skillcast®

Digital Compliance Transformation

SKILLCAST GROUP PLC ANNUAL REPORT 2022

Contents

Highlights	2
At a Glance	4
Our Customers	6

Strategic Report

Chairman's Statement	10
CEO's Review	14
Digital Compliance Transformation	18
Customer Success	20
SkillcastConnect	21
Client Spotlight: Reducing the Policy Burden for BFML	22
Client Spotlight: Improving Induction & Compliance Training Efficiency for MS ABS	24
Client Spotlight: Future-Proofing Tesco: Workforce Skills Transformation	26
Financial Review	28
Principal Risks	34
ESG	40

Corporate Governance Report

Board of Directors	46
Corporate Governance Statement	48
Section 172 Statement	54
Audit Committee Report	56
Remuneration Report	60
Directors' Report	66
Directors' Responsibilities Statement	70

Financial Statements

Independent Auditor's Report	74
Consolidated Financial Statements	80
Notes to the Consolidated Financial Statements	84
Company Financial Statements	112
Notes to the Company Financial Statements	116

Company Information 128

Highlights

Total revenues up 17% at £9.8 million (2021: £8.4 million)

- Revenue increase was driven by strong growth in recurring subscription revenues, up 28% at £6.7 million (2021: £5.2 million)
- Annualised recurring revenue (ARR)* up 16% to £6.8 million (December 2021: £5.8 million) predominantly from new client acquisitions
- Recurring subscriptions contributed to 68% of total revenues (2021: 62%)
- Professional services revenues steady at £3.1 million (2021: £3.2 million)

Gross margin remained strong at 70.1% (2021: 70.5%)

Revenue increase was driven by +28% growth in subscription revenues

Adjusted LBITDA of £0.3 million (2021: Adjusted EBITDA £1.1 million)

- Investment in product development, commercial and organisational structure to support ambitious growth plans led to a small loss in profit as intended at IPO
- All research and development is expensed
- New Chief Financial Officer and Chief People Officer appointed
- Headcount increased by 26% in the year to 111 (2021: 88)

Strong net cash position at 31 December 2022: £7.7 million (31 December 2021 net cash: £7.9 million), representing c. 8.6 pence per ordinary share in the Company

- Improved working capital helped to offset the planned accelerated investment
- Free cash flow of £0.3 million (2021: £1.1 million) despite EBITDA loss

Basic LPS -0.460 pence per share (2021: EPS +0.467 pence)

Total dividend of 0.447 pence per share (2021: 0.447 pence)

- Final dividend proposed: 0.279 pence
- Interim dividend paid: 0.168 pence

Operational highlights

- Total client numbers grew to over 1,000
- Significant progress in headcount growth to support growth strategy
- Maintained excellent customer service records (Feefo Platinum Service Award 4.9/5.0) while achieving growth targets
- Expanded marketing activity with face-to-face events and launched Skillcast Connect in November 2022
- Successfully migrated all client hosting to the cloud (completed March 2023) as intended and outlined at IPO
- ESG progress: achieved carbon neutral status

£9.8m
Total Revenue
2021: £8.4m

+17%
Total Revenue Growth
2021: +15%

+28%
Subscription Revenue Growth
2021: +28%

+16% to
£6.8m
ARR*
2021: £5.8m

68%
Recurring Revenue Mix
2021: 62%

70.1%
Gross Margin
2021: 70.5%

-£0.3m
Adjusted LBITDA
2021 EBITDA: +£1.1m

£7.7m
Net Cash
2021: £7.9m

+£0.3m
Free Cash Flow
2021: +£1.1m

-0.460 pence
LPS
2021: EPS 0.467 pence

0.447 pence
Total Dividend
2021: 0.447 pence

111
Headcount 31 December 2022
2021: 88

* Annualised Recurring Revenue (ARR) is calculated by annualising revenue recognised in a given month from all client subscriptions on annual contracts.

Skillcast enables businesses to build ethical and resilient workplaces

At a Glance

Our Purpose

Skillcast enables businesses to build ethical and resilient workplaces. Our vision is to be the leading provider of digital training and technology for staff compliance.

Who We Are

The Skillcast Group is headquartered in the City of London, with an operations hub on the island of Malta. We develop content and technology to help companies with staff compliance. We have 110+ employees, many of whom have been with the Group for over a decade.

Investing for Growth

The corporate compliance market is large, resilient, fragmented and growing, and the directors believe Skillcast is well-positioned to thrive. The Group boosted its already strong balance sheet at the time of its AIM admission in December 2021 and is investing in its products, technology, commercial teams and organisational structure.

What We Do

Skillcast provides time-saving and cost-effective "SaaS" (Software as a Service) solutions, including:

- 100+ off-the-shelf (OTS) e-learning courses that cover topics including Anti Money Laundering (AML); Bribery and Corruption; Diversity, Equality and Inclusion (DEI); Environmental, Social and Governance (ESG); GDPR; Health and Safety; Modern Slavery; Risk Management; and Senior Managers and Certification Regime (SMCR) for the financial services industry.
- A flexible learning management system (LMS) platform for clients to deliver and track compliance e-learning programmes that allow full corporate branding, integration to HR staff records, and dashboard reporting.
- Add on "RegTech" tools to manage all compliance needs, including declarations, registers, surveys, policies, offline training tracking (Training 360) and full SMCR management (SMCR 360).
- Bespoke content consultancy to further personalise, adapt or gamify to meet clients' requirements.
- Award-winning customer service to help employees obtain the optimum learning experience and provide companies with efficient and insightful learning management.
- Free access to a host of webinars, events and SkillcastConnect community portal, which bring together compliance professionals for peer group networking.

Our Customers

Over 1,000 companies use Skillcast's SaaS (Software as a Service) products consultancy services to support over one million employees to meet their compliance requirements. Originally targeting the financial services industry, 45% of revenues come from other sectors, including retail, manufacturing, transport and real estate.

KENMARE RESOURCES PLC	PAYALLY	ClearVision NOW PART OF EFICODE	Avalon FUNERAL PLANS
CARTWRIGHT	Access Partnership	Wombat	Allenby CAPITAL
firth finance	浦发银行 SPD BANK	Kingdom Bank	FRESNILLO
STARR INSURANCE COMPANIES	DC THOMSON	kession	MotoNovo FINANCE
OXFORD UNIVERSITY PRESS	ARCHAX	Quartet Investment Managers	Rider Levett Bucknall
CURTIS BANKS	Close Brothers Modern Merchant Banking	SCOTTISH BUILDING SOCIETY	HYBRIDAN YOUR PARTNER FOR GROWTH
everything financial	almirall	The Nottingham	GIIN GLOBAL IMPACT INVESTING NETWORK
InvestAcc PENSION ADMINISTRATION LTD	Royal Mail	Bath Building Society We're different because you are	LEADING EDGE ASSIST
ROYAL SOCIETY OF CHEMISTRY	UNIPART GROUP	Dow Schofield Watts Una Validiores	Erith
POLAR CAPITAL	SAVANNAH ENERGY	Gungho Marketing discovering new business	Moorwand Be part of the future of payments
enra Specialist Finance	Holloway Friendly	Hurricane Enabling seamless cross-border eCommerce	NEPTUNE ENERGY
Family Finance	Premier Miton INVESTORS	Metrea	B4B PAYMENTS
Habib Bank AG Zurich	S	AutoMoney Motor Finance	TESCO

Strategic Report

Chairman's Statement	10
CEO's Review	14
Digital Compliance Transformation	18
Customer Success	20
SkillcastConnect	21
Client Spotlight: Reducing the Policy Burden for BFML	22
Client Spotlight: Improving Induction & Compliance Training Efficiency for MS ABS	24
Client Spotlight: Future-Proofing Tesco: Workforce Skills Transformation	26
Financial Review	28
Principal Risks	34
ESG	40

Chairman's Statement

I am pleased to introduce this Annual Report to shareholders, which reviews the first full financial year since our admission to trading on AIM. I am delighted to report that we have achieved considerable success over that year, with progress on all the strategic, financial and operational challenges we set ourselves.

We achieved a strong set of financial results for the year ended 31 December 2022, with all key financial metrics either ahead of or in line with our expectations at the time of our flotation

Results and Dividend

We achieved a strong set of financial results for the year ended 31 December 2022, with all key financial metrics either ahead of or in line with our expectations at our IPO in December 2021. Revenue of £9.8 million was some 17% up on the prior year overall (2021: £8.4 million), and within that, the strategically important subscription-as-a-service (SaaS) revenue was up 28%. As anticipated, profitability has been impacted by the investment program we committed to at the time of the fund-raise to provide the workforce capacity and technology to drive sustainable growth. As such, adjusted EBITDA has reduced, as expected, to a loss of £0.3 million in the year (2021: adjusted EBITDA £1.1 million). Importantly, through proactive working capital management, the cash balance at the year-end decreased by only £0.2 million to £7.7 million (31 December 2021: £7.9 million).

The Board's stated policy is to maintain the full-year dividend at least at the recent historical level for the foreseeable future. We see that as an important financial discipline for a business with repeatable revenues that provide strong cash generation. Accordingly, at the AGM on 20 June, the Board will propose a final dividend per share of 0.279 pence. Combined with an interim dividend per share of 0.168 pence that was paid in November, this will take the full-year dividend to £400,000 (2021: £400,000) with the full-year dividend per share to 0.447 pence (2021: 0.447 pence).

