established in 2023.

Further to this, LTG has continued to facilitate and encourage employee community fundraisers at our various offices around the world. LTG continued to offer matched fundraising to increase the impact our employee fundraisers have on their local communities. More information on this can be found in the report of the ESG Committee on page 33.

The impact of the war in Ukraine has been keenly felt by our workforce, our customers and business partners. While we as a company have donated to the Ukrainian Crisis Fund, our employees have undertaken their own fundraising activities and we agreed to match those efforts as a sign of our commitment and support of the Ukrainian people and the humanitarian efforts that continue on their behalf. We also strengthened our Global Sanctions Policy to ensure that we not only comply with government requirements, but also support human rights in our dealings across the globe.

Please see the ESG section on page 33 for more information about our ethical values and policies.



Jonathan Satchell

Chief Executive

25th April 2023

Environmental, Social and Governance ('ESG') Report

Introduction

LTG's purpose is to help systematise the process of 'putting the best people into the right roles and becoming the best they can be'. We help organisations meet their need to develop, motivate and retain talent, thereby capturing the structural growth opportunities in the digital learning and talent management market. In doing so, our platforms and services advance the personal and professional development of millions of people worldwide and empower our customers to achieve their ESG priorities through areas such as the development of their people, enhanced ethical compliance and the provision of travel-free virtual training.

Despite the size of the Group more than doubling at the end of 2021 through the addition of GP Strategies, there have been no major changes to our key ESG exposures and drivers and many of GP Strategies' ESG policies and commitments were already consistent with those of LTG. This has allowed us to continue to build on our existing ESG strategy, albeit implementing our framework across a broader business base.

Our key ESG initiatives

The Group's ESG framework and initiatives are focused around five key objectives, which are integral to our business strategy:

1. Supporting clients in making a positive ESG impact
2. Taking care of our people
3. Effective environmental sustainability
4. Continuing improvement in privacy and security standards
5. Meeting stakeholder expectations on governance

We provide further detail on what each objective means for our business and customers and outline our performance and management of these important areas below.

Driving best practice through our ESG structure

Sustainability is core to our business strategy and our ESG structure ensures we embed ESG into the fabric of our business within the context of our strategic objectives and our risk management process. As an AIM business, we do not have a statutory Task Force on Climate-related Financial Disclosures (TCFD) reporting obligation, which will impact our reporting for the 2023 year-end for the first time. We have,

however, commented on a voluntary basis below on the TCFD disclosures for 2022 and will provide specific compliance statements next year. Full details of our sustainability governance model and its responsibilities are outlined in the Climate Change Management report (page 44).

Underpinned by best practice disclosure and policies

We employ best-practice standards where possible. We seek to work to the Ten Principles of the United Nations Global Compact ('UNGC') which encompass human and labour rights, anti-corruption and the environment. We disclose energy and carbon footprint information under the 2019 Streamlined Energy and Carbon Reporting (SECR) regulations as well as voluntarily reporting to the TCFD recommendations. We use the Value Reporting Foundation SASB Standards for the Services and the Software and IT Services sectors to structure our sustainability strategy and reporting. In addition, GP Strategies reports to CDP and EcoVadis in support of customer requirements.

On a global basis, our values and principles are adopted in all locations where the Group carries out business and the Group's policies help drive actions across our key sustainability objectives of clients, people, environment, data privacy and IT security. At the local level, Group initiatives are augmented with local initiatives that support the contribution that our employees make to projects in their communities.

Achievements in 2022

- Successfully aligned the GP Strategies ESG management framework with the LTG Group ESG framework, including ESG governance, objectives, measurement data and policies.
- Supported Mercedes-Benz with its launch of a brand-immersion experience initiative for its electric vehicle sub-brand, Mercedes-EQ.
- Developed a Group-wide environmental policy, standardised our data collection and improved our formal environmental reporting.
- Reduced our leased office space by an additional 18%, which is a key reduction driver for our energy use and emissions.
- Reported to the Task Force on Climate-related Financial Disclosures (TCFD).

- GP Strategies received CDP Climate Change score of B-, above the global average of C in the specialised professional services category.
- Appointment of a Director of Talent Development to lead the Company's Talent strategy and build out the Learning and Development team.
- Transitioned to the Bridge platform, our own learning and talent management technology, to support our performance conversations and end-of-year appraisals, and to deliver our training and development.
- Enhanced our offering to support colleagues suffering from stress and reinforced our digital learning pathways and courses to support overall wellbeing.
- Aligned customer and supplier agreements on data protection to the Schrems II requirements.
- Expanded ISO 27001 (Information Security) certification to include the majority of our SaaS businesses.
- In 2022, we had a goal of conducting pulse surveys across the organisation; however, the company made the decision to pause employee surveys while the organisation focused on finalising aspects of the GP Strategies acquisition. In Q2 of 2023, we will be launching our engagement survey to all colleagues utilising our own survey platform.
- In 2022, it was our goal for PDT to provide support on our DE&I learning strategy. As part of this, we sought PDT's input in developing a DE&I learning journey, which will leverage PDT (now GP Strategies) content and facilitation in 2023.
- Launching an inclusion learning pathway inclusive of digital, live virtual training and two-way conversations utilising our own internal content.
- Delivering our in-house designed People Leader Essentials programme.
- As part of our integration, we began migrating to a new LMS platform and we continue to have a goal of 100% completion for our code of ethics training across the Group.

Supporting clients to make a positive ESG impact

ESG sits at the heart of the Group's customer proposition (see page 9). The core of our offering is the beneficial development of people, whether that be through our learning and training initiatives, corporate ESG and ethics learning content, or our talent management insights and affirmative action plans involving Diversity, Equity and Inclusion (DE&I) in the workplace. In addition, we are committed to reducing the environmental impact of our services by offering them virtually, enabling customers to reduce their own Scope 3 emissions as travel to and from site is avoided.

Including GP Strategies, LTG helps over 1,200 companies achieve workforce equity through solutions that create change. Its global presence combining deep live virtual and digital options offers solutions that are appropriate and impactful across all geographies. GP Strategies' consultancy, facilitation and programme design options covering leadership and DE&I programmes enable our customers to work toward the shared goal of inclusion, equity and social justice. Through Affirmity, we create the largest number of affirmative action plan reports of any vendor for compliance with the OFCCP (Office of Federal Contractor Compliance). Furthermore, Affirmity produces pay equity studies for companies to ensure compliance to US regulations and to ensure fair pay.

We produce content which enables customers to communicate ESG priorities and helps create change in their workforce, in their extended enterprise and in society. The Group provides specific ESG learning content for more than 6 million people globally, which improves the operating resilience, sustainability metrics and ethical culture of our customers through courses on health and safety, cyber and data security, tackling modern day slavery, and anti-harassment. We support our customers' governance needs through topics such as personal ethics, whistleblowing, anti-bribery and consumer protection.

We partner with our clients to support initiatives to enhance the communities in which we live and work. For example,

Targets for 2023

- Implementing a group-wide sustainable procurement policy, incorporating material sourcing risks and ESG commitments and/or operational objectives for suppliers.
- Closure of our largest in-house physical data centre in H1 2023, and anticipated closure of our final data centre (with a much smaller footprint) by the end of 2023, further reducing operating emissions (scope 2).
- Bringing all of our SaaS businesses under ISO 27001 (Information Security) certification.
- Enhancing our scope 3 emissions assessment and developing a medium-term emissions plan and targets for net zero.
- Reactivation of the colleague survey to measure satisfaction and other indicators of engagement across our business supported by a disciplined approach to action planning and progress tracking.
- Strengthening the LTG and GP Strategies performance enablement process to proactively address development planning and wellbeing.

ESG Report (continued)

For the year ended 31 December 2022

GP Strategies was honoured by General Motors with the Community Partnership Award in 2022 for supporting its local high school/college student mentorship programme by designing and facilitating courses to help the students develop their 'power' skills.

GP Strategies supported Mercedes-Benz with its launch of a brand immersion experience initiative for its electric vehicle (EV) sub-brand, Mercedes-EQ. To prepare for this new product line, Mercedes-Benz USA and GP Strategies partnered to develop a multi-day physical/digital ('phygital') journey for Mercedes-Benz dealerships, which includes an EQ Exploratorium, a collaborative virtual reality experience, factory tours including the new battery plant, and the event capstone: a final day of driving the Mercedes-EQ portfolio in a series of experiential on-road and on-course drives, all powered by a comprehensive gamified digital event guide that powered the experience.

Our Learning and Talent products and services reach more than 22 million people. The shift to digital learning and virtual instructor-led training provides an engaging and enhanced learning experience while enabling our customers to reduce their emissions by eliminating the need to travel. Our virtual training products provided notable benefit in the context of COVID-19, where we were able to provide our customers a people-safe solution for their learning and development,

which remains relevant post-pandemic given the structurally different way in which we continue to work. We reach more than 1 million learners annually with our instructor-led training events, and nearly 60% of those events are delivered virtually. Virtual training enables our customers to reduce their own Scope 3 emissions. When in-person training is needed, we 'think global and act local', developing regional trainer pools to support our clients with an eye to reducing travel.

Taking care of our people

Our people play a vital role in the success of the Group, and we are committed to create an environment where our colleagues can develop, feel empowered and thrive in the workplace. We operate in 62 countries, where we employ over 5,000 colleagues who bring a rich diversity of background, experiences and thought leadership to our work with our customers around the world. It is essential that we build a workplace culture that reinforces our mission of transforming lives and making a difference.

Our colleagues

In 2022, our overall staffing level for the year was slightly lower than the prior year within the Group, due in part to increased utilisation and productivity efforts. Some hiring shifted from the US and UK to other countries based on customer location needs and skill set requirements.

LTG Group total employee headcount as of 31 December

	Total Group	
	2022	2021
UK	734	973
North America	2,536	2,720
Asia	1,061	985
Europe	342	265
Rest of World	563	357
Grand Total	5,236	5,300

The Group has low levels of temporary employee utilisation. At GP Strategies, the proportion of temporary employees (defined as employees who are hired on a temporary basis) to total employees in 2022 was 4% (2021: 3%). On the whole, neither LTG nor GP Strategies have employees which are members of a union, with exception of our TTI China business which is a unionised company.

Voluntary staff turnover for the group increased from 20% in 2021 to 24% in 2022. Following the acquisition of GP Strategies, the Company experienced higher voluntary turnover in the first half of 2022 due to the uncertainty that comes with an M&A change, and the talent markets around the world continued to be competitive during this period. Voluntary turnover slowed across the Group by one third as we moved into the third quarter and maintained this level through

the end of 2022. Redundancies or involuntary turnover during 2022 affected 234 colleagues or less than 5% of the total workforce.

Measuring colleague satisfaction

In 2022, an employee engagement survey was not conducted as it was critical to quickly move to create stability across our business ecosystem following the GP Strategies acquisition. However, other two-way feedback mechanisms were applied to collect colleague sentiment within working teams across the Group.

For 2023 the Executive Board has approved a reactivation of the Colleague Survey to measure satisfaction and other indicators of engagement across our business. To deliver on this, LTG has engaged the GP Strategies consulting practice that designs and deploys engagement surveys for our customers to manage our own internal, confidential survey implementation. With this refreshed survey design, we are introducing a set of new indices to track our progress relative to engagement, senior leadership, line management, inclusion and wellbeing. The survey technology will allow us to provide access to anonymised results at the team level and better position leaders to act quickly in targeting actions that uniquely meet the engagement needs of their respective teams, and ultimately drive business performance.

Recognition and incentives

LTG continues to deliver its performance management process which is designed to provide positive reinforcement and feedback, and align colleague performance to business unit goals. In 2023, GP Strategies will strengthen its performance enablement process by deepening one-to-one conversations to include wellbeing and individual development progress similar to LTG's approach.

The Group offers an annual Sharesave scheme in several markets that allows colleagues to participate in the growth of LTG's business through the purchase of discounted shares. This is made available for all colleagues of newly acquired businesses, where local circumstances allow.

The Group also operates share option schemes for senior leaders that reward the achievement of demanding performance targets. Options typically vest over a period of four years. LTG has launched several other cash awards in recognition of outstanding achievements in product and service innovation, cross-selling initiatives, and successful hiring referrals. We have also developed several initiatives including team social budgets, long-term service awards and regular staff 'shout-outs'.

Learning and talent management

Retaining a highly skilled workforce is key to our future success. We are committed to the continual development of our colleagues, investing time and money for the benefit

of both the Group and our colleagues. We invest in training and developing our staff through internally designed and delivered training courses and workshops, facilitating development conversations supported by additional resources housed on our performance and learning management platform alongside global access for staff to LinkedIn Learning. We have a dedicated team that develops bespoke learning programmes for staff and leadership, leveraging the Group's expertise and learning solutions.

The Group continues to leverage its own learning technology and in 2022 used it to focus our efforts on performance conversations, leadership development and the end of year appraisal process which achieved an 85.5% completion rate across our LTG technology product companies. During 2022, the Group procured LinkedIn Learning, the open online course provider, for external virtual learning content. LinkedIn Learning provides employees with the opportunity to obtain certifications in a wide variety of courses including programming, marketing and customer service. Within LTG's technology product companies and support functions, 60% of colleagues have utilised LinkedIn Learning since its implementation in April 2022, with 1,060 courses being completed with an average learner spending 1 hour 40 minutes on their personal development.