Strategy

Skillcast's strategy remains as set out when we came to the AIM market in 2021. Our purpose is to enable companies to build ethical and resilient workplaces, and our vision is to be the leading provider of digital training and technology for staff compliance. We provide an integrated platform with engaging, customisable e-learning content, policy attestation hubs, registers for recording activities like CPD undertaken or gifts and hospitality received and the tools to monitor and administer all of the above.

Companies face an ever-increasing burden of compliance and, at the same time, are facing a real need to find efficiencies in the current cost-pressured environment. We believe these conditions provide a strong driver for growth in the digital compliance transformation market, which offers companies a genuine solution to these challenges. With Skillcast's experience in developing content and technology, we are uniquely placed to offer companies an easy-to-adopt, low-cost, high-value solution to the considerable challenges that businesses face.

We remain focused primarily on growing recurring subscription-based revenues by supporting existing clients with a range of products, and by acquiring similar new customers. We mainly target new clients in regulated industries where the burden of compliance is at its highest, although our services are equally applicable to all companies that have a need for efficient workplace compliance solutions. And whilst we can support companies of all sizes, our 'sweet spot' is medium-sized enterprises whose compliance requirements are increasingly complex but not large enough to warrant full bespoke solutions.

With Skillcast's experience in developing content and technology, we are uniquely placed to offer companies an easy-to-adopt, low-cost, high-value solution

People and Organisation

The last twelve months have seen significant growth in headcount as we expanded the Skillcast team to drive the sustainable growth we delivered - our headcount increased from 88 to 111. I want to take this opportunity to welcome all of our new joiners and thank them and our existing staff for their hard work and success over the last year.

That increase in staff numbers has coincided with a very tight labour market and, of course, challenges and pressures all employees feel given the current economic climate. I want to pay tribute to Vivek and the executive team for how they handled the challenges that this presented and for the caring and compassionate solutions they have put in place to support the staff over the last year.

Shareholder Engagement

The one dark shadow over the year has been the share-price performance since flotation, which has been disappointing, particularly given the positive progress made on strategic, operational and financial targets. We recognise that the drivers of the reduction are much more related to market sentiment for SaaS-based technology businesses than for Skillcast specifically and are grateful for the support we have received from shareholders in this regard. We are following their advice to focus on driving the business and not reacting to the share price.

However, we recognise our responsibility to actively manage shareholder engagement activities to ensure that we communicate effectively with as wide a range of investors as possible. We have already instigated a plan to present the company more widely at investor events and plan a more active communication campaign over the next year. We welcome the opportunity to speak with existing and prospective investors and look forward to welcoming shareholders to our AGM on 20 June.

Current Trading and Outlook

We have entered the new financial year with a strong sales and product pipeline. We are well prepared to capitalise on the demand for digital compliance transformation and drive sustainable growth of our subscriber base.

We are starting to see the fruits of our post-IPO investments. We are attracting new customers with higher annual contract values, and our ARR at the end of Q1 2023 was 22% up year on year at £7.2 million (March 2022 ARR: £5.9 million).

We expect further improvements this year, led by the launch of our multi-lingual Global Risk and Compliance libraries in March and other content and SaaS product launches later this year. We have migrated all our clients to our new cloud-hosting platform, giving us a more scalable infrastructure for further growth.

Whilst not immune to the recent banking and wider economic concerns, we remain well diversified with over 1,000 clients and 45% of revenues coming from non-financial services customers.

Trading since the period end has continued to increase on the prior year, driven by growing subscription revenues, and remains consistent with achieving market expectations.

Richard Amos | Non-Executive Chairman
25 April 2023

STRATEGIC REPORT

CEO's Review

I am pleased to present Skillcast's Annual Report for 2022, our first full year since the IPO in December 2021.

2022 was a transformational year in which we recruited talent in key roles and shaped our strategy and organisational structure to position us for the next phase of revenue growth

It was a transformational year in which we recruited talent in key roles and shaped our strategy and organisational structure to position us for the next phase of revenue growth.

We strengthened our leadership team by appointing our full-time Chief Financial Officer, Richard Steele, and our Chief People Officer, Sharon Mulligan. We also used funds raised at the IPO to accelerate hiring talent in other key growth roles and for the move to cloud computing on Microsoft Azure. These initiatives led our overheads to grow faster than our revenues in 2022. We expect the gap between growth rates of revenue and overheads to narrow in 2023.

Purpose and Vision

We run Skillcast with the purpose of enabling our customers to build ethical and resilient workplaces. Our vision is to become the leading provider of digital training and technology for staff compliance. Our strategic objectives reflect this vision. We are developing significant additional revenue streams with new products that widen our market in the UK and improve our product fit with the needs of companies in the EU. We are driving our brand awareness with our SkillcastConnect community and enhancing our RegTech tools with market research and insights.

We have implemented an organisational structure required to deliver our growth goals with clear roles and responsibilities. Our growth strategy for 2023 prioritises developing our existing talent, bringing in expertise in key areas and driving organic performance by focusing on customer success and experience.

Business Model

Skillcast provides technology and content for companies to digitise their staff compliance training, record-keeping and monitoring to reduce costs and improve employee compliance experience. Further, by integrating these processes on a single platform, Skillcast helps customers make further efficiency gains and reduce the risk of compliance gaps.

The Skillcast off-the-shelf ("OTS") course libraries include Global Compliance and Global Risk libraries, available in multiple languages for multinational companies and Essential Compliance, FCA and Insurance Compliance libraries for companies in the UK.

The Skillcast technology includes a Learning Management System ("LMS"), a Policy Hub for authoring policies and obtaining employee attestations, Anonymous Surveys for obtaining honest and unreserved employee feedback, Staff Declarations for collecting disclosures and self-assessments from employees, Compliance Registers for recording activities such as gifts, hospitality, personal account dealing, whistleblowing, Training 360 for recording in-person training, mentoring, and consultations, Events Management for managing live training events, and SMCR 360 to help financial firms manage all aspects of Senior Managers and Certification Regime ("SM&CR") compliance. These technology tools are provided on a single integrated platform that helps companies to simplify their process, provide a consistent user experience and reduce the risk of compliance gaps.

The course libraries and the technology are provided on annual subscriptions to simplify the procurement process and enable customers to provide training and compliance tools to their staff with minimal effort and on short notice. The OTS courses and certain technology elements can be customised to fit each company's unique requirements.

Skillcast enables customers to manage their staff compliance burden efficiently by assigning them a designated Customer Success Manager ("CSM"). In 2022, for the third year in a row, Skillcast received a Feefo Platinum Trusted Service Award based on verified ratings and reviews by current customers.

We are developing significant additional revenue streams

High-quality Revenues

Staff compliance is a non-discretionary cost for companies we serve, and 68% of our revenues came from content and technology subscriptions (2021: 62%), with the rest from professional services.

Subscriptions provide us with high-quality annual recurring revenues (ARR), which grew organically at 16% to £6.7 million in December 2022 (December 2021: £5.8 million).

Revenue from professional services, mainly from bespoke e-learning development for customers and customisation of OTS courses, was steady at £3.1 million (2021: £3.2 million).

Our total revenue increased by 17% to £9.8 million (2021: £8.4 million), and an adjusted EBITDA loss of £0.3 million (2021: £1.1 million). The Adjusted EBITDA loss was expected as we accelerated investment in talent and technology.

We typically contract with clients annually and invoice for the subscriptions upfront. This gives us high revenue visibility over the coming twelve months, and healthy cash flows from operations. Our free cash flow was +£0.3 million (2020: £1.1 million).

Growth Initiatives

Our focus in 2023, as in previous years, is on growing the size of our ARR book. We believe Skillcast has a tremendous growth opportunity by helping companies digitise their staff compliance to reduce costs, improve employee experience and reduce the risk of breaches in the face of ever-growing regulations.

Our business model of recurring annual subscriptions provides a stable base we can build upon with product upsells and new customer acquisitions. Our investments over the past year enabled us to start 2023 with a flurry of new product launches.

On 1 February 2023, we launched our FastTrack product, which, when added to our OTS courses, enables experienced employees to demonstrate their compliance understanding with a pre-assessment and opt for a shorter version of the course. This improves employee acceptance of compliance training and saves staff time while ensuring full compliance.

On 1 March 2023, we launched our Global Compliance and Global Risk courses, which open up the market for multinational companies, particularly in Europe, that need their courses to be based on global best practices and be available in multiple languages.

In the coming months, we will launch other content and technology products that help with upsells and new customer acquisitions.

We will also launch a new self-service plan in 2023 to supply compliance training to small UK businesses. We already serve this market segment, but we believe that we can substantially increase our penetration of this segment with the new service plan that is more affordable, easy to manage and customised for industry sectors.

Migration of our application to Microsoft Azure has enhanced our service's speed, reliability and security, helping us maintain our reputation as trustworthy custodians of our customers' data. It also provides the scalability we need to support future growth in the customer base.

We have created Microsoft Azure AD gallery apps to help customers implement single sign-on and user provisioning. We have also added integrations with other applications, including Slack, HiBob, Workday, PeopleHR, BambooHR, Degreed, Skillsoft, and Harvard ManageMentor.

ESG

Our business and products exist to support the ESG goals of our corporate customers. We help them build inclusivity, integrity and compliance in the workplace, and by digitising many activities that previously required travel, we help them reduce energy consumption and carbon emissions. In doing so, we are also conscious of our own environmental and social performance.

- We are proud to have achieved Carbon Neutral status in 2022 by measuring and offsetting our emissions and are committed to reducing our carbon emissions further.
- We have operated as a Living Wage employer since 2019.
- We are investing in developing skills and decision-making in our diverse workplace.

We believe that our employees' innovation, customer focus, teamwork and aspiration are the key to achieving our corporate vision.

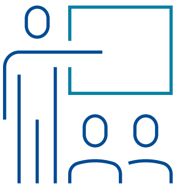
Vivek Dodd | Chief Executive Officer
25 April 2023

Skillcast is driving this digital compliance transformation to ultimately improve their customers' bottom line and gain a competitive advantage

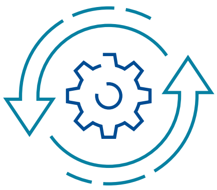
STRATEGIC REPORT

Digital Compliance Transformation

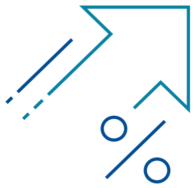
Regulatory compliance is non-negotiable. Shareholders, customers, regulators and society at large require companies to comply with regulations, behave ethically and serve a social purpose.



Companies are under increasing pressure to educate employees and record, monitor, and analyse their activities to evidence compliance. This task has been made more difficult by the repeated disruptions caused by the COVID-19 pandemic and the trend towards hybrid working.



The use of technology and data analysis can enable companies to transform their staff compliance. Automated processes can reduce costs and the risk of compliance failures while delivering an improved user experience to their staff. A joined-up approach to data collection and analysis enables companies to take preventative actions and enhance their operational resilience.



Skillcast is driving this digital compliance transformation to help its customers to build ethical and resilient workplaces, reduce the likelihood of expensive regulatory breaches, and ultimately improve their bottom line and gain a competitive advantage.

Platinum Trusted Service Award
2023 feefo

STRATEGIC REPORT

Customer Success

We are passionate about customer service.

We assign a Customer Success Manager (CSM) to each client to act as their partner and ensure the success of their compliance initiatives. CSMs administer everything from user management, course assignments and communications to reporting and ensure the success of their learning initiatives. This dedicated service has resulted in glowing customer reviews on sites like Feefo, Google, Gartner and Elearningindustry.com.

Feefo, the UK's customer rating platform, has recognised Skillcast for going above and beyond to provide consistently excellent service and being dedicated to reporting customer experience as rated by real customers. In 2022, we again received their Platinum Trusted Service Award for maintaining our customer service rating over 4.9/5.0 for the third consecutive year.

In 2022, we launched a new Customer Support Hub as home to all the information our customers and their learners need for compliance training success. This fully searchable online resource provides text and video guides for administrators and their learners.

STRATEGIC REPORT

SkillcastConnect

Last year Skillcast established a community of compliance professionals called SkillcastConnect aimed at providing a peer networking platform to anyone involved in regulatory compliance management and learning.

Its membership has grown rapidly to over 4,000 Chief Compliance Officers and senior managers, many of whom have participated in our expert-led webinars, roundtables, workshops and peer networking event.

In 2023, we will deepen community engagement with an online community portal where members can contribute and access learning and compliance aids.

The SkillcastConnect community aligns with our purpose of building ethical and resilient workplaces. It helps drive awareness of the Skillcast brand and helps us better understand the compliance challenges and future needs of our community.

skillcast.com/connect

"Skillcast is a great platform, very quick and simple to set up. Unlike other platforms, Skillcast enables you to set up the platform the way you want it. It's not just an out-of-the-box product; it's customisable to your company's needs. They have a great support team that is always reachable and willing to help with any queries or add something new. They are contactable via email but will jump on a video call to go more in-depth if needed."

IT Support Technician | Bespoke Facilities Management

CLIENT SPOTLIGHT

Reducing the Policy Burden for BFML

Bespoke Facilities Management Limited (BFML) provide a broad range of facility maintenance services, including security, cleaning, and maintenance solutions driven by process and technology. When BFML needed to reduce the burden of distributing hundreds of key documents to its staff, it chose Skillcast's Policy Hub as a solution.

Challenge

BFML partners with organisations across many sectors, including rail, commercial, clinical, retail and leisure, driving the need to distribute hundreds of policies and other key documents to their staff.

A spreadsheet was used to manage the distribution of over 300 documents to staff. This created a huge challenge when assigning and sending these documents to new starters. Not only was it an administrative burden, but it was also prone to errors and omissions.

In addition, there was the burden of assigning and distributing updated versions of these documents whenever they changed.

Solution

Skillcast's Policy Hub enabled the BFML team to assign documents to staff automatically and the built-in attestation feature even allowed them to consolidate existing reporting.

With the help of a dedicated Skillcast Customer Success Manager, BFML could also distribute updates of important documents to specific audiences. That included notices, key elements for onsite work, and employee handbooks. And completions were reported live for both new and existing staff.

Outcome

Policy Hub has helped BFML to maintain its compliance levels whilst updating documents. By automating what was previously a manual process across 300 documents, they now save a huge amount of staff time.

The tool now helps to automate the process of issuing all documents, which is a key element to our Compliance, Risk and Governance management.

BFML has saved around 390 working hours a year (equivalent to 1 day per week) in maintaining and managing documents with the help of Skillcast's Policy Hub tool.

“Before working with Skillcast, our mandatory and refresher training was a labour-intensive process focussed on administration and keeping materials up to date. Now it is a system that delivers 100% compliance with up-to-date and relevant material. It has freed us up as a business to concentrate far more on the learner experience instead of ticking boxes.”

Senior Talent & Development Consultant | MS Amlin Business Services

CLIENT SPOTLIGHT

Improving Induction & Compliance Training Efficiency for MS ABS

MS Amlin is a leading global speciality commercial insurer and reinsurer with more than 1,800 people in over 23 locations worldwide. MS Amlin consists of three insurance companies supported by a shared business service enterprise MS Amlin Business Services (MS ABS).

Challenge

To improve the effectiveness and efficiency of induction training, MS ABS needed to:

1. Provide up-to-date, relevant material without a dedicated learning design resource.
2. Create new quality training materials for subjects that were rising in priority.
3. Simplify administration and reporting processes to deliver ongoing refresher training needs.

Solution

MS ABS chose to partner with Skillcast, using our Essentials Library to provide a solid foundation for all their legal and compliance training.

- Skillcast personalised new and existing subjects from off-the-shelf course content provided to meet local MS ABS needs.
- MS ABS worked closely with the Skillcast Support Team so that all administration was handled using a two-way API to update all local HR systems.
- By creating a seamless experience, Skillcast was able to make employees feel as though the new content was part of their local HR system.

Outcome

MS ABS saw significant improvements across the board in induction and refresher training.

- Creation and delivery of new training content have been reduced from days to less than two hours.
- Training times have been reduced by nearly half with new content and pre-testing functionality.
- Completion rates are now at 100% for all employees.

"As a company, Tesco recognises that our people are our greatest asset, and we need to support our colleagues to grow and adapt to the changing world of work. We evolved our learning framework to equip store colleagues with skills allowing them to work where, when, and how it suits their lives. We partnered with Skillcast to create a bespoke learning experience for each colleague. It uses dynamic assignments and deadlines to help learners plan and lead their journey. And by restructuring our learning portal, we were also able to improve accessibility, user experience and adoption..."

Lead Learning Design Partner UK Stores | Tesco

TESCO

CLIENT SPOTLIGHT

Future-Proofing Tesco: Workforce Skills Transformation

Tesco is a leading multinational retailer headquartered in the UK, with over 345,000 staff. As a business, it aims to serve customers every day with affordable, healthy and sustainable food – to help them enjoy a better quality of life and an easier way of living. Following a capability review, Tesco chose Skillcast to help deliver training to adapt, upskill, and reskill its workforce to face future challenges.

Challenge

The retailer puts people at the centre of everything they do. It has created a highly adaptable and multi-skilled team ready to face future challenges head-on.

At the heart of this program is the Tesco Capability team, which undertook an end-to-end review of its entire learning offer and developed a comprehensive Skills Framework.

It partnered with Skillcast to deliver its transformative Learning & Development (L&D) program that aimed to adapt, upskill and reskill its workforce to face future challenges.

Solution

The seamless implementation of this framework via the Skillcast LMS enabled over 350,000 learners to acquire new skills and unleash their full potential. Skillcast's technical expertise and innovative approach played a pivotal role in this success.

Using complex data integrations and sophisticated algorithms, Skillcast provided invaluable support in configuring the Tesco LMS, delivering a highly personalised learning journey for all employees.

Skillcast LMS enables learners to assign themselves additional training to acquire new skills, not necessarily required for their current role. The system records this training alongside mandatory skills required for their current role in their digital training record card.

This game-changer has empowered managers to assign or remove skills training to their colleagues as part of their development or to meet local demand.

Outcome

The initiative was a resounding success, upskilling and reskilling the Tesco workforce and enabling them to easily adapt to new job roles and functions, with over 800,000 skills assigned.

Skillcast developed additional LMS functionality and reporting to meet these unique demands, garnering positive feedback from colleagues and managers.

Investing in the workforce is critical to driving growth and creating a sustainable future, and Tesco and Skillcast have set a benchmark for all organisations to follow.

With the development of mobile-first, intuitive dashboard reports, the future of Tesco's L&D program is looking bright, making it easier to enable more effective operational and strategic decision-making.