LTG and GP Strategies invested over almost \$2 million in colleague training initiatives in 2022. As a business, we specialise in training and development which creates meaningful opportunities for on-the-job learning, and we support career-enhancing development through specialist certifications and attendance at conferences. We increased our overall training investment in 2022 to continue enhancing the development of our people. This commitment included:

- An appointment of a Director of Talent Development to lead the Company's Talent strategy and build out of the Learning and Development team
- A training needs analysis with business leaders and colleagues
- Development of a People Leader Essentials Programme for all managers
- Design of a bespoke onboarding experience

Diversity, equity and inclusion ('DE&I')

We believe that the diversity of our workforce is a key point of strength, making the company a more vibrant and dynamic place to work and hence more successful as a business. Our goal is to create an environment in which all colleagues are able to be their best selves and can reach their full potential. To enable this ambition, we empower a workplace that embraces diversity, encourages inclusive behaviours and fosters creativity and innovation. Importantly, we do not tolerate discrimination or harassment (sexual or non-sexual) in any form.

ESG Report (continued)

For the year ended 31 December 2022

We take great care to ensure that our employment policies are non-discriminatory and that all appointments and promotions are based solely on merit. Our DE&I policies are designed to ensure that our approach to business is to the benefit of all our stakeholders. All our colleagues and applicants are treated fairly and equally, regardless of their age, race, ethnicity, gender, sexual orientation, religious affiliation, generation, disability, personality type, political opinion, trade union membership, and thinking style. We believe that all our people have a fundamental right to respect and dignity in the workplace.

During 2022 we continued our focus on raising awareness throughout the company by celebrating a diverse variety of cultural and religious observances that provide our colleagues with an opportunity to deepen their understanding and competence. Black History Month, Women's History Month, and LGBTQ+ Pride Month are some examples of the recognition events that took place in 2022. These celebrations were wide ranging and were very well received by our colleagues. These activities are colleague-led and provide colleagues with a means of sharing their life experiences. We have found that these events have created a greater sense of community throughout the company.

In 2022 we continued the efforts of our Inclusion, Diversity, Equity, and Accountability (IDEA) Council, led by GP Strategies' CEO, in identifying ways the company could become more diverse and inclusive at all levels throughout the company. The IDEA Council plays a key role in actively supporting processes and programs that amplify the benefits of greater diversity, equitable practices and inclusive behaviours.

Colleagues are invited to actively participate in monthly, voluntary, colleague-led ERGs that foster a diverse, inclusive workplace aligned with our organisational mission, values, goals, business practices, and objectives. ERGs also provide colleagues with a network of other colleagues that may share similar life and professional experiences. During 2022 several new ERGs were started and currently now include the following communities: Asians and Asian Americans, Black, LGBTQ+, Family, People Living with Disabilities, Wellbeing,

Veterans and Women – with all communities welcoming and encouraging Ally participation. Additionally in 2022, we conducted all-colleague webinars discussing the value of ERGs and encouraged colleagues to get involved in one or more of the ERGs. We also launched an ERG platform across the company which provides each ERG with a means to communicate with its membership through a single interface. Affirmity, one of LTG's brand companies, sells this ERG product to our customers.

In late 2022, Affirmity carried out a global pay equity study. All global roles were classified by department, years of service, location, business unit and then analysed to ascertain if potential pay disparity exists for any non-majority groups. As of publication of this report, we have not yet fully analysed the results to determine the appropriate actions (if any) are required but expect to do so in the coming months.

We continued to evaluate our recruiting and hiring practices to help achieve our goal of becoming a more inclusive workforce. In 2022 we removed non-essential criteria from job descriptions wherever possible as research shows that some demographic groups are more encouraged to apply if only requirements are listed in the job specifications. We also took steps towards ensuring that interviewing teams are comprised of individuals from diverse backgrounds. LTG and its subsidiaries have adopted a hybrid working model (working from home/office), and continued to support a remote workforce where conducive for the business and colleague.

Gender

We are pleased to highlight that the number of women in executive roles increased compared to 2021, within LTG and GP Strategies. The structure of our Board and Executive management means we exceed the Hampton-Alexander Review recommendations for FTSE 350 companies of 40% representation of women on Boards and in Executive Committee and Direct Reports, post combination. With 50% of our Board being women, LTG also exceeds the UK's Financial Conduct Authority's (FCA) recommendation that for all listed companies, at least 40% of the Board should be women.

LTG Group gender ratio by role

Job Classification	Total Group		LTG				GP Strategies			
	2022		2022		2021		2022		2021	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Board of Directors	50%	50%	50%	50%	50%	50%	NA	NA	NA	NA
Board of Directors, Executive Level and Senior Level	60%	40%	60%	40%	65%	35%	60%	40%	63%	37%
Executive Level	70%	30%	76%	24%	88%	12%	68%	32%	65%	35%
Senior Level	58%	42%	55%	45%	54%	46%	59%	41%	58%	42%
First-Line Managers	56%	44%	66%	34%	67%	33%	51%	49%	48%	52%
Professionals	58%	42%	58%	42%	60%	40%	58%	42%	56%	44%
Technicians	88%	12%	86%	14%	90%	10%	100%	0%	67%	33%
Sales Workers	56%	44%	63%	37%	63%	37%	48%	52%	43%	57%
Administrative Support Workers	36%	64%	19%	81%	0%	100%	36%	64%	40%	60%
Service Workers	64%	36%	69%	31%	60%	40%	50%	50%	60%	40%
Total	54%	46%	61%	39%	61%	39%	52%	48%	55%	45%

The Gender Pay Gap shows the difference in the average hourly rate of pay between women and men and differs from 'equal pay', which is the difference in pay between men and women who carry out the same or similar jobs. Our gender pay gap (based on all LTG colleagues in the UK only) in 2022 was 12.3% (2021: 15.6%), in line with the gender pay gap reported by the UK Office for National Statistics for all colleagues, which decreased to 14.9% in 2022, from 15.1% in 2021.

Ethnicity

We monitor our ethnic diversity annually and strive to make the company as diverse and inclusive as possible. Diverse representation at all levels of the organisation is essential for our success, and acknowledge more work is required in attracting, growing and retaining top diverse talent, particularly at the executive and senior management levels. This will continue to be a focus in 2023.

The Board notes the recommendations of the Parker Review for FTSE 250 companies in relation to increasing Board and senior executive ethnic diversity by 2024, and it takes this into consideration when making appointments.

LTG Group ethnicity ratio by role

Job Classification	LTG						GP Strategies					
	Asian	Black	Hispanic	Indigenous	Mixed	White	Asian	Black	Hispanic	Indigenous	Mixed	White
Executive and Senior Level	3%	0%	3%	0%	3%	91%	9%	3%	3%	0%	0%	85%
First-Line Managers	9%	1%	2%	1%	4%	83%	23%	4%	1%	1%	1%	70%
Professionals	16%	5%	3%	2%	3%	71%	32%	5%	3%	1%	1%	58%
Technicians	24%	2%	3%	3%	2%	66%	0%	22%	11%	0%	0%	67%
Sales Workers	3%	7%	4%	2%	3%	81%	18%	3%	0%	0%	3%	76%
Administrative Support Workers	14%	5%	10%	0%	0%	71%	45%	5%	5%	0%	2%	43%
Service Workers	0%	6%	0%	0%	6%	88%	0%	50%	0%	0%	0%	50%
Total 2022 (2021)	13% (11%)	4% (4%)	3% (4%)	2% (1%)	3% (2%)	75% (78%)	33% (27%)	5% (5%)	3% (7%)	1% (1%)	1% (1%)	57% (59%)

Health & Safety

The Group endeavours to safeguard the health, safety and wellbeing of our people, whether working in our offices or working from home. We ensure that the working environment is safe and conducive to healthy, safe and content colleagues who are able to balance work and family commitments. We believe that a more proactive, innovative and wide-ranging approach to health and safety has distinct benefits. It builds trust with colleagues and improves productivity and efficiency, which in turn increases staff engagement, boosts retention and helps colleagues to stay happy, healthy and productive.

The LTG Directors have overarching responsibility for the Group's Health & Safety at Work policy, which is reviewed regularly by the Directors and the Group Chief Executive. The Group-wide Quality Health Safety and Environment (QHSE) department is responsible for implementing health and safety and environmental policy and monitoring environmental and health and safety efforts. Our combined health, safety and environmental management system (HSEMS) measures and monitors the type and frequency of accidents and incidents and compliance with HSE legislation. As well as ensuring that

we comply with the relevant health and safety legislation, as part of the internal audit process, the QHSE team takes a proactive approach to health and safety management including integrating new acquisitions. Through the QHSE Service desk and intranet site, staff around the globe can report HSE accidents, incidents and near misses, request a risk assessment and undertake mandatory health and safety training.

LTG undertakes regular health and safety risk assessments in all locations: event-driven risk assessments resulting from major changes in legislation or the way we work as required; workstream-driven (regular) risk assessments of the workplace; incident-driven risk assessments following serious incidents (nil). In addition, we provide ergonomic assessments to assess and correct workstation setups if colleagues are reporting discomfort or have a medical issue that may benefit from workstation optimisation. We are pleased to report that our health and safety incident statistics are low, and that there were no reportable incidents under local legislation (2022: nil) and no employment related deaths in 2022 at our LTG product companies or GP Strategies.

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For the year ended 31 December 2022

LTG Group health and safety statistics

	2022	2021	2020
Recordable incidents (LTG)	0	1	0
Recordable incidents (GP Strategies)	0	4	-
OSHA Lost Time Incidents (GP Strategies)	0	0	-
OSHA Lost Time Incident Rate* (GP Strategies)	0	0	-

*Lost Time Incidents are defined as any incident that leads to an employee missing one or more days of work, and are calculated by (Lost Time Incidents x 200,000)/Total hours worked

Stress and mental health

We recognise that providing support for wellness at work is an essential component of caring for our people. In 2022, we enhanced and improved our overall offering to support colleagues suffering from stress and reinforced awareness of our wellbeing hub as well as digital learning pathways and collections of courses to support overall wellbeing. We also maintained "mental health first aid" (MHFA) initiatives in 2022 with dedicated, trained mental health first aiders who provide confidential and dedicated support for any colleague who may need one to one support. In addition, we offer Employee Assistance Programmes to provide colleagues with support in a range of areas, including wellbeing, financial and legal advice through confidential helplines.

Effective environmental sustainability

LTG's environmental policy is to ensure that we understand, manage and reduce the actual and potential environmental impact of our activities.

Since 2020, the Group collects, monitors and reports on a number of data points, including energy usage and emissions. This enables us to manage our energy efficiency, emissions and waste, and assists in embedding sustainable practice into everyday activities. Our operations comply with legal requirements relating to the environment in areas where the Group conducts its business. During 2022, there were no fines or penalties related to environmental issues.

The acquisition of GP Strategies in 2021 increased the number of locations where we operate and raised the complexity of environmental management. That said, the environmental ambition and direction in place at GP Strategies is aligned to that at LTG.

During 2022, we developed a Group-wide Environmental Policy, standardised our data collection and improved our formal environmental reporting. We are developing a Group-wide Sustainable Procurement Policy, which will incorporate material sourcing risks and ESG commitments and/or operational objectives for suppliers.

In 2022, the Group's GP Strategies entity introduced an Environmental Management Program (EMP) specific to its business to guide its strategies and actions to control and minimise its environmental impacts, drive continuous improvement and evaluate new opportunities for environmental stewardship that improve its environmental performance. The EMP includes three policies: Environmental Policy, Sustainable Procurement Policy, and Waste Reduction and Recycling Policy. In addition, GP Strategies reports to CDP and in 2022, expanded data collection efforts to include GP Strategies' global footprint, updating its 2019, 2020 and 2021 submissions accordingly. GP Strategies' CDP Climate Change scores have steadily improved over the past three years, with its 2022 public submission garnering a score of B-, above the global average of C in the specialised professional services category.

Energy usage and emissions

Climate change is a global issue that we all must work together to mitigate. While the nature of our business means that our own operations are not emissions intensive, we understand we all have a role to play in protecting the environment. Hence, we seek to manage and minimise our impact on the environment through good corporate governance, measuring and monitoring climate-related risks and opportunities and managing identified risk.

On a like-for-like basis, assuming GP Strategies was in the 2021 base for the full 12 months, our:

- 2022 Scope 1 emissions decreased by 9.6%
- 2022 Scope 2 emissions decreased by 53.4%
- 2022 Scope 3 emissions decreased by 51%

LTG's Scope 1 emissions from the direct burning of fossil fuels are minimal and primarily generated by leased offices. Our Scope 2 emissions are related to the purchase of electricity across our office estate, which is the only Scope 2 energy consumed by the Group. In 2022, our Scope 2 emissions reduction was due to rationalised office usage, with LTG driving a significant reduction of 78%. We continue

to evaluate our office needs within our hybrid workforce to drive down our Scope 2 emissions. We source our electricity data on an office-by-office basis by consulting with our utility providers, or where we occupy offices in buildings with shared services, by estimating our proportionate share of the building's emissions.

Our measured Scope 3 (indirect) emissions are primarily employee commuting, business travel and data centre usage on behalf of customers. Employee commuting data is determined through a variety of methodologies, including surveys of staff to determine their mode of transport to work. Business travel data for the Group is aggregated from our facilities ticketing system and travel partner reporting from which we calculate business travel carbon emissions. Information on data centre emissions is sourced from our outsourced data centre providers. In 2022, our total Scope 3 emissions reduction was due to the material reduction in employee commuting, as well as the steps taken by our data centre providers to reduce their emissions.

GP Strategies is included in our 2022 GHG emissions reporting leading to a significant increase in overall Group emissions.

Our carbon footprint is calculated using methodologies consistent with the Greenhouse Gas (GHG) Protocol: A Corporate Accounting and Reporting Standard, with additional guidance from the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and the GHG Protocol Technical Guidance for Calculating Scope 3 Emissions, as required.