Financial Review

Revenues grew 17% on the year which together with reduced trade receivables allowed us to carry out our investments for growth whilst still generating positive free cash flow of £0.3m

Revenues for the year ended 31 December 2022 increased by 17% to £9.8 million (2021: £8.4 million), driven by new subscription customers, with ARR* climbing 16% on the year to £6.7 million (2021: £5.8 million).

As a consequence of our planned investment programme, adjusted LBITDA** was a loss of £0.3 million (2021: EBITDA +£1.1 million). Improved working capital helped maintain net cash at year-end of £7.7 million, 2% below last year (2021: £7.9 million), and generate positive free cash flow of £0.3 million (2021: £1.1 million).

Key Performance Indicators

Key performance indicators (KPIs) are tracked through monthly reviews against targets approved by the Board.

	2022 £'000	2021 £'000	% Change
Revenue	**9,830**	8,408	+17%
Software-as-a-service revenue (SaaS revenue)	**6,690**	5,227	+28%
Gross Margin	**70.1%**	70.5%	-0.4 pts
**Adjusted (LBITDA)/EBITDA	**-316**	1,055	n/a
*Annual recurring (SaaS) revenue (ARR) as at 31.12	**6,751**	5,818	+16%
Churn (as a percentage of ARR)	**12%**	8%	+4pts
Deferred revenue from subscriptions	**3,213**	2,695	+19%
Cash at 31 December	**7,704**	7,856	-2%
Free cash flow	**271**	1,117	-76%
Number of employees at 31 December	**111**	88	+26%

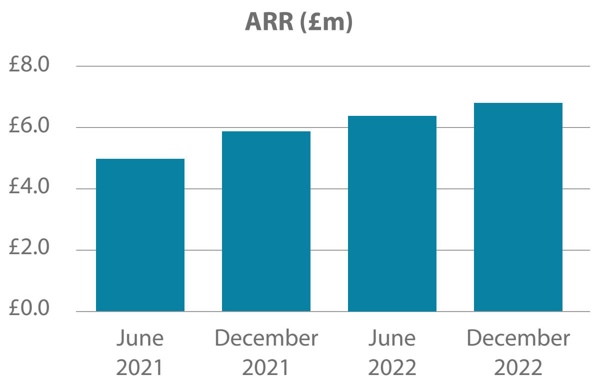
* and ** defined later in the financial report in Alternative Performance Measures section.

Revenue

Total revenues of £9.8 million were 17% up on the comparable period last year (2022: £8.4 million), driven by software-as-a-service ("SaaS") subscription revenues, predominantly from new clients. Subscription revenues typically accrue from twelve-month contracts, invoiced up front, for our compliance e-learning libraries and compliance technology. During 2022, subscription revenue growth helped grow the proportion of revenues from subscriptions to 68% (2021: 62%) of total revenues. 91% of subscription revenues were derived from our core e-learning products, with the remaining 9% of subscription revenues delivered from our suite of "Regtech" products (2021: 7%).

Subscription ("SaaS") revenues grew 28% to £6.7 million (2021: £5.2 million). The growth in subscription revenues was driven by a combination of new clients and product upsells/more users.

*Annual recurring revenue (ARR), our key performance indicator to measure subscription sales progress, grew by 16% to £6.8 million over the past 12 months (2021: £5.8 million). New sales lifted ARR by 25% from December 21, offset by a net retention rate of 90%, which included 12% churn. 2022 churn was elevated due to the loss of three EU-based clients. Underlying churn, excluding these clients, remained below 10%, in line with prior years. The Group launched two global libraries that improve the product fit with our remaining EU clients and reduce their churn risk.



Revenue from professional services was £3.1 million, which was 1% below the same period last year (2021: £3.2m), in line with our strategy to maintain these lower margin revenues at consistent absolute levels.

Total client numbers grew to over 1,000 in 2022, with 45% of revenues coming from sectors other than financial services.

Gross Profit

Gross Margin fell 0.4 percentage points to 70.1% (2021: 70.5%). Transitional costs impacted the fall while clients were migrated from server-hosted sites to more resilient cloud-hosted sites.

Investing for Growth

Total overheads before exceptional IPO-related costs in the prior year of £0.9 million grew by £2.4 million to £7.4 million (2021: £5.0 million) as the Group invested in driving future growth as intended. Most of this investment was in people as the Group accelerated hiring to improve future growth. On 31 December 2022, the total headcount had increased to 111 (31 December 2021: 88). Total average headcount increased in 2022 by 26% to 100 (2021: 78). The largest area of growth was in the sales and marketing function with an average of 12 more heads during the period.

**Adjusted EBITDA/LBITDA

As anticipated, and due to the increased investment, the Group delivered an adjusted loss of earnings before interest, tax, depreciation and amortisation (LBITDA) of £0.3 million in 2022 (2021 EBITDA: +£1.1 million). This profit performance reflects the intended investment programme, supported by the fundraising in December 2021.

Tax

The Group reported a loss before tax of £0.6 million in the year and consequently was not liable for any corporation tax in its UK or Malta jurisdictions.

The Group had unutilised tax losses carried forward of approximately £1.3 million as of 31 December 2022 (2021: £0.7 million) due predominantly to research and development credits. These are expected to increase in 2023 through trading losses and further research and development claims. Given the varying degrees of uncertainty as to the timescale of the utilisation of these losses, the Group has not recognised the potential deferred tax assets associated with these losses.

In Malta, a withholding tax rebate of £136,983, due to Inmarkets Group Ltd regarding dividends declared by Inmarkets International Ltd for 2021, is reflected as a tax credit in 2022. The rebate is based upon dividends declared by Inmarkets International Ltd and paid to Inmarkets Group Ltd during 2022. Its settlement depends upon all necessary tax returns filed and accepted by the relevant authorities.

No rebate was received in 2022 by Inmarkets Group Ltd (2021: £355,178) in relation to dividends declared by Inmarkets International Ltd. The balance due to the Inmarkets Group Ltd for all Maltese tax rebates as at 31 December 2022 was £854,903.

Earnings per Share (EPS)

Following the share issue in December 2021 at the time of the IPO, no ordinary shares were issued in 2022, and the basic loss per share was -0.460 pence on 89.5m shares (2021 EPS: +0.467 pence).

Dividends

With a business backed by recurring revenues that provide strong cash generation, the Board is committed to paying dividends. The Board is recommending a final dividend of 0.279 pence per share which, together with the 0.168 pence interim dividend paid in October 2022, gives a total dividend of 0.447 pence. The final dividend will be paid on 21 July 2023 to shareholders on the register on 30 June 2023.

The Board's policy is to at least maintain the total aggregate annual dividend of £400,000, consistent with previous years, for the foreseeable future.

Balance Sheet and Cash Flow

Net assets at 31 December 2022 were £6.6 million (31 December 2021: £7.2 million). The £0.6 million reduction in the year was due to the £0.4 million reduction in comprehensive income in the year from planned investments and £0.4 million of dividend payments, partly offset by £0.2 million increase in the share option reserve.

Non-current assets of £0.9 million at 31 December 2022 represented no material change on the prior year. The Group does not capitalise any intellectual property additions to its products' content or technology, opting to expense them as they are incurred. The Group expenses all product and technology development. Non-current assets reflect computer hardware and software and office furniture and fittings, and the right of use value of its office leases in London and Malta in accordance with IFRS 16. During the year, the Group extended the lease on its Malta office to September 2028.

Current assets, excluding cash, were £3.3 million at 31 December 2022 (31 December 2021: £3.8 million). This predominantly includes trade receivables which, despite the 17% growth in revenue during the year, fell 17% to £2.1 million at 31 December 2022 (31 December 2021: £2.6 million) due to improved credit control. Debtor days at 31 December 2022 were 48 (31 December 2021: 66) as a result of a significant reduction in overdue debt. Debtors more than 60 days overdue represented 20% of trade receivables at 31 December 2022 (31 December 2021: 41%). A further £0.9m of trade receivables is due from the Maltese tax authorities relating to withholding tax rebates on dividends declared from Inmarkets International Ltd and payable to Inmarkets Group Ltd.

Total liabilities at 31 December 2022 of £5.3 million showed no net movement during the year, mainly comprising trade payables, deferred revenue and the liability on the London and Malta office leases. Deferred revenue reflects the unrecognised revenue of signed contracts. The majority of this balance relates to subscription revenues which, at 31 December 2022, were £3.2 million, 19% higher than at the same time in the previous year (31 December 2021: £2.7 million).

The Group has no bank debt and at 31 December 2022, held cash of £7.7 million (31 December 2021: £7.9 million). Free cash flow during the year remained positive at £0.3m (2021: £1.1m) despite the Group generating a loss, after the planned accelerated investment, primarily due to reduced trade receivables.

Alternative Performance Measures

The Group elects to report certain financial measures not defined or recognised under IFRS, including adjusted EBITDA and EPS and Annual Recurring Revenue (ARR) defined below.

*****Adjusted EBITDA/LBITDA***

The Group elected to adjust its EBITDA from continuing operations for non-recurring costs in connection with its IPO in December 2021. It also elected to adjust EBITDA by reversing the IFRS treatment of depreciation of property leases and the share-based payment charges included in adjustments in the 2021 report. The Group now accepts these are recurring items, and no longer elects to adjust. There were no adjusting items in the twelve months ended 31 December 2022.

	2022 £'000 Audited	2021 £'000 Re-stated	2021 £'000 Audited
LBITDA/EBITDA from continuing operations	**(316)**	360	360
IPO costs	**0**	876	876
Reversal of IFRS treatment of depreciation of property lease			(198)
Share-based payment			17
Adjusted LBITDA/EBITDA	**(316)**	**1,237**	**1,056**

Further details on the above are provided in note 3 on page 91.

****Annual Recurring Revenue (ARR)***

ARR is also used to assess the performance and the trend of subscription revenue. ARR is calculated by multiplying the Monthly Recurring Revenue ("MRR") by twelve. MRR is defined as the subscription revenue recognised in a month, excluding any retrospective upward adjustments arising at the end of the contract where there have been more subscribers than a client originally contracted for, less any contract losses (Churn) or downward adjustments arising on contract renewal. The Directors consider that the ARR, derived from software-as-a-service (SaaS) sales, is a key measure of the performance of the business. The ARR increased 16% in the year to £6.8 million at 31 December 2022.

Richard Steele | Chief Financial Officer
25 April 2023


skillcast

STRATEGIC REPORT

Principal Risks

Risk Management Framework

The Group has established a process for identifying and managing risk within a defined governance framework. The Board has ultimate responsibility for reviewing the risks faced by the business and for assessing and determining the Group's attitude to these risks, supported by the Audit and Risk Committee, which meets at least twice a year. Operational management of risk is delegated to an Executive Risk Committee, which is chaired by the CFO and includes key functional managers. The identified risks are ranked by likelihood and potential impact and listed in a master risk register. The Risk Committee develops and deploys mitigating strategies and regularly assesses the effectiveness of these initiatives. The risk management framework also includes a comprehensive list of policies. The Group uses its own "Policy Hub" product to distribute and manage employee attestations.

Risk Appetite

The Group's approach minimises exposure to reputational, financial and operational risk whilst accepting and recognising a risk/reward trade-off in pursuing its strategic and commercial objectives.

Given the Group's purpose of enabling companies to build ethical and resilient workplaces, integrity and compliance in our own business are crucial. Consequently, the Group has zero tolerance for risks relating to non-adherence to laws and regulations.

The Group operates in a growing and highly competitive marketplace with constant technology and process innovation. Therefore, it must make certain financial and operational investments to pursue growth objectives, accepting the risk that the anticipated benefits from these investments may not always be fully realised. Its acceptance of risk is subject to ensuring that potential benefits and risks are fully understood and sensible measures to mitigate risk are established.

Principal Risks

The Directors believe the following risks to be the most significant for the Group. However, the risks listed do not necessarily comprise all those associated with the Group. In particular, the Group's performance may be affected by changes in the market, political or economic conditions and legal, regulatory and tax requirements.

If any of the following risks were to materialise, the Group's business, financial condition, results, or future operations could be materially adversely affected. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Group.

People Risks

The Group's ability to implement its growth strategy will depend partly on its ability to recruit, hire, train, manage and integrate many individuals in e-learning design, technology, sales, marketing, and customer success. The nature of the Group's business requires its employees in the technical and development teams to be highly skilled and experienced in their respective fields.

Equally, losing key management or other key personnel, particularly to competitors, could have adverse consequences. Furthermore, as the Group expands, it may need to recruit and integrate additional senior personnel in a competitive market for suitably qualified candidates. The Group may not be successful in identifying and engaging suitably qualified people or inducting them into the Group, which may impact its performance.

Mitigation

The admission of the Company to trading on AIM in December 2021 has ensured that the Group is now in a better place to attract skilled and experienced workers. As part of the Group's investment strategy for growth, it has increased its headcount, reducing the dependency on key personnel.

The Group has entered into service agreements or letters of appointment with each of its directors and certain senior employees that provide appropriate notice periods. Equally, remuneration packages are structured to assist with staff retention. Senior managers are significant shareholders in the business, which also provides mitigation.

Commercial/Client Risks

The Group is in part dependent upon annual customer subscription renewals to sustain and grow its revenues. No guarantee exists that customers will continue to renew subscriptions at the rate they have done in the past. The Group relies on its long-standing relationships with several of its key clients and its high levels of customer satisfaction rather than on contractual tie-ins such as formal cancellation notice periods. However, the loss of key contracts could adversely affect the Group's overall revenues and profitability.

The Group's growth strategy also relies partly on increasing revenue from existing customers through the upsell of RegTech tools. The Group may be unsuccessful at its cross-selling efforts to convince clients about the need for staff compliance technology in their organisations or the value of running multiple staff compliance processes in a single SaaS application provided by the Group. This could impact revenue growth rates.

Mitigation

Whilst the lack of contractual ties reduces the barriers to preventing customers from leaving, we believe it makes the new customer acquisition process easier, as prospects are less worried about being tied to the subscription. Instead, the Group uses a high level of customer service as the tool to retain clients and reduce churn. We believe this to be a more sustainable approach that will bring long-term business success.

To this end, we have invested in growing our Customer Success team, whose role is to engage with the customers through their subscriptions to ensure that they do not want to terminate at the end of the period. This engagement with the customer through their contract also supports the upsell process as it is useful in informing our understanding of what additional challenges the customer is facing that we need to address.

Market Share & Brand Awareness Risks

The Board is aware that the staff compliance technology market is developing rapidly and that long-term success as a major player in the market is likely to be achieved by organisations that build a strong market share and brand leadership awareness in the early stages. Failure to achieve that would hamper the Group's ability to build significant shareholder value.

Mitigation

The Group's strategy following the equity raise in December 2021 is to invest significant resources to develop this awareness, focusing on identifying and interpreting emerging trends in staff compliance, engaging with the community of compliance officers, and sharing best practices and its content marketing efforts. The Group is also investing in its product development to ensure its offering remains relevant to the market requirements.

The Group's approach to risk appetite minimises exposure to reputational, financial and operational risk whilst accepting and recognising a risk/reward trade-off in pursuing its strategic and commercial objectives

Competition Risks

The demand for the Group's products and services will likely depend on the continued evolution in technology and content to satisfy changing industry standards, customer needs, and competition. The market for e-learning and staff compliance management solutions is highly fragmented, and as such, there may be competitors and services of which the Group is currently unaware. The Group's current and potential competitors may develop and produce new products or services of a higher quality or lower price.

If the Group is unable to anticipate changes in technology standards, the emergence of new standards, trends in customer requirements or fails to invest and develop software, it may have an adverse impact on the Group's business and prospects.

Mitigation

The Group has a proven track record of client retention and acquisition based on its strong links with customers, which it continues to invest in strongly to maintain. Significant investment in software and content will be required to meet customer demands and keep up with the trends and new standards. The Group is currently expanding its technical department to meet such requirements.

Technology Risks

The Group's software is complex. As with any such technology, it may contain defects or vulnerabilities that may surface in the future and make the Group and its customers vulnerable to adverse performance or IT security failures.

The Group currently hosts, serves, and backs up its SaaS technology using third-party data centres. Furthermore, the Group uses Microsoft and other SaaS providers for its internal operations. The Group's operations depend on the ability of these third-party providers to protect their facilities and services against damage or interruptions and would be impacted if this failed to happen.

The Group's SaaS application incorporates open-source software and may include additional open-source software in the future. Open-source software is generally freely accessible, usable, and modifiable. However, if an author or third party that distributes the open-source software were to allege that the Group had not complied with the conditions of use of such software, the Group could incur significant legal expenses defending against such allegations. This could result in substantial damages and business disruption and require additional research and development resources to change its technology.

The recent advancement in Artificial Intelligence ("AI") through tools including Chat GPT represents a credible threat to how we work and specifically to digital learning. Clients and/or competitors can potentially learn and develop courses faster, cheaper and of higher quality.

Mitigation

These technology risks are typical for SaaS businesses such as Skillcast, and the Group is no more exposed than many similar organisations. During the year, the Group migrated the data it holds on behalf of its clients and for its internal use to cloud-based technology, with the migration completed in March 2023. This reduces reliance on third-party data centres and such facilities and allows the business to scale more readily as the growth targets are achieved.

In terms of AI, the Group is harnessing this technological development to remain competitive. Our technical teams have been using AI to develop software for some time. Recently, awareness and use have spread to other areas of the Group, including e-learning and production departments. A sharing and learning forum has been established.

Information Security

The Group's principal business activity is the provision of software to businesses. The Group has developed and owns all its software products and services in house. Through external cloud-based hosting providers, it holds the majority of software and associated data for its clients. The Group also adopts hybrid working and relies on its IT services to work effectively. A loss of data or cyber attack could cause serious harm to the Group.

Mitigation

The Group employs its own Head of Cyber Security that actively monitors the threat of cyber attacks. The Group embeds robust processes and procedures to mitigate risks from information security and is certified under ISO 27001.
In 2023, it intends to improve its resilience further by becoming SOC 2 compliant and implementing

EDR (Endpoint Detection and Response) and SASE (Secure Access Service Edge) software to reduce virus threats and enhance network security.

Intellectual Property Risks

The Group's ongoing success depends in part on the intellectual property it owns within its content and systems and on its ability to protect that intellectual property effectively from threats of confidentiality or piracy. Much of the Group's intellectual property is not capable of patent protection.

Equally, the Group sells subscriptions to OTS course libraries and SaaS. Its business may suffer if it is alleged or determined that its content or technology infringes the intellectual property rights of others. Responding to claims of IP infringement, regardless of merit, can be time-consuming, costly, diverting management's attention and resources, and damaging to the Group's reputation.

Mitigation

The Group relies on copyrights, trademarks, trade secrets and contractual restrictions to establish and protect its intellectual property rights in its products and services.