The Group voluntarily reports under the Streamlined Energy and Carbon Reporting (SECR) framework. We go beyond minimum disclosure to voluntarily report on total Group emissions and to include Scope 3 GHG (Greenhouse Gas) emissions in addition to Scopes 1 and 2. Reported emissions cover all entities over which the Group had financial control for a period of at least one year as of 31 December 2022.

The Group's Scope 3 downstream emissions are minimal and currently assessed as immaterial. The GP Strategies entity calculated upstream emissions in 2022 encompassing purchased goods and services and capital goods for the first time. We will re-assess our Scope 3 upstream and downstream emissions annually and report material emissions accordingly.

Total Group tons CO2 emissions 2021 and 2022 by Scope and per £m revenues

GHG Emissions (tCO2e)	2022			2021
	UK	Global (excl UK)	Group Total	Group Total
Scope 1 (tCO2e)	22.0	180.0	202.0	-
Scope 2, location based (tCO2e)	108.6	839.9	948.5	1,004.5
Scope 3 (tCO2e)	335.0	2,651.9	2,986.9	114.5
Data Centres	29.6	132.4	162.0	103.8
Business Travel	268.2	2,155.9	2,424.1	10.7
Commuting	2.2	12.6	14.8	-
Upstream Purchased Goods and Services*	35.0	351.0	386.0	-
Total tCO2e	465.6	3,671.8	4,137.4	1,119.0
Intensity measure (Group turnover) per £'m	67.0	529.9	596.9	258.2
GHG Emissions Intensity ratio (per Group turnover) per £'m	7.0	6.9	6.9	4.3

*GP Strategies entities only.

ESG Report (continued)

For the year ended 31 December 2022

As an acquisitive business, an important driver of our Group energy management comes from the continued rationalisation of our network of office locations. Our office network supports a unified platform, so staff are able to work seamlessly from any available office. In combination with our flexible working policy and through leveraging virtual technology, we can effectively manage our office estate and reduce our employees' requirement for commuting and business travel while following current FOCI (Foreign Ownership, Control, or Influence) mitigation requirements. The Group continues to rationalise its estate, reducing leased office space by an additional 18% in 2022 (a full 49% reduction since 2019) with demonstrable reduction of its energy use. Notably, GP Strategies' managed learning services business means that some employees are located within customer facilities, off-site or a hybrid of both, which reduces the Group's direct energy use.

The Group requires that business travel is pre-approved by line managers. The majority of LTG's staff outside of North America use public transport to travel to and from the workplace and we reduce car use through offering bicycle spaces in most LTG locations, season ticket travel loans and encouraging car sharing. LTG conducts annual staff commute surveys and collates our global employee commuting data. This also allows us to identify and assist individuals who have long or difficult commutes with more flexible and beneficial working arrangements.

LTG software platforms for customers are hosted in data centres, which are heavy users of electricity. We employ a rigorous review process to ensure that we minimise excess data centre capacity. Over the last three years, the Group has rationalised its data centre use and, where appropriate, we have closed own-hosted servers and transferred to outsourced providers to benefit from the economies of scale and flexibility of deployment they offer. The data centres we leverage are moving to renewable energy and we have recognised year-on-year reduction in GHG emissions associated with cloud services, excluding acquisitions. We expect to close our final and largest in-house physical data centre by the end of H1 2023.

The Group will continue to review opportunities to reduce emissions throughout our value chain given our commitment to net zero by 2050, or sooner. We will be seeking renewable energy supply for our office locations, reducing our data centre reliance and/or leveraging data centres that use sustainable or renewable energy. Importantly, our main supplier of data centre capacity has a stated target of 100% renewable energy by 2025 and net zero carbon by 2040, which will further assist in the reduction of our Scope 3 emissions. Near-term, however, the normalisation of the global business environment during 2022 may result in a rise in some of our Scope 3 emissions, specifically in business travel. In 2022, 75% of our business travel was required by

our clients to support services at their specific locations. We do not expect GHG emissions from commuting per full-time employee to return to pre-COVID-19 levels, given the permanent shift in our home/office working balance.

Waste and recycling

LTG makes a concerted effort across all operations to reduce its waste and e-waste, to limit the amount of waste sent to landfill. Office locations have recycling facilities, where available, and facility managers are encouraged to take advantage of local initiatives. For instance, the Franklin, Tennessee office works with a local recycling company which helps train individuals with intellectual and developmental disabilities. We are seeking to establish regular reporting of Group office recycling statistics by waste stream (paper, plastic and electronics).

Recycling of business equipment (e-waste) is the responsibility of our Central Services IT team. In line with the WEEE directive, we make every effort to recycle equipment. When applicable, old IT equipment is wiped of data and the equipment offered to employees.

Continuing improvement in privacy and security standards

The Board of Directors is responsible for the Group's data security and information security policies. Information security and cyber risks are a principal risk at a Group level in recognition of the personal data handled both as a data controller and on behalf of customers as a result of the growth of the Group. Our employees and customers trust us to safeguard the personal data that they share with us or as part of our products and services. Data privacy and security is a pillar of the services that we provide, and the Company has continued to assess, improve and audit its privacy and security processes in 2022 to further strengthen this pillar.

2022 saw the Schrems II requirements go into effect and our teams at both LTG and GP Strategies worked hard to update customer and supplier agreements as a result. LTG has expanded the ISO 27001 certification to include the majority of our SaaS (Software as a Service) businesses. Our certified compliance with these internationally recognised security and privacy standards, along with the control-based rigour of our matching SOC 2 audit programme, now provide our customers and prospects with a compelling level of assurance. We are actively working to bring all of our SaaS businesses under the same certification. While this work is ongoing, the teams have already begun operating under the same regime and integrating processes and privacy policies to make the certification process easier.

In 2022, we also implemented a number of new and improved security standards initiatives. We ran security incident tabletop exercises with businesses leaders to walk through what steps to take in the event an incident

occurred and who to contact. This exercise was important to ensure that leaders in our various teams throughout our business have more than an academic understanding of data privacy, but also a practical application of it. During 2022 and as an integral part of the ongoing and continuing improvement of our privacy and security standards, we conducted secure development training, incident response testing (disaster recovery/hosting), risk assessment, business continuity planning and testing, and IT security improvements. We will continue to test contingency plans and incident response procedures annually. We also undertook the significant step of developing an acquisition playbook to be used for security and privacy audits of potential acquisition targets and to facilitate integration to ensure that we are able to consistently and proactively address security and privacy concerns.

We continued to invest in and operationalise our privacy protection programme. This included adopting a common privacy policy across all LTG group companies; form-based data subject request handling; adopting a shared Privacy Shield Certification (as a quality standard); and a shared independent recourse service.

Due to US government security requirements, our subsidiary GP Strategies Corporation operates under a separate, but similarly robust data privacy and security framework. The GP Strategies security team adheres to high standards of privacy and security and has a dedicated team that monitors its privacy and security programme in its operations around the world.

We recognise that as long as the company continues to grow, scalable capabilities such as security and privacy management are essential. Strength in numbers means aligning our requirements and moving to operate as one significant unit versus many smaller ones.

At the end of 2022, the company hired a new Chief Information Officer to bolster our strength and leadership in this area and to define a clear vision of where our data privacy and security should be, and even where we should strive towards to ensure that we navigate the complexities of legal, regulatory and contractual security and privacy requirements.

Meeting stakeholder expectations on governance

We have a commitment to and culture of honesty, integrity, trust and respect. This allows us to adhere to the highest levels of ethics and business conduct within our own organisation and with those of our suppliers. Our customers, employees, investors and other stakeholders have the same or similar exacting standards and it is of the utmost importance that we continue to meet or exceed their expectations in each of these areas. Not only are all members of our staff expected

to operate in an ethical manner, in all their dealings, whether internal or external, we make compliance training a core requirement so they know exactly what we expect from them. Compliance with all applicable laws and regulations is of paramount importance in the avoidance of severe losses from reputational damage or fines, but that's not why we hold these standards so high. A culture of honesty, integrity, trust and respect allows each member of our staff to take pride in the work that they are doing.

Business ethics

We hold such a high regard for our reputation and our culture that we take a zero-tolerance approach to bribery and corruption, and are committed to acting professionally, fairly and with integrity in all business dealings. We support the Modern Slavery Act 2015 and vehemently refuse to engage in any form of slavery or human trafficking activities. We are committed to respecting human rights in accordance with international human rights principles.

To live up to these standards, and to be seen as a partner of choice, all our employees, directors and contractors are expected to comply with our ethical standards. All permanent employees receive annual compliance training and, in 2022, we set the groundwork so our annual training requirement will apply to contractors and temporary staff in 2023. These efforts and training work together to instill awareness of our robust commitment to these matters. In 2022, LTG recorded no breaches of the Code of Business Conduct and GP Strategies had no violations of its Business Conduct & Ethics policy (2021: nil).

We expect our suppliers to hold the same or more stringent values. We are working to ensure that all existing and new suppliers will have anti-corruption policies and programmes in place. In 2023, we will update our supplier requirements to include policies relating to anti-money laundering and fraud.

One way to demonstrate our commitment to business ethics is to have an atmosphere of accountability for us as an organisation and for every member of our staff, including contractors and temporary staff. To foster this, we believe that employees should be able to raise and flag concerns of a violation of our policies or standards without fear of recourse. To provide this confidence, we maintain a well-publicised, confidential, anonymous whistleblowing programme, available in local languages and administered through an independent third party (SafeCall) to guarantee that any employee concerns on ethical conduct will be heard. Similarly, GP Strategies has a formal Business Conduct and Ethics Hotline programme administered by a third party (EthicsPoint), which allows employees to communicate anonymously and confidentially via the internet or telephone, 24 hours a day, 7 days a week. In 2022, no cases were handled by SafeCall and 4 on EthicsPoint whistleblowing systems (2021: n/a and 3, respectively).

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For the year ended 31 December 2022

Oversight for ethical conduct sits with the Audit Committee, which assists the Board in overseeing the Group's internal controls. At an executive level, the ESG Committee ensures ethical practices and standards are upheld across the Group. The Committee regularly reviews, and audits (every three years) the Group's Code of Business Conduct, internal processes and training, as well as the specific policies relating to anti-bribery and corruption, anti-slavery, business ethics and whistleblowing. Prior to acquisition, GP Strategies' Governance Committee set the firm's associated Charter that ensures that the governance documents state the operating principles of GP Strategies, also ensuring that these are reviewed, routinely updated, approved and readily available to employees. GP Strategies' Business Conduct & Ethics policy covers anti-corruption, anti-bribery, human trafficking, business ethics and whistleblowing (ethics hotlines).

Federal contractor status

We value our work as a 'Federal Contractor' where our businesses contract with US Federal agencies and even as a federal subcontractor where we indirectly provide services in support of US Federal agencies. We understand the additional requirements that come with this distinction and comply with those obligations. These include ensuring that our recruitment practices support the hiring of a diverse and inclusive workforce. As a prime contractor to the US federal government, GP Strategies complies with all regulations and requirements.

ISO certifications and audit

Our QHSE Team is highly experienced in ISO certifications and offers audit services across the Group as required. The QHSE team is also able to share best practices across the Group and provide project management and consultancy services

across a range of ISO certifications. These services are particularly useful for Group companies holding or seeking to obtain ISO/IEC 27001:2013 and following GxP manufacturing practices.

During 2022, Bridge, Affirmity, VectorVMS, Watershed and Open LMS all joined Rustici, PeopleFluent and Breezy in achieving ISO 27001 accreditation. GP Strategies' Information security management system complies with ISO 27001.

GP Strategies runs a Quality and Operational Excellence site on the intranet that houses the Quality Management System (QMS), which is registered to ISO 9001 and encompasses all learning services. The system aggregates and presents monthly and annual metrics surrounding ongoing continuous improvement projects, process non-conformances, internal and external audit results, NPS and customer feedback.

Investing in our communities

We understand that we have been given the privilege of operating in many different communities and believe that we have a moral obligation to give back whenever feasible. It is our aim to be a well-respected and visible organisation within our communities. We undertake a number of local charitable initiatives each year, with the Group often matching contributions raised. LTG maintains a long-term sponsorship of Learn Appeal, a charity providing learning to disadvantaged communities in the UK and sub-Saharan Africa, which enables access to learning content through early generation smartphones without the need to pay for a costly mobile internet connection.

During 2022, the Group made combined charitable contributions totalling £50,000 (2021: £73,000), using average annual FX rates. In 2022, GP Strategies charity matching programme contributed \$7,000 (2021: \$10,000).

Our key ESG initiatives can be cross-referenced to principal risks and uncertainties:

Key initiatives	Principal risks and uncertainties – p.27/28
Supporting clients in making a positive ESG impact	4. Integrating acquisitions 1. Client contractual risks
Taking care of our people	4. Integrating acquisitions 5. Attracting and retaining talented staff
Environmental sustainability	8. Legal and regulatory changes 9. Sustainability
Continuous improvement of data privacy and security	3. Breaches of IT and information systems 2. Brand reputational risks
Meeting stakeholder expectations on governance	2. Brand reputational risks 4. Integrating acquisitions

Climate Change Management

Introduction

In conjunction with and aligned to our commitment to a net zero emissions target by 2050, or sooner, announced in 2021, this report covers our governance of climate change and demonstrates how we incorporate climate-related risks and opportunities into our risk management, strategic planning and decision-making processes. Further details of our transition pathway to net zero are yet to be developed, and we aim to update on our plans in the future.