The Group has implemented procedures to ensure that necessary approvals are in place before any content is published and technology designed.

Brand Reputation

The Group's vision is to help clients build ethical and inclusive workplaces. Any compliance breach could call into question its fitness to provide its products and services.

Mitigation

The Group maintains a zero-tolerant approach to non-adherence to laws and regulations, which is communicated and reinforced to all employees. The Group prides itself on customer service surveys to clients and end employees annually. The Group relies on a combination of copyrights, trademarks, trade secrets and contractual restrictions to establish and protect its intellectual property rights in its products and services.

The Group has implemented procedures to ensure that necessary approvals are in place before any content is published and technology is designed.

Law and Regulatory Risk

The Group is exposed to legal and regulatory changes, customer requirements and preferences trends, and the emergence of new industry standards and practices. The Group's success requires it to continue updating and improving its products and services and develop new products and services in response to legislation, regulation, and standards changes. Although all customer contracts hold the customer responsible for the content served to their end users, there may be material inaccuracies in the Group's content that could harm customers or employees resulting in negative publicity, loss of customers and reduced business prospects.

Also, by the nature of its products and services, the Group may store its customers' sensitive data and is therefore at risk of failing to protect such data under the General Data Protection Regulation requirements in the UK and the EU ('GDPR').

Mitigation

The Group has dedicated staff and contracts with panels of industry experts responsible for understanding regulatory changes and ensuring that the Group's contents and services reflect the latest regulations. The Group has recently recruited a community champion responsible for building informal networks to improve the Company's intelligence in this area.

Economic Outlook

Both COVID and the Russia/Ukraine war have had a significant economic impact on the UK and many other economies, affecting government budgets and leading to rising cost inflation. The recent rescues of the Silicon Valley Bank and Credit Suisse in March 2023 could increase the likelihood of an economic downturn.

Mitigation

The Group operates in the non-discretionary regulatory compliance market. It has over 1,000 clients and is diversified across many sectors. While not immune from an economic downturn, the Group believes it is well-placed to weather any downturn in revenues. It can reduce certain expenditures and has healthy cash balances and no bank debt.

ESG

first mile

5,830
trees planted

583kg
plastic recycled

The Skillcast vision is to be the leading provider of digital training and technology for staff compliance by enabling companies to build ethical and resilient workplaces. We aim to lead by example and continuously improve our environmental, social and governance practices.

Environmental

Environmental consciousness continues to underpin the Skillcast office spaces. We achieved Carbon Neutral status in November 2022 by measuring and offsetting our emissions with 5830 trees planted and 583 kg of plastic recycled. Skillcast is committed to reducing our future carbon emissions.

We have finalised our carbon reduction plan by working with carbon accountants, Positive Planet. We aim to reduce our carbon footprint year after year by implementing the environmental initiatives outlined in our reduction plan.

Our digital learning and compliance solutions also help our customers to minimise their environmental impact, reducing their carbon footprint.

As a certified carbon-neutral company, Skillcast continues to be a strong proponent of recycling. We have achieved silver recycling status from First Mile with a 69% recycling rate. Furthermore, we regularly assess our suppliers, particularly energy providers, to ensure their green credentials.

We have consistently maintained our ISO 14001 certification since 2010. This certificate is a testament to the sustained value we place on environmental awareness. Skillcast continues to take active steps towards our goal of becoming a net zero company by 2035. Initiatives we are looking to support this goal include switching to 100% renewable energy tariffs and implementing environmental aspects to our procurement policy.

Social

We fulfil our social purpose by making the world a better place. Skillcast aims to do this by improving the behaviour of companies and their employees via digital compliance transformation.

To assess this impact, we engage with our customers through feedback surveys and focus groups to explore the relevance of our products in their workplaces. In conjunction with our customer surveys, Skillcast has committed to a few sponsorship programmes and donated to the charities closest to our customers' hearts.

We care about the health and well-being of our employees. Skillcast has been a Living Wage employer since 2019, ensuring that our employees and those in our supply chain receive a living wage. We have partnered with Transparency International (UK) to combat bribery by providing free anti-bribery training resources.

Skillcast is conscious of workplace equality and diversity, and our recent staff diversity survey reflects this. Furthermore, the company received a net promoter score of 88% in our staff satisfaction survey. Our internal controls and processes help improve social integrity by setting a standard for equal and fair treatment of employees for our customers, suppliers, and the broader corporate environment.

Skillcast aims to become a Net Zero company by 2035

Governance

Corporate governance is at the heart of what we do. We help companies engage with their employees to transform their workplace cultures with our e-learning, RegTech tools and compliance management system. We are committed to empowering our customers to achieve their ESG priorities.

Skillcast has established an ESG Committee, chaired by the Chair of the Audit Committee, to ensure we are embedding sustainability in the business. The ESG committee proposes and implements ESG initiatives on the Board's behalf and draws on input across the business. It is responsible for reporting on and monitoring progress.

We have outlined policies in line with our ESG objectives, including an ESG policy that defines our ESG objectives. To improve our approach to examining and disclosing ESG issues that matter to us, we have adopted the QCA Code as guidance which includes a formal annual review of Board effectiveness.

Skillcast is committed to fostering a diverse and inclusive workplace. We recognise that our employees come from a variety of backgrounds, cultures, and experiences.

A diverse workforce not only enhances our organisational performance but also enables us to serve our customers and clients better. We are dedicated to recruiting, developing, and retaining a diverse workforce at all levels of our organisation.

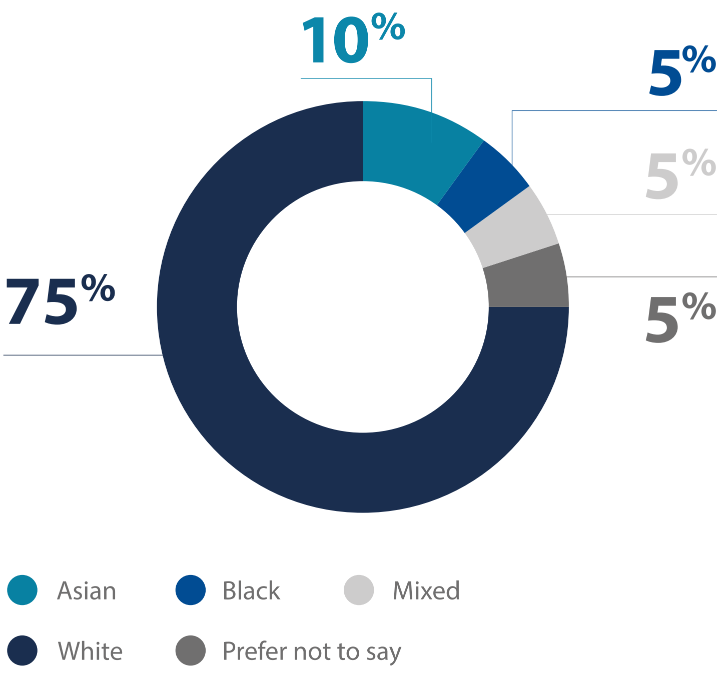
Equality, diversity, and inclusion is actively promoted through a culture where all employees feel valued, heard, and supported. Creating an environment that encourages open communication, collaboration, and mutual respect.

The progress we have made in driving diversity and inclusion, can be seen in the results of our recent employee survey.

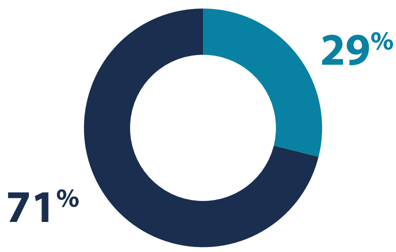
The Group is proud of its diverse employee base and has adopted hybrid and remote working where appropriate for many years

Ethnicity

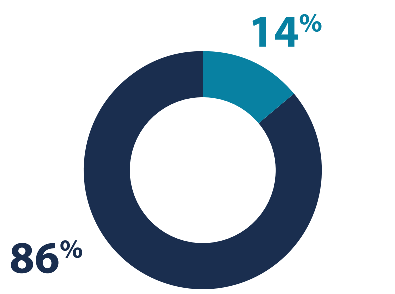
All Employees



Executive Management

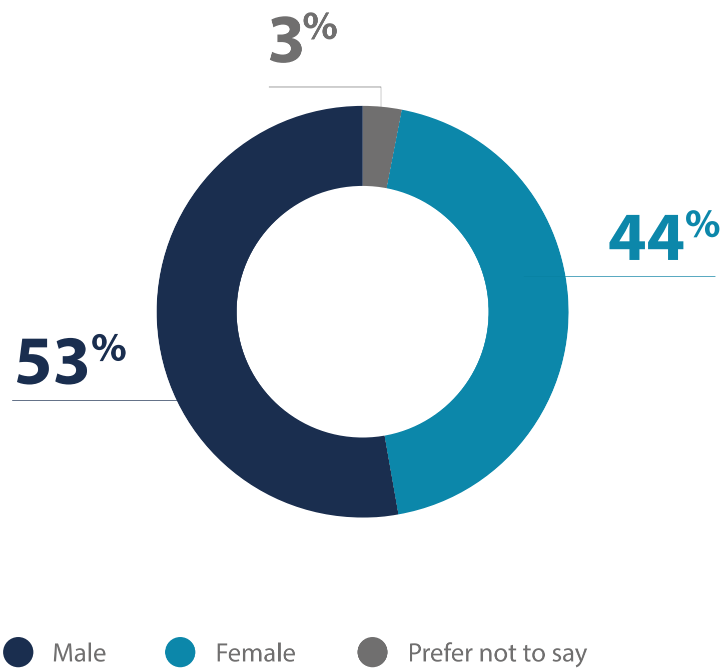


Board

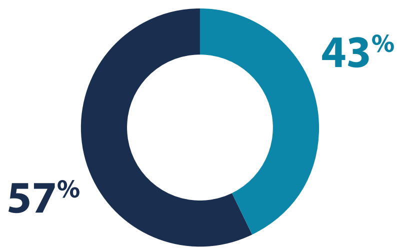


Gender

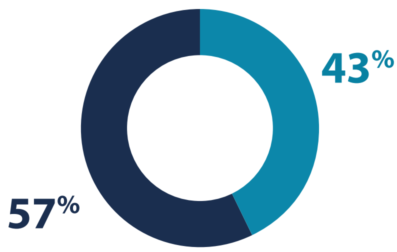
All Employees



Executive Management

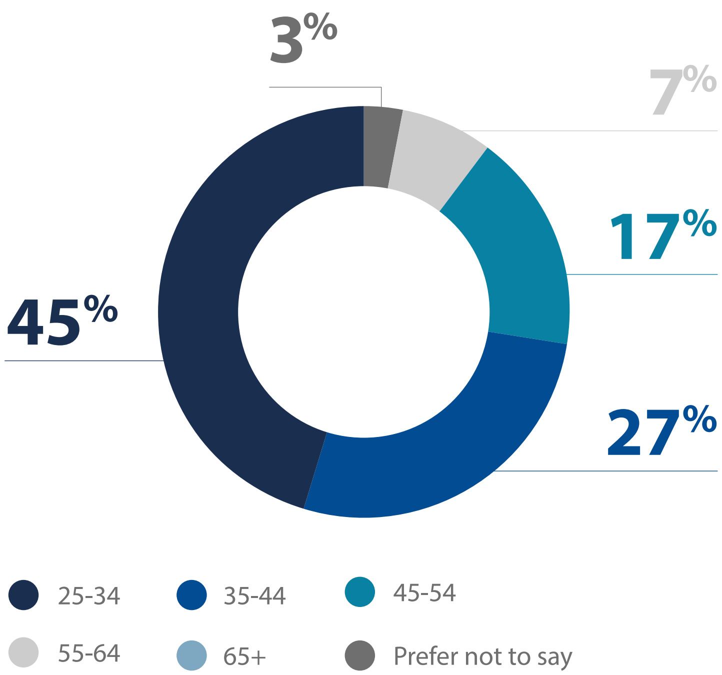


Board

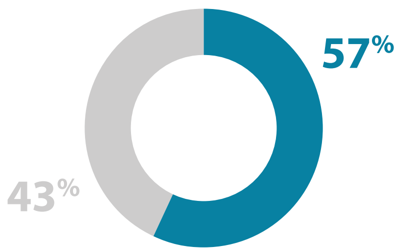


Age

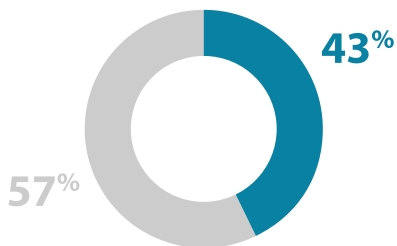
All Employees



Executive Management



Board



Corporate Governance Report

Board of Directors	46
Corporate Governance Statement	48
Section 172 Statement	54
Audit Committee Report	56
Remuneration Report	60
Directors' Report	66
Directors' Responsibilities Statement	70

Board of Directors

Richard Amos

Non-Executive Chairman

Richard is a Chartered Accountant who qualified with EY before moving into industry and then serving in several senior finance roles. Over the last 20 years, Richard has served as an executive on the boards of five companies listed on the London Stock Exchange, most recently as Chief Financial Officer of Wilmington plc, Chief Financial Officer of Plant Impact plc and Group Finance Director of Anite plc. He is currently an independent non-executive director at Thruvision Group plc (AIM: THRU). Richard is a member of the Company's audit and remuneration committees.

Vivek Dodd

Co-founder and Chief Executive Officer

Vivek is a co-founder of Skillcast. He has been creating regulatory courses and compliance tools for over two decades. Before Skillcast, he worked as an investment banker at JP Morgan and as a finance and compliance trainer. He has a Master's degree from the Massachusetts Institute of Technology and a Bachelor's degree from the Indian Institute of Technology and has been a CFA charter holder.

Catriona Razic

Co-founder and Chief Commercial Officer

Catriona is a co-founder of Skillcast. She has advised the Group's global clients on their compliance communication strategy for over twenty years. She leads the sales function to offer clients of all sizes Skillcast's solutions for their compliance and learning initiatives. Catriona previously worked in learning and development at Japanese securities house Nikko Securities and youth development charity Raleigh International. She holds a degree in Psychology and Economics.

Anthony Miller

Co-founder and Chief Technology Officer

Anthony is a co-founder of Skillcast. Over the last twenty years, he has led the design and development of the Group's award-winning technology products. He has worked with enterprise customers to deliver transformative training and compliance solutions tailored to their specific requirements. Anthony manages the Group's Application Development, IT Infrastructure, Product Management and Cyber Security teams. He has an Executive MBA from Cass Business School and a BSc in Economics from the London School of Economics.

Isabel Napper

Senior Independent Non-Executive Director

Isabel has over 25 years of experience advising clients in the technology and healthcare/life science areas, both public and private sector, leading on business development and managing regulatory issues, governance, risk and strategic change. Isabel was previously a Partner at the law firm Mills & Reeve LLP, where she acted as legal adviser and company secretary to several boards. She is currently a NED at Tristel plc (AIM: TSTL) and Keystone Law Group plc (AIM: KEYS). Isabel chairs the Company's remuneration committee and is a member of the Company's audit committee.

Richard Steele

Chief Financial Officer

Richard joined Skillcast in May 2022. He qualified as a Chartered Management Accountant. Richard has over 30 years of experience in commercial and operational finance roles in the professional services, food and retail sectors, including 15 years in board-level roles. His career started at Tate & Lyle plc, where he qualified as an accountant and worked for ten years from 1989. He was Finance Director at retailer White Stuff Limited from 2007 to 2012 and at Cook Trading Limited, the frozen ready meal retailer, from 2012 to 2018. Most recently, Richard was Chief Financial Officer of Mind Gym plc (AIM: MIND), the global provider of human capital and business improvement solutions, from its AIM admission in 2018 until the end of 2021. He is also currently a non-executive director of Actual Experience plc (AIM: ACT), where he sits on the remuneration committee and chairs the audit committee.

Sally Tilleray

Independent Non-Executive Director

Sally is a qualified Chartered Institute of Management Accountants (CIMA) accountant and an experienced UK public company director. She served as Group Chief Operating Officer and Group Chief Financial Officer at Huntsworth plc, the international public relations and healthcare communications group, from 2004 to 2014. She is an experienced marketing service agency executive and has been Non-Executive Chair of digital agency UNRVLD since 2020. She has been Non-Executive Director of NAHL plc (AIM: NAH), the consumer legal-focused marketing and services business, since 2019, Senior Independent Non-Executive Director of Mind Gym plc (AIM: MIND), an international behavioural science company delivering business improvement solutions to companies across the world since 2018 and since 2023 the Senior Independent Non-Executive Director of Fadel plc (AIM: FADL) the brand compliance, rights management and royalty billing software provider. Since 2022 she has been the Senior Independent Non-Executive Director of Nominet, the official registry for all UK domain names. Sally chairs the Company's audit committee and is a member of the Company's remuneration committee, a role she also holds at NAHL plc, Mind Gym plc and Fadel plc.

Corporate Governance Statement

This report to Shareholders sets out Skillcast's approach to corporate governance.

The Directors acknowledge the importance of high standards of corporate governance and, taking account of the Company's size, have developed its governance procedures accordingly. The Company is listed on AIM and is not required to comply with the UK Corporate Governance Code (the 'Code') provisions. However, the Directors have agreed to adopt, as far as practicable, many of the provisions contained in the Code. The Company formally reports against the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). Full details of how it complies with the QCA Code are available on the Company's website at **www.skillcast.com**.

Board of Directors

As at 31 December 2022, the Board is comprised of three Non-Executive Directors and four Executive Directors. Details of the directors in post and their biographies are included on pages 46 and 47.

The Role of the Board

The Board meets regularly and is responsible for providing effective leadership to promote the Company's long-term success and oversee its generation of shareholder value and contribution to the wider society. There is a formal list of matters reserved for the Board that may only be amended by the Board. The key responsibilities of the Board include the following:

- Setting the Company's vision and strategy
- Ensuring the necessary financial and human resources are in place to support the implementation of the strategy
- Maintaining the policy and decision-making process through which the strategy is implemented
- Providing entrepreneurial leadership within a framework of good governance and risk management
- Monitoring performance against key financial and non-financial indicators
- Responsibility for risk management and systems of internal control
- Setting values and standards in corporate governance matters

Division of responsibilities

The responsibilities of both the Chairman and CEO are clearly defined and understood:

- The Non-Executive Chairman, Richard Amos, has primary responsibility for leading the Board, facilitating the effective contribution of all members and ensuring that it operates effectively in the interests of the shareholders. In addition, he maintains a strong focus on governance to ensure good practice is embedded in the day-to-day operations with good flows in communication and reporting. He maintains a regular dialogue with the CEO to ensure the business receives the support from the Board necessary to progress the strategy. Shareholders have an opportunity to engage with the Chairman and the Board at the Company's AGM.
- The Chief Executive Officer (CEO), Vivek Dodd, is responsible for the day-to-day running of the business, which includes the implementation of the strategy. He is supported by an Executive Management Committee ("EMC"), which has management responsibility for the business operations and support functions. Relevant matters are reported to the Board by the CEO and, as appropriate, the Finance Director and other EMC members.