As an AIM-listed company, we will be required to make disclosures aligned with the recommendations issued by the international Task Force on Climate-related Financial Disclosures (TCFD) next financial year. As a voluntary disclosure this year in recognition of the need to address climate change and in light of our current structures and processes in this area, we are able to outline our existing approach to climate change management below, with reference to some of the TCFD recommendations and recommended disclosures.

Governance

Board level

At LTG, the Board has overall responsibility for sustainability issues including the oversight of climate-related matters and effective management climate-related risks and opportunities, in line with the responsibility to monitor any issues which impact strategy, risk management and operations of the Group. Kath Kearney-Croft, CFO, supports the Board in this regard with designated responsibility for the oversight of the Group's ESG initiatives, including climate change. The Group does not operate in an emissions-intensive industry. Certain strategic actions and major capital expenditures, which have the dual benefit of improving operating efficiency and also reducing energy use and emissions, are monitored by the Board, such as the rationalisation of both our office estate and reduction of our in-house servers. KPIs corresponding to Group emissions and energy use, as outlined in Metrics and Targets below, are tracked and reported annually. In addition, the Board receives two updates per annum from the CFO on ESG, climate change and sustainability issues. From a risk perspective, the Board designates overall risk management, including climate risks, to the Audit Committee which reports any changes in principal risks back to the Board. Climate risks and sustainability is one of the Group's principal risks. Further details of the Group's risk management process are outlined below.

Management level

At management level, Kath Kearney-Croft, CFO, is the chair of the ESG Committee and has designated responsibility for executive oversight of the Group's ESG strategy, including climate change. The Committee also includes the Group's Chief Operations Officer, Chief People Officer and General Counsel. The Committee meets regularly to oversee and co-ordinate ESG initiatives and has responsibility for putting the Group's ESG framework into practice, setting performance objectives, aligning to best practice, reporting, and monitoring our progress and implementing the recommendations of the Board. Example initiatives include energy-saving measures and efforts to reduce business travel unless client directed. The Committee monitors climate-related issues with the support of senior functional representatives (e.g. from Finance and Operations) as well as the CSR Officer and QHSE Coordinator and business division heads across the Group, who provide information on a quarterly basis or when matters of high importance occur.

ESG and climate change organisation structure



Risk management

Our risk management process was strengthened in 2022 following the acquisition of GP Strategies, which resulted in the Group substantially increasing in size and complexity. Due to the multi-divisional structure of the business, the Group's risk management process provides an overarching Group-wide framework which also allows for the flexibility for risks that are specific to certain business divisions. Divisional risk managers are responsible for risk identification, evaluation and management at the business division level and risk registers are maintained at each business division. Divisional risk managers are directed and supported at the centre by the Head of QHSE and the internal audit team,

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For the year ended 31 December 2022

which regularly reviews divisional risk registers and maintains the Group's risk register. Group risks are reviewed by the Executive team to ensure that they continue to remain relevant. Any material changes to the Group's Principal Risks or material changes to emerging risks are highlighted to the Audit Committee who review the Group-wide risk register annually as well as reviewing the effectiveness of the risk management process and systems of internal control.

Risk assessment is standardised across the Group based on a universal risk questionnaire. All risks are assessed on a 5x5 matrix incorporating an assessment of both impact and likelihood, resulting in an overall risk rating, allowing for the prioritisation of risks (see below). Risks are collated in the

risk register under six key categories (Security and Fraud, Compliance, Operational, Financial and Economical, Macroeconomic, and Reputational). Climate-related risks identified below are Operational or Reputational. Details including the expected risk trend over time, the intended risk treatment and details of the risk tracking and review process are added. Risks are reviewed on a regular basis, thereby allowing for refinement and quantification over time and to allow for the inclusion of potential emerging risks.

Risk impact is assessed for financial, operational, legal and regulatory, reputational and human resource impacts. We use the scale for financial impact in the disclosure of our quantified risk exposure.

Impact Rating	High	Medium-High	Medium	Low-Medium	Low
Financial	>£5m	£3.5m-£5m	£2m-£3.5m	£1m-£2m	Up to £1m

Climate-related risks and opportunities have been assessed using the existing Group risk management framework to allow for their relative significance in relation to other Group risks to be determined and to enable the integration of climate-related risks into the Group risk management framework.

Strategy

LTG defines time horizons as follows, in consideration of our existing property leases which relate to the physical risk exposure of the Group, the fact that climate-related issues only manifest over the long term and to incorporate the time horizon to meet our net zero ambition for 2050 or sooner:

- Short-term: Now to 2024, in line within our current strategic planning and our shortest office leases.
- Medium-term: 2024 to 2027, aligned with our medium-term office leases.
- Long-term: 2027 to 2050, aligned to our net zero ambition and also the longer-term physical impacts of climate change.

LTG considers climate-related risks and opportunities in all physical (e.g. extreme weather events or sea level rise) and transition risk categories (current and emerging) whether they occur within our own operations, or upstream and downstream of the Group, and within our short-, medium- or

long-term time horizons. Transition risks are those associated with the transition to a lower-carbon global economy (e.g. policy and legal actions, technology changes, market responses and reputational considerations).

We used three climate-related scenarios to help understand the resilience of the business to climate change, looking toward 2050:

- Net Zero 2050 (NZE)¹: An ambitious scenario which maps out a trajectory consistent with limiting the global temperature increase to less than 1.5 °C in 2100 from pre-industrial levels by achieving net zero CO₂ emissions by 2050. This is included as it informs the decarbonisation pathways used by the Science Based Targets initiative (SBTi), which validates corporate net zero targets and ambition.
- Stated Policies Scenario (STEPS)²: A scenario which outlines a combination of physical and transition risk impacts as temperatures rise by around 2.5°C by 2100 from pre-industrial levels, with a 50% probability. This scenario is included as it represents a base case pathway with a trajectory implied by today's policy settings.
- RCP 8.5³: A bad case scenario where global temperatures rise between 4.1-4.8°C by the year 2100. This scenario is included for its extreme impacts on physical climate risks as the global response to mitigating climate change is limited.

1-2. IEA (2022). World Energy Outlook 2022, IEA, Paris

3. IPCC (2014). Climate Change 2014: AR5 Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change

Our current analysis and quantification of climate-related risks and opportunities indicates that our net exposure is Low-Medium given we operate in the technology business, and our risk mitigation, strategy, disclosure and ambition for net zero provides financial resilience and strategic robustness to climate change. We believe that a fundamental change to the business strategy, financial planning or budgets as a result of climate change is not likely to be required and there are no effects of climate-related matters reflected in judgements and estimates applied in the financial statements as a result. We will continue to develop our analysis as new data becomes available, both internally

and externally, and we will continue to monitor our climate exposures and action plans through the Group's risk management framework. Further details on our climate-related risks and opportunities are below.

Risks

Four key climate-related risks that could have a limited financial impact on the organisation have been identified. These are discussed in greater detail below, including how they impact the business, strategy, and financial planning. Any related scenario implications are outlined.

Risk	1. Carbon pricing in our operations and our value chain	2. Pressure from customers to decarbonise	3. Reputational risks linked to sustainability performance and reporting	4. Limitations restricting LTG from achieving its net zero ambition
Type	Transition (current & emerging regulation)	Transition (market), policy and legal, reputation	Transition (market), policy and legal, reputation	Transition (market), reputation
Area	Own operations, upstream	Downstream	Own operations, downstream	Upstream
Primary potential financial impact	Higher costs associated with energy and other inputs	Reputation, fewer business opportunities	Reputation, higher cost of capital	Reputation, higher cost of capital, fewer business opportunities
Time horizon	Medium-term	Medium-term	Medium-term	Medium-term
Likelihood	Likely	Likely	Unlikely	Unlikely
Impact	Low	Medium-High	Medium-High	Low
Location or service most impacted	Across the Group	Across the Group	Across the Group	Across the Group
Metrics used to track risk	Scope 1, 2 and 3 emissions	Scope 1, 2 and 3 emissions	Scope 1 and 2 emissions, external ESG ratings (e.g. sustainability)	Scope 3 (upstream)

1. Carbon pricing in our operations and our value chain

For our operational emissions, carbon prices represent a risk of higher energy prices (carbon tax) and for our principal value chain emissions from our data centre suppliers, carbon pricing mechanisms could result in the supplier passing on the added cost to LTG.

The International Energy Agency ('IEA') forecasts that carbon prices (US\$/tCO₂e) relevant to LTG under NZE and STEPS scenarios are projected to increase as below. The regions in the table represent the highest price scenario in each time horizon (worst case). Applying these carbon prices to our reported emissions for 2023 results in a low impact in both scenarios and in all timeframes. This is also absent of any future mitigation actions or material changes to the business and assumes the full impact of carbon prices is passed onto LTG.

ESG Report (continued)

For the year ended 31 December 2022

	Carbon price estimates (US\$/t CO2e)		
Scenario – STEPS	2030	2040	2050
European Union	90	98	113
Scenario – NZE	2030	2040	2050
Advanced economies with net zero emission pledges	140	205	250

Our most meaningful action to reduce emissions is via the rationalisation of our site estate. Inclusive of GP Strategies sites, our leased office area decreased 18% in 2022 and has decreased 49% since 2019, resulting in a corresponding decrease to our energy use and emissions. We continue to leverage remote working and are reducing our average lease length to provide flexibility in our sites. In addition, we seek renewable energy for our office locations where possible and are closing our last in-house server in 2023. We rationalise our upstream data centre supplier emissions via optimising our data centre use and selecting third-party data centres that use renewable energy where possible. Importantly, our main supplier of data centre capacity has a stated target of 100% renewable energy by 2025 and net zero carbon by 2040 which will greatly assist in the reduction of our Scope 3 emissions.

2. Pressure from customers to decarbonise

Climate change management and evidencing emissions reduction is a rising requirement within commercial discussions with our customers. Failure to meet stakeholder expectations may lead to reputational issues or lower revenue. Loss of some clients or a major client is classified as a Medium-High risk. LTG has set up the organisational structure to manage climate change. Our operational footprint is low, but one of our biggest challenges to decarbonise is within business travel, where, despite customer pressure to decarbonise, we also face the requirement to travel to deliver in-person training. The key component of our upstream emissions (data centres) is being effectively managed by our suppliers. Nevertheless, we recognise the requirement to develop and deliver on a credible plan to transition the business to net zero.

3. Reputational risks linked to sustainability performance and reporting

LTG has an obligation to its investors, regulators and other stakeholders (outside of customers), to communicate progress against sustainability. The Group has not experienced any adverse interaction on climate change to date. Combined

with likelihood, our overall quantification of this risk is Low-Medium. We will continue to monitor trends and regulation to ensure we are in line with stakeholder expectations on our climate-related performance. We recognise the requirement to develop a credible plan to transition the business to net zero in line with the UK's decarbonisation plan and endeavour to communicate progress in the near future.

4. Limitations restricting LTG from achieving its net zero ambition

LTG has set an ambition of being net zero by 2050 or sooner. Failure to meet targets may lead to reputation damage alongside loss of customer revenue and result in higher costs due to the expansion of carbon pricing (see Risk 1). While we will endeavour to meet our ambition, success relies on some aspects beyond our direct control. For instance, the ability to fully decarbonise our Scope 2 emissions is dependent on the decarbonisation of local grids and/or adoption of renewable energy supply by our landlords. LTG's ability to reduce its Scope 3 emissions relies on our data centre suppliers decarbonising successfully, which appears on track. The Group operates with short-term leases, making it feasible to move operations where it is difficult to switch to renewable energy supply.

Outside of these shortlisted risks, climate-related risks which were deemed immaterial to the Group include:

- Physical risk on own operations (risk exposure is limited, sites are not owned with no critical infrastructure, the Group has insurance and work-from-home procedures are established)
- Physical risks for suppliers (large multi-nationals with multiple locations)
- Physical risks for customers (revenues are not concentrated to large customers with single site risks)
- Technology risk (limited risk of service redundancy)

Opportunities

Three key climate-related opportunities that could have a limited financial impact on the organisation have been identified.

Opportunity	1. Managing resource efficiency	2. Online training provision to enable customers to reduce their carbon footprint	3. Renewable energy
Type	Resource efficiency	Markets	Energy source
Area	Operations	Downstream	Operations
Primary potential financial impact	Decreased costs	Increased business opportunities	Decreased costs
Time horizon	Medium-term	Medium-term	Medium-term
Likelihood	Very likely	Likely	Unlikely
Impact	Low-Medium	Medium-High	Low
Location or service most impacted	Office buildings	Global	Office buildings
Metrics used to track risk	Energy use and water use	Revenue from digital learning	% Renewable energy usage

1. Managing resource efficiency

We continuously assess our energy and water use and look for ways to improve our efficiency in these areas. Many of these initiatives are small scale in nature, but in aggregate provide ongoing efficiency improvements to the business, which also result in reducing our emissions. These actions help to reduce our direct carbon price exposure (Risk 1) and will partially contribute to our long-term ambition for net zero. As our offices are leased, engagement with landlords is often required to realise this opportunity. The business also has the opportunity to move to more energy-efficient locations at time of lease renewal. We encourage a reduction in waste and recycling where we can, although our site waste is extremely limited and, in many cases, control over waste treatment sits with our landlords or serviced office suppliers.

2. Online training provision to enable customers to reduce their carbon footprint

We believe that LTG is well placed to provide our customers with low emissions training solutions. Our high-quality digital services eliminate the need for our employees and those of our customers to travel to offices or other locations for training, which will allow our customers to manage their own emissions as they seek to meet their own net zero targets. We expect the demand trend for online training to increase over time, resulting in revenue growth in the medium/long term.

3. Renewable energy

Transitioning to renewable energy sources, via self-generation or

renewable energy contracts, can help in reducing our market-based electricity emissions and Scope 2, offsetting the risk from carbon pricing in our direct operations (Risk 1). We aim to move to renewable electricity for all our sites, but in most of our locations, the control over electricity supply sits with our landlords, which adds complexity and may delay our transition. In addition, renewable energy contracts are not available in all markets or locations of our sites at this time. Given our generally short leases agreements and low energy requirements as a services-based business, investment in self-generation is unlikely to be a feasible alternative.

Metrics and targets

We currently report on our Scope 1, 2 and certain categories of Scope 3 greenhouse gas (GHG) emissions, calculated in line with the GHG protocol. We also disclose our emissions intensity and total energy consumption (see page 40).

The Group has announced its commitment to achieve net zero by 2050 or sooner across all scopes and is seeking to develop a transition plan that will address this long-term ambition. In the meantime, we will continue to review opportunities to reduce emissions throughout our operations and value chain given our commitment.

In response to specific customer expectations and requirements, GP Strategies maintains targets to be carbon neutral in Scope 1 and 2 emissions by 2025 and targets a 55% combined reduction in Scope 1, 2 and relevant 3 emissions by 2030, from a 2019 base year.

Corporate Governance Report

Introduction from the Chairman

The Board recognises the importance of monitoring and following robust corporate governance practices. The Board has adopted the QCA Code. The section below sets out to explain how LTG seeks to apply the principles of the QCA Code and how its application supports the Group's medium- to long-term success

<p>Establish a strategy and business model which promote long-term value for shareholders</p>	<p>LTG's powerful combined offering with GP Strategies is expected to drive new growth opportunities in a >\$100 billion¹ addressable market. LTG's three-year strategy was approved by the Board in 2022</p> <p>Please see page 13 for more information on the opportunities for growth and creating value for shareholders</p>
<p>Seek to understand and meet shareholder needs and expectations</p>	<p>The Company has a number of channels of communication with investors, ranging from the investor enquiries link on the corporate website, meeting regularly with major shareholders and consulting with them on any significant policy changes and giving analyst presentations.</p> <p>The Company also held a 'Capital Markets Day' in October 2022 where shareholders and other stakeholders had the opportunity to attend presentations and meet with key management as well as the CEO and CFO.</p>
<p>Consider wider stakeholder and social responsibilities and their implications for long-term success</p>	<p>Please see the section 172 statement and the ESG section of this report on pages 29 and 33 for more information on how the Board takes into account the impact of its decisions and activities on key stakeholders including employees, suppliers and partners and in the communities in which it operates.</p>
<p>Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>The Board is responsible for risk management across the Group. Continuous improvement is sought in this area in recognition of the growth of the Group, the increased number of employees, the new areas of business and the new locations in which it now operates. The Audit Committee assists the Board in reviewing the systems of internal control. The Board and Group approach to risk is set out in the Audit Committee report and the most recent 'Principal Risks and Uncertainties' are identified in the Annual Report on page 27. The Audit Committee together with key management team members regularly review the risk register, decide upon and implement mitigations and ensure effective monitoring and reporting.</p>
<p>Maintain the Board as a well-functioning, balanced team led by the Chairman; ensure that the Directors have the necessary up-to-date experience, skills and capabilities; evaluate Board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>The Chairman is responsible for the effective management of the Board. The composition and effectiveness of the Board is kept under regular review.</p> <p>The Company regularly engages a specialist consultancy to carry out a review of the Board's effectiveness. This review includes an assessment of whether the Board has functioned in compliance with the QCA Code, the Directors' level of skills and experience, a review of Group strategy and the quantity and quality of Board meetings. A Board Effectiveness review for 2022 is currently underway.</p>

¹ Training Industry, Inc. Learning Services Market 2022 data as of January 15, 2023

<p>Promote a corporate culture that is based on ethical values and behaviours</p>	<p>The Group's key values of accountability, co-operation, creativity, trust and results-focus are imbued in its corporate culture. Further information on the Group's culture and support for its employees can be found in the section "Taking Care of our People" on page 35.</p>
<p>Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board</p>	<p>The Board comprises a Non-Executive Chairman, three Executive Directors and a further three Non-Executive Directors. The Board considers that the Non-Executive Directors bring an independent judgement to bear, and is satisfied that between the Directors, it has an effective and appropriate balance of independence on the one hand, and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively.</p> <p>The Board is responsible for directing, providing appropriate advice, and supervising the Company's business strategy, and is responsible to shareholders for the Group's financial and operational performance, as well as its risk management. The Board delegates the development and implementation of Group strategy and day-to-day management issues to the Executive Directors. The Board reviews and approves the Group's strategy, budgets and corporate actions.</p> <p>All Directors have access to the advice and services of the Company Secretary and other independent professional advisers as required. The Company Secretary role is performed by the General Counsel. The Company Secretary is assisted by an in-house legal department and outside advisers in fulfilling her responsibilities. Non-Executive Directors have access to key members of staff and are entitled to attend management meetings in order to familiarise themselves with all aspects of the Group and Company.</p> <p>Our subsidiary, GP Strategies Corporation, has mitigated its non-US ownership through an agreement between the US Government, GP Strategies Corporation and Learning Technologies Group plc. As part of this arrangement, outside directors with subject matter expertise and experience have been appointed to the Board of GP Strategies Corporation who form part of a Government Security Committee. The Government Security Committee monitors the company's compliance with US Government Security regulations.</p> <p>Appropriate company directors are appointed within all subsidiaries of LTG to ensure compliance with regulations and applicable laws.</p> <p>The LTG Board remains responsible for ensuring that regulatory obligations are met for all companies within LTG.</p>

Chair's Governance Statement

The Chair has overall responsibility for corporate governance. The Company applies the QCA Code to support its medium- and long-term success, as described above and elsewhere in the Annual Report. The Company's governance structures and practices are aligned with the expectations set out in the QCA Code.

Corporate Governance Report (continued)

Board of Directors

The Directors of the Company who served during the year were:

Director	Role at 31 December 2022	Date of appointment	Board Committee	
Andrew Brode	Non-Executive Chairman	8 November 2013		
Leslie-Ann Reed	Non-Executive Director	24 June 2014	A	R
Aimie Chapple	Non-Executive Director	3 September 2018	A	R
Simon Boddie	Non-Executive Director	1 October 2020	A	R
Jonathan Satchell	Chief Executive	8 November 2013		
Kath Kearney-Croft	Chief Financial Officer	1 December 2021		
Piers Lea	Chief Strategy Officer	24 June 2014		

Board Committee abbreviations are as follows: **A** = Audit Committee; **R** = Remuneration Committee

The Company Secretary in 2022 was Claire Walsh.



Andrew Brode

Non-Executive Chairman

Andrew Brode is a Chartered Accountant and a former Chief Executive of Wolters Kluwer (UK) plc. In 1990, he led the management buy-out of the Eclipse Group, which was sold to Reed Elsevier in 2000. In 1995, he led the management buy-in, and is Executive Chairman of RWS Group plc, Europe's largest technical translations group, listed in the Top 10 of AIM companies. He is also Non-Executive Chairman of AIM quoted GRC International Group. He acquired Epic Group Limited ('Epic') together with Jonathan Satchell in 2008.



Leslie-Ann Reed

Independent Non-Executive Director / Audit & Risk Committee Chair / Remuneration Committee

Leslie-Ann Reed is a Chartered Accountant and was formerly CFO of the online auctioneer Go Industry plc. Prior to this, she served as CFO of the B2B media group Metal Bulletin plc, and as an adviser to Marwyn Investment Management. After a career at Arthur Andersen, she held senior finance roles both in the UK and internationally at Universal Pictures, Polygram Music, Warner Communications Inc. and EMI Music. Her current Non-Executive Directorships include Bloomsbury Publishing plc where she serves as SID; Induction Healthcare Group plc and Centaur Media plc. She also serves as Chair of the Audit Committee for the above companies.



Aimie Chapple

Independent Non-Executive Director / Remuneration Committee Chair / Audit & Risk Committee

Aimie Chapple was a Senior Partner at Accenture, working with clients in the UK, US and around the world for over 25 years. In 2022 she completed a three year assignment as CEO Capita Experience. She also continues to be active in the wellness area, and additionally coaches a number of tech and wellness entrepreneurs and start-up organisations.



Simon Boddie

Independent Non-Executive Director / Audit & Risk Committee / Remuneration Committee

Simon Boddie has been on the Boards of FTSE 250 businesses for 15 years. He is currently the Chief Financial Officer of the University of Oxford and Non-Executive director of Oxford Science Enterprises, a company that funds science spin-outs, founded by leading academics from Oxford University. Previous positions include Chief Financial Officer at Coats Group plc, the world's leading industrial thread manufacturer and FTSE 250 member and Group Finance Director of Electrocomponents plc, a FTSE 250 global multi-channel provider of industrial and electronic products and solutions.



Jonathan Satchell

Chief Executive

Jonathan Satchell has worked in the training industry since 1992. In 1997, he acquired EBC, which he transformed from a training video provider to a bespoke e-learning company. The company was sold to Futuremedia in 2006. He became interim MD of Epic in 2007 and the following year he acquired the Company with Andrew Brode. He oversaw the transformation of Epic from a custom content e-learning company to the global, fast-growing, full-service learning and performance business that LTG has become.



Kath Kearney-Croft

Chief Financial Officer

Kath Kearney-Croft is a Chartered Management Accountant and holds an MBA from Alliance Manchester Business School. Highly commercial with broad global experience in a series of financial leadership roles, Kath has a strong track record of relationship building and engagement. Prior to joining LTG, Kath's roles included Interim CFO at SIG, Group Finance Director of the Vittec Group, and a number of financial leadership roles at Rexam PLC, including Group Finance Director prior to its acquisition by Ball Corporation Inc. in July 2016. She also previously held a number of operational finance roles in the UK and US at The BOC Group plc.



Piers Lea

Chief Strategy Officer

Piers Lea founded LINE Communications Holdings Limited in 1989, which was acquired by LTG in April 2014. He has over 30 years' experience in distance learning and communications and is widely considered a thought leader in the field of learning and performance enabled by technology. He helps both government and large corporates work out how they deliver talent transformation and define the ingredients required to deliver. This experience underpins LTG's strategic direction.



Claire Walsh

Company Secretary

Claire Walsh was admitted as a Solicitor in England and Wales in 2006 and is General Counsel at LTG. Claire was appointed as Company Secretary on 1 December 2019. Her prior experience includes advising on corporate, technology and data protection matters as a Partner at City law firm Cannings Connolly, and serving as Deputy General Counsel and director at Liquidity Services, Inc. (NASDAQ: LQDT).

Corporate Governance Report (continued)

The workings of the Board

Board composition and roles

The Board is comprised of the Non-Executive Chairman and three other Non-Executive Directors, together with the Chief Executive, Chief Financial Officer and Chief Strategy Officer, who are all Executive Directors.

The Board meets at least 10 times a year and met 14 times during 2022 (2021: 15).

The Board meets regularly with senior leaders of the business and with the Company's advisors.

Appointments

New Board members follow a thorough onboarding process, including meeting with key management and receiving training from the nominated advisor.

All Directors are subject to annual re-election by shareholders at LTG's AGM.

The service agreements for each of the Directors are available for inspection at LTG's registered office in London.

Directors' and officers' insurance

The Group holds appropriate insurance to cover its directors and officers against the costs of defending themselves in civil proceedings taken against them in their capacity as a director or officer of LTG and its subsidiaries.

Conflicts of interest

Directors are required to make the relevant disclosures at each Board meeting on any conflicts of interest they may have with the Group. During the period ended 31 December 2022, no Director had a material interest in any contract with the Group other than their Service Contract and as set out in note 30 on related party transactions.

Director independence and training

In early 2019, the Remuneration Committee ran a formal Board Effectiveness review. Evaluation criteria included a review of the Group's strategy, its relationship with shareholders and other key stakeholders, the performance of the Board and the standing committees, executive remuneration and incentives, governance, and performance and succession. The Committee has undertaken to carry out a Board evaluation every three years. A further review was tabled in 2022 and the Board identified and approved a vendor. The formal Board Effectiveness review is scheduled to be completed in April 2023.

Board committees

The Board maintains two standing committees, namely the Audit & Risk and Remuneration Committees. Matters normally reserved for a Nominations Committee are considered by the full Board.

The minutes of all sub-committees are circulated for review and consideration by all relevant Directors, supplemented by oral reports from the Committee Chairs at Board meetings.

Audit & Risk Committee

The Audit & Risk Committee is chaired by Leslie-Ann Reed and currently comprises Leslie-Ann Reed, Aimie Chapple and Simon Boddie. The Audit & Risk Committee met nine times during 2022 (2021: 6). The Company Secretary and Chief Financial Officer are invited to the Audit & Risk Committee meetings. Further details on the Audit & Risk Committee are provided in the Report of the Audit & Risk Committee.

Remuneration Committee

The Remuneration Committee is chaired by Aimie Chapple and currently comprises Aimie Chapple, Leslie-Ann Reed and Simon Boddie. The Remuneration Committee met once during 2022 (2021: 4). Further details on the Remuneration Committee are provided in the Report of the Remuneration Committee.

Meetings of the Board and sub-committees during 2022 were as follows:

	Board meetings	Audit and Risk committee	Remuneration committee
Number of meetings held in 2022	14	9	1
Andrew Brode	14	-	-
Leslie-Ann Reed	14	9	1
Aimie Chapple	14	9	1
Simon Boddie	14	9	1
Jonathan Satchell	14	-	-
Kath Kearney-Croft	14	9*	-
Piers Lea	14	-	-
Claire Walsh	14	9*	-

*Attendance to at least part of meeting by invitation

Report of the Audit & Risk Committee

I am pleased to present the report of the Audit & Risk Committee ('the Committee') for the year ended 31 December 2022. This report details the Audit & Risk Committee's responsibilities and key activities over the period.

Composition

The Audit & Risk Committee comprises three independent Non-Executive Directors with diverse skills and experiences. The biographies are shown on page 51. All Committee members have significant current and past executive experience in various sectors and two members have recent and relevant financial experience as required by the provisions of the QCA Corporate Governance Code. This range and depth of financial and commercial experience enables the Committee to deal effectively with the matters they are required to address and to challenge management when necessary.

Meetings and reporting

The Executive Directors, representatives of the external auditor, the Company Secretary and other Group executives regularly attend meetings at the invitation of the Committee. The Committee members' attendance can be seen on page 54 of the Annual Report.

Meetings are held throughout the year and timed to align with the overall financial reporting timetable. At least once during the year, the Committee meets separately with the external auditor without management, and the Chair is in regular direct contact with the external auditor and the Chief Financial Officer.

Terms of reference

The Committee undertakes its duties in accordance with its terms of reference which are regularly reviewed to ensure that they remain fit for purpose and in line with best-practice guidelines. The terms of reference were updated in 2022 and are available on the Company's website at www.ltgplc.com.

Roles and responsibility

The Committee oversees LTG's financial reporting process on behalf of the Board. LTG's management has the primary responsibility for the financial statements and for maintaining effective internal controls over financial reporting. In fulfilling its oversight responsibilities, the Committee reviews and discusses the financial information published by the Group with the external auditor and management, to ensure it properly reports its activities to stakeholders in a way that is fair, balanced and understandable. The Committee has access to the financial expertise of the Group and its auditor and can seek professional advice at the Company's expense if required.

Fair, balanced and understandable accounts

The Committee considers and reviews the accounting principles, policies and practices adopted in the preparation of public financial information and examines documentation relating to the Annual Report and Financial Statements, Interim Report, preliminary announcements and other related reports. The Committee has given due consideration as to whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy and can confirm that this is the case.

Activities of the committee

During 2022 and up until the date of this report, the Audit Committee undertook the following activities to ensure the integrity of the Group's financial statements and formal announcements:

- Reviewed and discussed with management and the Chief Financial Officer each financial reporting announcement made by the Group, including the annual and interim results
- Received reports and updates from management on the internal controls and discussed areas for improvement
- Reviewed the principal risks facing the Group which are described in the Principal Risks and Uncertainties section on pages 27 to 28, which also explains how each risk is managed and mitigated
- Reviewed the accounting treatment and proposed disclosures for discontinued businesses and assets held for sale
- Received and discussed a Group tax update with the Group Director of Tax
- Reviewed and received updates for the Internal Audit plan
- Reviewed and discussed the change in accounting policy for cloud computing costs
- Reviewed the independence and objectivity of the external auditor
- Reviewed and agreed upon the reappointment and remuneration of the external auditor
- Reviewed and agreed upon the external auditor's strategy in advance of the audit for the year
- Discussed the report received from the external auditor regarding its audit in respect of the prior year, which included comments on significant financial reporting

judgements and its findings on internal controls

- Assessed the external auditor's effectiveness through meetings with management, the external auditor and a review of the completed audit
- Reviewed compliance with International Financial Reporting Standards ('IFRS')
- Regularly met with management and the Chief Financial Officer to discuss the ongoing results and performance of the business

Significant judgements

The most significant financial reporting judgements considered by the Committee and discussed with the external auditor during the year were as follows:

Acquisition accounting including the valuation of goodwill and intangible assets

Acquired businesses give rise to material assets and liabilities at the point of acquisition that are based on estimates and judgements about future performance. The provisional recognition of goodwill, intangible assets, other assets and liabilities and estimates of the fair value of consideration transferred were based on a number of assumptions. Significant judgement is involved in assessing the relevant forecast, selecting the appropriate discount rates and useful economic lives.

Following the acquisitions made by the Group during 2021, including the transformational acquisition of GP Strategies, the Committee considered the work management performed on additional information coming to light, which led to adjustments in the opening balance sheet and purchase price allocations and concurred with management's recommendation.

Carrying value of goodwill and other intangibles

The Group considers the carrying value of goodwill on at least an annual basis or when there is an indicator of impairment. Management prepared a paper which concluded that, other than the UK apprenticeship business discussed below, no indicators exist and that sufficient headroom exists within the Group's value in use models.

The Committee reviewed this paper which included challenging the key assumptions: revenue growth rates, forecasting accuracy, cash flow projections and discount rates. As a result of the closure of the UK Apprenticeship business, announced in December 2022, the Group impaired £5.4m related to goodwill and £2.6m related to intangibles. The Group has not recognised any goodwill impairment in the current or prior year for the remaining cash generating units. See note 14 to the financial statements for further information.

Revenue recognition

The Committee considered and determined there had been no changes with respect to the revenue recognition policy applied during the year, particularly given the stability in its business portfolio. The policy includes the treatment of Software as a Service (SaaS) licence contracts, term/perpetual licences, support and maintenance contracts, consulting/professional service contracts and platform development/project implementation contracts. The Committee also received and reviewed the 2022 Audit Completion Report from the external auditor on its findings on the accounting treatment for revenue recognition. The Committee was satisfied the financial statements had been prepared in line with the revenue recognition policy. Further details on the Group's Revenue Recognition policy are included in note 2 to the financial statements.

Going concern

The Committee considered whether it was appropriate to prepare the financial statements on a going concern basis after reviewing a report setting out the going concern review undertaken by management which forms the basis of the Board's going concern conclusion. Please see the "Going concern" section on page 81 for further information.

The Group's cash generation from operating activities remained strong at £71.9m (2021: £37.5m). Including investing and financing cashflows, the Group ended the year with net debt of £119.8m (2020: £141.4m).

The Committee has reviewed forecasts to cover the 12 months from approval of the financial statements based on the Group's budget with downside scenarios explored and covenants were not expected to be breached. The Committee has also taken into consideration the \$50m (\$41.3m) of unused facilities which are available up to 15 July 2025. The Committee has concluded that the adoption of the going concern basis is appropriate.

Adjusting items

The adjusting items for 2022 are detailed on page 23.

The Committee assesses the appropriateness of all alternative performance measures disclosed as adjusting and the impact these have on the presentation of the Group's results. The Committee is satisfied that they do not inappropriately replace or obscure IFRS measures. Further details on adjusting items are included in note 5 to the financial statements.

Report of the Audit & Risk Committee (continued)

New accounting standards

No new accounting standards were introduced during the year that had a significant impact on the Group's consolidated financial statements.

Management and internal controls

The Group's corporate objective is to maximise long-term shareholder value. In doing so, the Directors recognise that creating value is the reward for taking business risks. The Board's policy on risk management encompasses all significant business risks to the Group, including financial, operational and compliance risks, which could undermine the achievement of business objectives.

The Group's management is responsible for the identification, assessment and management of risk and emerging risk, as well as for designing and operating the system of internal controls. While the Committee has delegated authority for internal control and risk, the Board is ultimately responsible. The Committee has assessed management's identification of risk and concluded that appropriate mitigating actions are being taken.

The Board considers risk assessment and control to be fundamental to achieving its corporate objectives within an acceptable risk/reward profile and confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and the effectiveness of related controls. The principal risks and uncertainties of the Group are set out in the Strategic Report on page 27.

The risk management process enables the identification, assessment and prioritisation of risk through discussions with executive management. Risks are reviewed by the executive team and other senior leadership teams to ensure that they continue to remain relevant. These risks are assessed on a continual basis and may be associated with a variety of internal and external sources, including infringement of IP, sales channels, investment risk, staff retention, disruption in information systems, natural catastrophe and regulatory requirements. LTG engages third-party advisors to carry out financial due diligence on acquisitions where appropriate. A risk that can seriously affect the performance or reputation of the Group is termed a principal risk and is aligned to the Group's strategic objectives.

The risk-related reviews carried out by the Committee during the year included reviewing the output from the Group's risk review process to identify, evaluate and mitigate risks and considered whether changes in risk profile were complete and adequately addressed.

The preparation of the consolidated financial statements of the Group is the responsibility of the Chief Financial Officer and is overseen by the Committee with overall responsibility resting with the Board. This includes responsibility for ensuring appropriate internal controls are in place over financial reporting processes and related IT systems. Due to the limitations that are inherent in any system of internal control, such a system is designed to manage rather than eliminate the risks of failure to achieve business objectives and provides only reasonable and not absolute assurance against material misstatement or loss.

The internal controls system is kept under regular review. Taking each of the areas of focus below:

- Control environment – LTG is committed to high standards of business conduct and seeks to maintain these standards across all of its operations. There are policies in place for the reporting and resolution of suspected fraudulent activities. LTG has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives.
- Management information systems – Group businesses participate in periodic operational/strategic reviews and annual plans. The Board actively monitors performance against the plan. Forecasts and operational results are consolidated and presented to the Board on a regular basis. Through these mechanisms, performance is continually monitored, risks identified in a timely manner, their financial implications assessed, control procedures re-evaluated and corrective actions agreed and implemented.
- Main control procedures – LTG has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the exposure to loss of assets and fraud. Measures taken include segregation of duties and reviews by management. During 2022, we continued to experience higher levels of turnover among some finance and accounting teams in line with higher staff turnover levels reported externally, which inherently increased identified control risk. Measures taken to mitigate such risk included augmentation of personnel resources, ad hoc analysis procedures, additional reviews by management and an expanded Group Finance team, and an extension of Internal Audit process reviews.
- Monitoring and corrective action – there are clear and consistent procedures in place for monitoring the system of internal financial controls.

This process, which operates in accordance with the FRC guidance, was maintained throughout the financial year, and has remained in place up to the date of the approval of these financial statements. The Board, via the Committee, has reviewed the systems and processes in place in meetings with the Chief Financial Officer and external auditors during 2022.

The auditor, as part of its work, has also considered internal controls relevant to the preparation of the financial statements. Where the auditor has highlighted any deficiencies in the internal controls, management takes responsibility to ensure the recommendations are reviewed and processes and policies are updated as appropriate. In addition, the Committee is rigorous in its challenges to both executive management and the external auditor as to the appropriateness of the operational and financial controls.

In addition to the key audit matters as set out in the Independent Auditor's Report (see pages 69 to 75), the auditor also specifies other risks, estimates and judgements and details the work performed to satisfy itself that these have been properly reflected in the financial statements. Details of financial risks are set out in note 32.

Internal audit

During 2022, the company established an internal audit function to enhance its system of risk assessment and internal control. The Audit Committee maintains responsibility for oversight of the internal audit function and for approving its annual mandate and plan. Assigned functions include risk assessment, enhancement of internal control and internal audit. Internal audit activities are carried out based on assessed risks, and appropriate flexibility is maintained to allow for changes to plan. Results of internal audit activities are regularly reported to and considered by the Committee. The Committee also monitors the company's financial reporting procedures, discusses finance and IT control environments, and receives regular fraud, whistleblowing and cyber security updates.

Financial Reporting Council (FRC) review

The FRC advised in December 2022 that a limited review of LTG's Annual Report and Accounts had been performed in accordance with Part 2 of the FRC Corporate Review Operating Procedures, and confirmed it had no questions or queries that it wished to raise with the company. In addition, LTG's IFRS 3 Business Combinations disclosures from the 2021 Annual Report and Accounts were included in the FRC's thematic review as an example of helpful disclosure in explaining the rationale for a business combination.

External audit and independence

The Committee is responsible for approving the external auditor's terms of engagement, scope of work, the process for the interim agreed-upon procedures and the annual audit. The Committee also meets with the auditor to review the written reports submitted and the findings of its work. The Committee has primary responsibility for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor.

Outside of the formal Committee meetings, members also meet with the external auditor and with individual members of the Group's executive management, principally to discuss the risks and challenges faced by the business and, most importantly, how these are being addressed. The auditors and senior finance team members regularly attend Committee meetings.

The Committee, at least annually, assesses the independence, tenure and quality of the external auditor.

Non-audit services

In order to safeguard the independence and objectivity of the external auditor, the Committee reviews the nature and extent of the non-audit services supplied. Pre-approval is required for any non-audit work from the Committee. During the year, BDO LLP provided no services to the Group other than the audit and audit-related (interim agreed-upon procedures) services.

Report of the Remuneration Committee

Summary statement

The members of the Remuneration Committee are Aimie Chapple (Chair), Leslie-Ann Reed and Simon Boddie. All members are Independent Non-Executive Directors. The Remuneration Committee monitors the remuneration policies of LTG to ensure that they are aligned with LTG's business objectives. Its terms of reference include the recommendation and execution of policy on Executive

Director remuneration. The remuneration of the Non-Executive Directors is a matter for the Board, excluding the Non-Executive Directors. The remuneration of the Chairman is a matter for the Remuneration Committee, although Andrew Brode has waived all remuneration for 2022. Other Non-Executive Directors receive a base salary only. The service contracts and letters of appointment of the Directors include the following terms:

	Date of contract	Notice period (months)
Executive Directors		
Jonathan Satchell	8 November 2013	6
Kath Kearney-Croft	8 November 2021	6
Piers Lea	25 June 2014	6
Non-Executive Directors		
Andrew Brode	8 November 2013	1
Leslie-Ann Reed	25 June 2014	1
Aimie Chapple	3 September 2018	1
Simon Boddie	21 September 2020	1

There are no additional financial provisions for termination. The Executive Directors are employed on a full-time basis and the Non-Executive Directors are required to provide sufficient time to fulfil their duties, including time to prepare for and attend Board and Committee meetings and to meet with employees, shareholders and other stakeholders. All Directors put themselves up for re-election on an annual basis.

Our approach to total reward includes a) lower quartile market base salaries, balanced with b) stretching short-term incentives (bonus) which take us to a market competitive position. In order to ensure LTG executives have an appropriate focus on both in-year and long-term goals, we introduced a long-term incentive plan in 2021 (the LTIP) that vests over a four- and five-year period to support our longer-term growth ambitions measured by a combination of total shareholder return (2/3 of award) and adjusted diluted earnings per share (1/3 of award).

As noted in the Company's last Annual Report, the LTIP was introduced following the appointment and receipt of advice from a third-party consultant, consultation with the

Company's nominated advisor and a further consultation with the Company's ten largest independent shareholders.

All shareholders were invited to vote on the remuneration policy at the 2022 AGM and 96.55% of shareholders voted in favour of it.

The terms of the LTIP are summarised below:

The grant of share options with an option price of £0.00375 per share (the "Awards") to the following Executive Directors and PDMRs:

Executive Directors:

- Jonathan Satchell, Chief Executive: 6,000,000
- Kath Kearney-Croft, Chief Financial Officer: 3,000,000
- Piers Lea, Chief Strategy Officer: 3,000,000

PDMRs:

- Claire Walsh, General Counsel and Company Secretary: 1,500,000
- Nick Bowyer, Chief Operating Officer: 2,000,000

Each recipient of the Awards waived and forfeited all of their existing share options in the Company.

The Awards will vest as follows: 50% on the fourth anniversary of the grant date and 50% on the fifth anniversary of the grant date, and in each case subject to the satisfaction of

challenging performance conditions, which are summarised below. All awards are subject to a holding period which will end on the fifth anniversary of the grant date. 66.67% of the award shares will be subject to the following TSR performance conditions:

Equivalent CAGR of TSR during the Performance Period	% of Award Shares subject to the TSR Performance Condition capable of Vesting
	(i.e. expressed as a percentage of 66.67% of the total number of Shares originally subject to the Award)
10% or less p.a.	0%
Between 10% p.a. and 20% p.a.	Straight-line Vesting between 0% and 50%
20% p.a.	50%
Between 20% p.a. and 25% p.a.	Straight-line Vesting between 50% and 100%
25% p.a. or more	100%

33.3% of the Award Shares will be subject to the following EPS Performance Conditions:

"EPS" means adjusted diluted earnings per share which is calculated by taking the adjusted profit after tax of the Company divided by the average weighted number of shares outstanding and assuming conversion of all potentially dilutive shares (including those resulting from share options/ awards and deferred consideration payable in shares where the contingent conditions have been met).

For the purpose of this calculation, adjusted profit after tax is calculated by adding back the following elements:

- a. Amortisation of acquired intangibles
- b. Profit/loss on disposal of fixed assets
- c. Profit/loss on the disposal of right-of-use assets
- d. Acquisition-related share-based payment charges, contingent consideration and earn-outs
- e. Fair value movement on contingent consideration
- f. Net foreign exchange profit/loss arising due to business acquisitions and disposals

- g. Acquisition costs
- h. Integration costs
- i. Cloud computing configuration and customisation costs
- j. Share of profit/(loss) of investments
- k. Other income deemed not part of the normal course of business

The tax arising on any of the above adjusted items is excluded from the calculation of EPS.

Share-based payments will be included in the above EPS calculation, i.e. EPS will be calculated after any share-based payment costs have been charged.

The Company can apply discretion regarding calculation of EPS in order to cater for impairment charges; one-off foreign exchange gains/losses; joint venture profit/loss; share of profit/loss of investments as well as any other unforeseen eventualities. However, application of such discretion shall be subject to prior Audit Committee and Remuneration Committee approval.

Report of the Remuneration Committee (continued)

Equivalent CAGR of EPS during the Performance Period	% of Award Shares subject to the EPS Performance Condition capable of Vesting
	(i.e. expressed as a percentage of 33.33% of the total number of Shares originally subject to the Award)
10% or less p.a.	0%
Between 10% p.a. and 20% p.a.	Straight-line Vesting between 0% and 50%
20% p.a.	50%
Between 20% p.a. and 25% p.a.	Straight-line Vesting between 50% and 100%
25% p.a. or more	100%

Annual Report on Remuneration

This Annual Report on Remuneration sets out the information about the remuneration of the Directors of the Company, for the year ended 31 December 2022 and arrangements for the year ended 31 December 2023. The Directors of the Company are considered to be the key management personnel of the Group.

Directors' emoluments and benefits include:

Year ended 31 December 2022	Salary or fees	Bonuses	Pension contribution	Gain on exercise of share options	Total
	£'000	£'000	£'000	£'000	£'000
Andrew Brode	-	-	-	-	-
Jonathan Satchell	324	311	9	-	644
Kath Kearney-Croft	319	306	9	-	634
Piers Lea	216	216	6	-	438
Leslie-Ann Reed	50	-	-	-	50
Aimie Chapple	50	-	-	-	50
Simon Boddie	50	-	-	-	50
	1,009	833	24	-	1,866

Key management remuneration for the Directors listed above (Audited)	2022	2021
	£'000	£'000
Short-term employee benefits	1,866	1,773
Long-term employee benefits	-	-
Share-based payments	2,526	1,330
Total key management remuneration	4,392	3,103

	Base Salary in 2022	Base Salary in 2023
	£'000	£'000
Executive Directors		
Jonathan Satchell	324	337
Kath Kearney-Croft	319	332
Piers Lea	216	225
Non-Executive Directors		
Andrew Brode	-	-
Leslie-Ann Reed*	50	55
Aimie Chapple*	50	55
Simon Boddie	50	52

*Leslie-Ann Reed and Aimie Chapple, as Chairs of the Audit and Remuneration Committees respectively, now receive an incremental £3k for their additional responsibilities.

The 2022 Executive Bonus Scheme rules are set out below and include details of the maximum and actual bonus levels achieved. Bonuses in the year were to be awarded based on a combination of achievement of adjusted EBIT and organic revenue growth targets for the Group, based on budget assumptions at the beginning of the year (the 'original target'). These targets are equivalent to annual bonus targets set for other LTG staff who are incentivised based on the results of the Group rather than a specific business unit. An on-target achievement for both adjusted EBIT and organic revenue growth would result in 80% of base salary being awarded as a bonus. Any additional bonus is awarded wholly based on further incremental organic revenue growth,

subject to on-target adjusted EBIT margins being maintained on the higher revenue achieved. The maximum bonus payable is capped at 150% of base salary. No adjusted EBIT or revenue bonus would be payable if actual adjusted EBIT was less than target adjusted EBIT. The revenue and adjusted EBIT targets are adjusted at the reasonable discretion of the Remuneration Committee to account for events such as acquisitions or disposals. The specific targets are not given in this report as that information is deemed commercially sensitive. The bonus is paid at 80% on hitting target, 20% for strategic personal goals and then up to a total 150% if LTG exceeds financial targets.

	Maximum			Achieved		
	CEO	CFO	CSO	CEO	CFO	CSO
Total as a % of Base Salary	150%	150%	150%	96%	96%	100%

Report of the Remuneration Committee (continued)

Directors' interests in the shares of the Company at 31 December 2022 and 31 December 2021 are as follows:

LTG Ordinary shares of £0.00375 each	Options				Shares	
	2022	2021	2022	2021	2022	2021
	Weighted Average Exercise Price (pence)		Number		Number	
Andrew Brode	-	-	-	-	117,098,930	117,098,930
Jonathan Satchell	0.375	0.375	6,000,000	6,000,000	73,263,160	73,263,160
Leslie-Ann Reed	-	-	-	-	5,220,422	5,220,422
Piers Lea	0.375	0.964	3,032,667	3,032,667	8,714,030	8,714,030
Kath Kearney-Croft	0.375	0.375	3,000,000	3,000,000	73,850	-
	0.375	0.523	12,032,667	12,032,667	204,370,392	204,296,542

No options were granted to Executive Directors in 2022.

In 2021, the LTIP awards were granted to Executive Directors, as summarised above.

Jonathan Satchell was granted 6,000,000 options in December 2021 subject to two separate vesting criteria. 4,000,000 of the LTIP awards are based on the vesting criteria

of achieving greater than 10% compound annual growth rate ('CAGR') of total shareholder return ('TSR') with awards vesting on a straight-line basis up to 100% at 25% p.a. or more of growth. The remaining 2,000,000 of LTIP awards are based on the vesting criteria of achieving greater than 10% CAGR of EPS with awards vesting on a straight-line basis up to 100% at 25% p.a. or more of growth.

Key management remuneration	Type	No	Equivalent CAGR of TSR/EPS	Exercise Price
				Pence
31 Dec 2022	LTIP	4,000,000	TSR	0.375
31 Dec 2022	LTIP	2,000,000	EPS	0.375
		6,000,000		0.375

Piers Lea and Kath Kearney-Croft were each granted 3,000,000 options in December 2021 subject to two separate vesting criteria. 2,000,000 of the LTIP awards are based on the vesting criteria of achieving greater than 10% compound annual growth rate ('CAGR') of total shareholder return ('TSR') with awards vesting on a straight-line basis up to 100% at 25% p.a. or more of growth. The remaining 1,000,000 of LTIP awards are based on the vesting criteria of achieving greater than 10% CAGR with awards vesting on a straight-line basis up to 100% at 25% p.a. or more of growth.

Key management remuneration	Type	No	Equivalent CAGR of TSR/EPS	Exercise Price
				Pence
31 Dec 2022	LTIP	2,000,000	TSR	0.375
31 Dec 2022	LTIP	1,000,000	EPS	0.375
		3,000,000		0.375

The balance of interest in share options of 32,667 for Piers Lea is in relation to his participation in the contributory LTG Sharesave scheme. Directors' emoluments and benefits are stated for the Directors of Learning Technologies Group plc only. The amounts shown were recognised as an expense during the year. The Chief Executive's salary in 2022 represented 6.82 times the median salary of of full-time employees in LTG (2021: 7.2 times). in LTG (2021: 7.2 times). On a comparable FX basis, the Chief Executive's salary

represents 7.6 times the median salary driven by effectively managing the cost base to deliver the top line, partially offset by a higher median salary increase compared to the Chief Executive. There were no other short-term or long-term benefits, post-employment benefits or termination benefits paid to Directors in either of the years ended 31 December 2021 or 31 December 2022.

Directors' Report

For the year ended 31 December 2022

The Directors present their report on the Group, together with the audited Consolidated Financial Statements for the year ended 31 December 2022.

Principal activities

The principal activity of the Group is the provision of talent and learning solutions in the form of content, services and digital platforms to the corporate, higher education and government markets. The principal activity of LTG is that of a parent holding company which manages the Group's strategic direction and underlying subsidiaries, including GP Strategies Corporation.

Cautionary statement

The review of the business and its future development in the Strategic Report has been prepared solely to provide additional information to shareholders to assess the Group's strategy and the potential for this strategy to succeed. It should not be relied on by any other party for any other purpose. The review contains forward-looking statements which are made by the Directors in good faith based on information available to them up to the time of the approval of the reports and should be treated with caution due to the inherent uncertainties associated with such statements.

Results and dividends

The results of the Group are set out in detail on page 76.

At the time of LTG's admission to AIM in November 2013, the Board stated that it would pursue a progressive dividend policy. On 21 July 2022, the Company paid a final dividend of 0.70 pence per share in respect of the year ended December 2021. On 27 October 2022, the Company paid an interim dividend of 0.45 pence per share (2021: 0.30 pence per share) representing a 50% increase. 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 payout in respect of the year of 1.60 pence per share.

Business review and future developments

Details of the business activities made during the year can be found in the Strategic Report.

Political donations

The Group made no political donations during the year (2021: £nil).

Financial instruments and risk management

Disclosures regarding financial instruments are provided within the Strategic Report and note 32 to the Financial Statements.

Capital structure

Details of the Company's share capital, together with details of the movements therein are set out in note 26 to the Financial Statements. The Company has one class of ordinary share which carries no right to fixed income.

Research and development

Please refer to the 'Creating Value Through Investment in Innovation' section of the Strategic Report on page 17.

Post-balance sheet events

Details of post-balance sheet events can be found in note 34 to the Consolidated Financial Statements.

Workforce policies and employment engagement

We are committed to the investment in our staff at all levels to ensure a culture of continuous improvement. To attract and retain a high calibre of employees, we provide various employee benefit packages, including performance-related bonuses and Sharesave plans in order to align employee interests with the long-term strategic objectives of the Group. We are committed to our equality and diversity policies, and seek regular feedback and engagement from our workforce. Further information regarding our work policies and engagement can be found in the Social section of the ESG report.

Directors' interests in shares and contracts

Directors' interests in the shares of LTG at 31 December 2022 and 31 December 2021 are disclosed in the Report of the Remuneration Committee. Directors' interests in contracts of significance to which LTG was a party during the financial year are disclosed in note 30.

Substantial interests

As at 31 December 2022, LTG has been advised of the following significant interests (greater than 3%) in its ordinary share capital:

Shareholder	Ordinary shares held	% held
Andrew Brode	117,098,930	14.84
Jonathan Satchell	73,263,160	9.29
Liontrust Asset Management	76,558,617	9.70
Octopus Investments	49,434,791	6.27
Janus Henderson Investors	35,347,770	4.48
Liontrust Sustainable Investments	34,122,783	4.33
BlackRock	33,298,389	4.22

Except as referred to above, the Directors are not aware of any person who held an interest of 3% or more of the issued share capital of the company or could directly or indirectly, jointly or severally, exercise control.

Annual General Meeting

The Annual General Meeting ('AGM') will be held at 11am on 12 June 2023. The notice of the AGM, which will be sent to shareholders in advance of the meeting, will contain the full text of the resolutions to be proposed and the venue for the meeting.

Independent auditors

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that BDO, LLP be reappointed will be proposed at the Annual General Meeting.

Provision of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- So far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

- That Director has taken all steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Signed by order of the Board:



Claire Walsh

Company Secretary

25th April 2023

Directors' Responsibilities Statement in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

UK Company law requires the Directors to prepare Financial Statements for each financial year. The Directors have elected to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the UK and applicable law, and the Company Financial Statements in accordance with UK Generally Accepted Accounting Practice including Financial Reporting Standard 102. Under UK company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. The Directors are also required to prepare Financial Statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM. In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether they have been prepared in accordance with IFRSs as adopted by the UK, subject to any material departures disclosed and explained in the Financial Statements
- Prepare the Financial Statements on the going concern basis unless it is not appropriate to assume that the Company and the Group will continue in business

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

Website publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the UK governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements.

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	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.	2022 <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	2021 <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>
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	<p>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.</p> <p>Adjusted measures have been used as we believe this more appropriately reflects the Group's underlying performance.</p>		<p>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.</p>	
Performance materiality	2.8	1.82	1.37	1.26
Basis for determining performance materiality	<p>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.</p>			

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	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none"> • 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 accounted 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.

(g) 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 configuration 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.

Notes to the Consolidated Financial Statements (continued)

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).

Notes to the Consolidated Financial Statements (continued)

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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

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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 contracts 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

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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 offsetting 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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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.

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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)

For the year ended 31 December 2022

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 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 scheme 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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

(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					
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%

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

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					
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%

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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	Dieningholt 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 8° 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 Damansara, 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 Ampliación Granada Alcandía 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 Ampliación Granada Alcandía 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.	Philippines	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.	Philippines	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 Lda	Portugal	Rua Frederico George N°39, 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 Seocho- 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. Selenyum Plaza No: 10/c Kat: 5-6, 34349 Fulya, Beşiktaş, İstanbul	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:

Country	Currency	31 Dec 2022		31 Dec 2021	
		£'000		£'000	
		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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

Country	Currency	31 Dec 2022		31 Dec 2021	
		£'000		£'000	
		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:

Currency	31 Dec 2022		31 Dec 2021	
	£'000		£'000	
	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)

Notes to the Consolidated Financial Statements (continued)

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 Lorient 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

Company Statement of Financial Position

(Registered number: 07176993)

As at 31 December 2022

	Note	31 Dec 2022 £'000	31 Dec 2021 £'000
Non-current			
Investment in subsidiaries	3	168,299	161,064
		168,299	161,064
Current assets			
Trade and other receivables	4	433,116	439,136
Cash and bank balances		1,900	4,651
Restricted cash balances		500	-
		435,516	443,787
Current liabilities			
Trade and other payables	7	40,706	39,447
			39,447
Net current assets		394,810	404,340
Total assets less current liabilities		563,109	565,404
Non-current liabilities			
Trade and other payables	8	177,944	187,759
Net assets		385,165	377,645
Capital and reserves			
Share capital	5	2,962	3,034
Share premium	6	318,183	317,074
Merger reserve	6	9,714	9,714
Share-based payment reserve	6	14,714	11,148
Retained profits		39,592	36,675
		385,165	377,645

Capital and reserves includes profit for the year of the parent company of £12.0 million (2021: £22.8 million).

The notes on pages 141 to 144 form an integral part of these Financial Statements.

The Financial Statements on pages 139 to 144 were approved and authorised for issue by the Board of Directors on 25th April 2023 and were signed on its behalf by:



Kath Kearney-Croft

Chief Financial Officer

25th April 2023

Company Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Share capital	Share premium	Merger reserve	Share-based payment reserve	Retained profits	Total
		£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2021		2,853	231,631	9,714	7,439	18,306	269,943
Profit for the year		-	-	-	-	22,779	22,779
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	22,779	22,779
Issue of shares		181	85,443	-	-	-	85,624
Payment of dividends		-	-	-	-	(6,065)	(6,065)
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
Transfer on exercise and lapse of options		-	-	-	(1,655)	1,655	-
Transactions with owners		181	85,443	-	3,709	(4,410)	84,923
At 31 December 2021		3,034	317,074	9,714	11,148	36,675	377,645
Profit for the year		-	-	-	-	11,979	11,979
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	11,979	11,979
Issue of shares	5	8	1,029	-	-	-	1,037
Reserves transfer		(80)	80	-	-	-	-
Payment of dividends		-	-	-	-	(9,062)	(9,062)
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 from share-based payment reserve		-	-	-	(3,669)	-	(3,669)
Transactions with owners		(72)	1,109	-	3,566	(9,062)	(4,459)
At 31 December 2022		2,962	318,183	9,714	14,714	39,592	385,165

Notes to the Company Financial Statements

For the year ended 31 December 2022

1. General information

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

(a) Basis of preparation

The Company's Financial Statements have been prepared in accordance with applicable law and accounting standards in the United Kingdom and under the historical cost accounting rules (Generally Accepted Accounting Practice in the United Kingdom).

The Directors have assessed the Company's ability to continue in operational existence for the foreseeable future in accordance with the FRC guidance on the going concern basis of accounting and reporting on solvency and liquidity risks (April 2016). It is considered appropriate to continue to prepare the Financial Statements on a going concern basis.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Profit and Loss account in these separate Financial Statements. The profit attributable to members of the Company for the year ended 31 December 2022 is £11,979,000 (year ended 31 December 2021: profit of £22,779,000).

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments.

(b) Fixed asset investments

Fixed asset investments in Group undertakings are carried at cost less any provision for impairment.

(c) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

(d) 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 change in value.

(e) Income taxes

The charge for taxation is based on the profit/loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

(f) Pensions

The policy for the Company's defined contribution plan can be found in note 2 of the Consolidated Accounts.

(g) Share-based payment arrangements

The policy for the Company's share-based payment arrangements can be found in note 2 of the Consolidated Financial Statements.

3. Investment in subsidiaries

	2022	2021
	£'000	£'000
Cost		
At 1 January	161,064	155,820
Additions	7,235	5,244
Disposals	-	-
At 31 December	168,299	161,064
Amortisation/impairment:		
At 1 January	-	-
Provision for impairment	-	-
Disposals	-	-
At 31 December	-	-
Net Book Value	168,299	161,064

Additions in the year relates to the recognition of share-based payment transactions between the Company and its subsidiaries.

Details of the Company's subsidiaries as at 31 December 2022 are set out in note 28 to the Consolidated Financial Statements.

4. Trade and other receivables

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Amounts due from subsidiary undertakings	432,643	439,021
Prepayments	473	-
Other debtors	-	115
	433,116	439,136

5. Share capital

Details of the Company's authorised, called-up and fully paid share capital are set out in note 26 to the Consolidated Financial Statements.

The ordinary shares of the Company carry one vote per share and an equal right to any dividends declared.

Notes to the Company Financial Statements (continued)

For the year ended 31 December 2022

6. Reserves

The share-based payment reserve arises from the requirement to value share options in existence at the fair value at the date they are granted. It is the recognition of the fair value over the vesting period.

The share premium account represents the amount received on the issue of ordinary shares by the Company, other than those recognised in the merger reserve described below, in excess of their nominal value and is non-distributable.

The merger reserve represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value on acquisition of subsidiaries where merger relief under section 612 of the Companies Act 2006 applies. The merger reserve consists of 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.

7. Trade payables: amounts falling due within one year

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Trade creditors	255	663
Other creditors and accruals	2,091	1,281
Corporation tax	1,646	-
Borrowings	36,714	37,503
	40,706	39,447

8. Trade payables: amounts falling due after more than one year

	31 Dec 2022	31 Dec 2021
	£'000	£'000
Borrowings	177,944	187,759
	177,944	187,759

Refer to note 23 to the Consolidated Financial Statements for further details of the Company's borrowings.

9. Related party transactions

The only key management personnel of the Company are the Directors. Details of their remuneration are contained in note 9 to the Consolidated Financial Statements.

The following transactions with subsidiaries occurred in the year

	2022	2021
	£'000	£'000
Due from related parties as at 1 Jan	439,021	93,725
Amounts (repaid) by related parties	(54,325)	(70,329)
Amounts advanced from related parties	-	387,554
Management recharges	1,583	9,794
Interest charged on loans	9,391	1,538
Foreign exchange differences	36,973	(1,561)
Dividends received	-	18,300
Due from related parties as at 31 December	432,643	439,021

The amounts owing to/from related parties are unsecured and repayable on demand.

10. Share-based payments

Details of the Group share-based plans are contained in note 27 to the Consolidated Financial Statements.

The Company operates an approved share option plan. The Company's share-based payment arrangements are summarised below.

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

No options were exercised during the year (2021: nil options). No options were granted, forfeited or expired during the year (2021: nil).

The number of options that are exercisable at 31 December 2022 is nil (2021: nil).

Share-based payments which were expensed in the entity and taken to equity in the year ended 31 December 2022, amounted to £nil (year ended 31 December 2021: £nil). The remaining difference between the share-based payments which were expensed as per note 27 and the entity, relate to the options over the Company's share capital held by employees of subsidiaries.

11. Dividends paid

Disclosure of dividends paid can be found in note 31 to the Consolidated Financial Statements.

12. Subsequent events

Disclosures in relation to events after 31 December 2022 are shown in note 34 to the Consolidated Financial Statements.

Glossary

Alternative Performance Measures

In reporting financial information, the Group presents alternative performance measures, "APMs", which are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional useful information on the underlying trends, performance and position of the Group and are consistent with how business performance is measured internally. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures. The key APMs that the Group uses are outlined below.

	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Income Statement Measures			
Adjusted EBIT	Operating profit	Adjusting items	Adjusted EBIT excludes adjusting items. A reconciliation from Adjusted EBIT to Operating profit is provided in the Consolidated Statement of Comprehensive Income on page 76.
Adjusting items	None	Refer to definition	Items which are not considered part of the normal operating costs of the business are separately disclosed because of their size, nature or incidence are treated as adjusting. The Group believes the separate disclosure of these items provides additional useful information to users of the financial statements to enable a better understanding of the Group's underlying financial performance. An explanation of the nature of the items identified as adjusting is provided in note 5 to the financial statements.
SaaS and long-term contracts	Revenue	Refer to note 4	SaaS and long-term contract revenue is defined as the revenue streams of the Group that are predictable and expected to continue into the future upon customer renewal.
Transactional	Revenue	Refer to note 4	Transactional revenue is defined as the revenue streams of the Group that arise from one-off fees or services that may or may not happen again.
Balance Sheet Measures			
Net cash or debt	None	Refer to note 19	Net cash / debt is defined as cash and cash equivalents and short-term deposits, less bank overdrafts and other current and non-current borrowings. A reconciliation is provided in note 19 to the financial statements.
Earnings per share	None	Refer to definition	Calculated as Total Equity at the end of the period/year divided by the number of shares on issue at the end of the period/year. The shares on issue at 31st December 2021 were 787,642,975 and 789,824,841 at 31st December 2022. Please refer to note 26.

Company Information

Directors

Andrew Brode, Non-Executive Chairman
Jonathan Satchell, Chief Executive
Kath Kearney-Croft, Chief Financial Officer
Piers Lea, Chief Strategy Officer
Simon Boddie, Non-Executive Director
Aimie Chapple, Non-Executive Director
Leslie-Ann Reed, Non-Executive Director

Company Secretary

Claire Walsh

Company number

07176993

Registered address

15 Fetter Lane
London
EC4A 1BW

Independent auditor

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Chartered Accountants and Statutory Auditors
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W1U 7EU

Nominated adviser and joint broker

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EC4M 7LT

Joint broker

Goldman Sachs
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25 Shoe Lane
London
EC4A 4AU

Legal advisers

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160 Aldersgate Street
London
EC1A 4HT

Registrar

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The Pavilions
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The Governor and Company
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Australia

- Melbourne
- Sydney

Brazil

- São Paulo

Canada

- Toronto, ON

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Cyprus

- Limassol

Denmark

- Copenhagen
- Herlev

Egypt

- Cairo

Finland

- Helsinki

France

- Mougins

Germany

- Munich

Hungary

- Budapest

India

- Bangalore
- Chennai

Ireland

- Dublin

Japan

- Tokyo

Malaysia

- Kuala Lumpur

Mexico

- Mexico City

Netherlands

- Hoofddorp

Peru

- Lima

Philippines

- Pasig City
- San Fernando

Poland

- Kraków
- Wrocław

Portugal

- Lisbon

Romania

- Bucharest

Singapore

- Singapore

South Africa

- Johannesburg

Spain

- Madrid

Sweden

- Stockholm

Switzerland

- Basel

Taiwan

- Taipei City

Thailand

- Bangkok

Turkey

- Istanbul

UAE

- Dubai

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- London
- Paisley
- Reading
- Sheffield
- Solihull
- Stirling
- Stockport

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- Bloomington, IN
- Chatsworth, CA
- Columbia, MD
- Franklin, TN
- Hamilton Township, NJ
- Houston, TX
- Irvine, CA
- Irving, TX
- Jacksonville, FL
- Pottstown, PA
- Raleigh, NC
- Salt Lake City, UT
- Tampa, FL
- Troy, MI
- Waltham, MA

The Company is registered in England and Wales under company number 07176993.
The Company's registered office is 15 Fetter Lane, London, EC4A 1BW.