The role of the independent Non-Executive Directors is to:

- Provide oversight and scrutiny of the performance of the Executive Directors
- Constructively challenge to help develop and execute the agreed strategy
- Satisfy themselves as to the integrity of the financial reporting systems and the information they provide
- Satisfy themselves as to the robustness of the internal controls
- Ensure that the systems of risk management are robust and defensible
- Review corporate performance and the reporting of performance to shareholders

Board Support, Meeting Management and Attendance

The Board and its Committees meet regularly on scheduled dates. In leading and controlling the Company, the directors are expected to attend all meetings, and their attendance for the financial year 2022 is shown on page 51.

The Company Secretary plays a vital role in ensuring good governance and assisting the Chairman. Procedures are in place for distributing meeting agendas and reports to receive them in good time, with the appropriate information. Ahead of each Board meeting, the directors each receive reports which include updates on strategy, finance (including management accounts), operations, commercial activities, business development, technology and infrastructure, people, and legal and regulatory matters.

The directors may have access to independent professional advice at the Company's expense, where needed.

Board Committees

The Company has established an Audit Committee and a Remuneration Committee, each with formally delegated duties and responsibilities and with written terms of reference. The full Board covers the activities normally performed by a Nomination Committee.

Audit Committee

The Audit Committee comprises three Non-Executive Directors, Sally Tilleray as chair of the committee, Richard Amos and Isabel Napper. The Board is satisfied that the Committee members have recent and relevant experience. The Audit Committee will meet as often as required, which will be at least twice a year going forward.

A separate Audit Committee Report is included on pages 56 to 58.

The Committee's main functions include, among other things, reviewing the effectiveness of internal control systems and risk assessments; considering the need for an internal audit function; making recommendations to the Board about the appointment of the Company's auditors; determining in consultation with the Board as a whole the auditor's remuneration; and monitoring and reviewing the auditor's independence, objectivity, effectiveness and qualifications annually.

In addition, it monitors the integrity of the company's financial statements, including its annual and interim reports, financial results announcements and any other financial information provided to Shareholders. The Audit Committee is responsible for overseeing the Company's relationship with the external auditors as a whole and also considers the nature, scope and results of the auditors' work and reviews, and develops, recommends to the Board and implements policies on the supply of non-audit services that are to be provided by the external auditors.

The Audit Committee further focuses on compliance with legal requirements, accounting standards and the relevant provisions of the AIM Rules for Companies, ensuring that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts remain with the Board. The membership of the Audit Committee and its terms of reference will be reviewed on an annual basis.

Remuneration Committee

The Remuneration Committee comprises Isabel Napper as chair of the committee, Richard Amos and Sally Tilleray.

The Remuneration Committee's main functions include, among other things, determining and agreeing with the Board on the framework or broad policy for the remuneration of the Company's Chairman and Executive Directors; approving the design of and determining targets for any performance-related pay schemes operated by the Company and approving the total annual payments made under such schemes; reviewing the design of all share incentive plans for approval by the Board and Shareholders together with determining each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to Executive Directors, company secretary and other senior executives and the performance targets to be used; and determining the total individual remuneration package of the chairman, each executive director, the company secretary and other senior executives including bonuses, incentive payments and share options or other share awards.

The Report of the Remuneration Committee is included on pages 60 to 64.

Attendance at Meetings

All Committee and Board meetings held in the year were quorate. Director's attendance during the year ended 31 December 2022 was as follows:

	Board	Remuneration Committee	Audit Committee
Number of formal meetings held	**6**	**3**	**4**
Richard Amos[1, 2]	6	3	4
Vivek Dodd	6	N/A	N/A
Catriona Razic	6	N/A	N/A
Anthony Miller	6	N/A	N/A
Christopher Backhouse (resigned 11 May 2022)	2	N/A	N/A
Richard Steele (appointed 11 May 2022)	4	N/A	N/A
Isabel Napper[1, 2]	6	3	4
Sally Tilleray[1, 2]	6	3	4

[1] Remuneration Committee member

[2] Audit Committee member

Board Effectiveness

The Board performed a formal evaluation of its effectiveness shortly after the end of its first full year as a public company in February 2023 and will re-evaluate every year. The evaluation addressed the board composition and how it operates, its behaviours and its activities. The Board reviewed and discussed the outcomes and was satisfied that the Board and its sub-committees were generally working effectively. As is typical with small companies, it was noted that there is a need to mitigate the risk of dependency on certain executive directors and that progress was being made in this area.

The Senior Independent Director separately performed a formal evaluation of the Chair of the Board and shared the outcomes with the Board, confirming a high level of satisfaction.

Board Induction, Training and Development

When appointed, new Directors are provided with a full and tailored induction to introduce them to the business and management of the Group. Throughout their tenure, directors are given access to the Group's operations and staff and receive updates on relevant issues as appropriate, taking into account their qualifications and experience. This allows the directors to function effectively with appropriate knowledge of the Group.

The Board is satisfied that each director has sufficient time to devote to discharging his responsibilities as a director of the Company.

Re-election of Directors

The rules on appointment, re-appointment and retirement by rotation of Directors are contained in the Articles. A Director may be appointed by Shareholders' Ordinary resolution or by the Board. The current Articles require that all Directors are subject to election at the first AGM following their appointment and after that to re-election at least every three years. However, in line with governance best practice, all Directors submit themselves for re-election at the forthcoming AGM.

Stakeholder Engagement

The Board and its Committees recognise their responsibilities to shareholders and other stakeholders.

The Company communicates with shareholders through the Annual Report and Accounts, regulatory announcements, the AGM, and meetings with existing or potential new shareholders. Annual reports, other regulatory announcements, and related information are all available on the Company's website.

A list of the Company's significant shareholders can be found in the Directors' Report and in the investor section of the Company's website, updated following formal notifications of movements to the Company.

The Company maintains regular communication and dialogue with stakeholders, such as employees, customers, suppliers and regulators, to understand their needs and concerns and factor these requirements into its decisions and activities.

Internal Controls

The Board is ultimately responsible for the Group's internal control systems and for reviewing their effectiveness throughout the year. The systems are designed to manage rather than eliminate the risk of the failure to achieve the Group's strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board monitors financial controls by setting and approving an annual budget and regularly reviewing the monthly management accounts. Management accounts contain a number of indicators that are designed to reduce the possibility of misstatements in the financial statements.

Key elements of the internal control system are described below:

- Clearly defined management structure and delegation of authority to Board Committees and the Executive Management Committee
- High recruitment standards to ensure the integrity and competence of staff
- Regular and comprehensive information provided to management, covering financial and non-financial performance indicators
- A detailed budgeting process for the coming year for Board approval
- Monthly monitoring and re-forecasting of annual and half-yearly results against budget, with major variances, followed up, and management action is taken where appropriate
- Procedures for the approval of capital expenditure and investments
- Regular review and updating of the Group risk register, including the implementation of mitigating actions

The Board, with the assistance of the Audit Committee, has conducted its annual review of the effectiveness of the system of internal control based on a review of significant risks identified, external audits and reports from management and concluded that the system of internal control is adequate given the stage of the Group's development.

Annual General Meeting

The Company's Annual General Meeting will take place on Tuesday, 20 June 2023, at 1:00 pm at 80 Leadenhall Street, London, England, EC3A 3DH.

Section 172 Statement

The directors acknowledge their duty under s.172 of the Companies Act 2006 and consider that they have, individually and together, acted in a way that, in good faith, would promote the Company's success. This duty is for the benefit of the members as a whole, regarding the likely consequences of decisions in the long-term.

In addition, the Directors must have regard to:

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

The Group actively engages with its stakeholders to ensure we consider and respond to their interests.

As set out in the Corporate Governance Report, the Directors have met several times during the year ended 31 December 2022. Discussion topics at each meeting included review and approval of the annual budget, the Group's strategy and growth plans to measure the performance of the Group, including reviews of the monthly trading performance, reporting and KPI development, financing and capital spending, treasury management, employees and culture, Governance Regulatory requirements and risk including the impact of inflation on the Group.

The activities of the Company have been described further in the various reports from the Chairman, Chief Executive and Committee Chairs. In each case, employee impact, supplier and customer benefit and shareholder interests have weighed upon decisions made.

The Group employed an average of 100 people during the financial year ended 31 December 2022 (2021: 78). All company announcements were circulated to all staff members. Communications of note during the year included the key new product announcements, quarterly performance updates, new members of staff and retirements, cost of living one-off support payment, new procedures and governance processes.

Going Concern

After making appropriate enquiries, the Directors have, when approving the financial statements, formed a judgement that there is a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

This conclusion is based on a review of the resources available to the Group, taking account of the Group's financial projections together with its available cash.

In reaching this conclusion, the Board has considered the magnitude of potential impacts resulting from uncertain future events or changes in conditions, the likelihood of their occurrence and the likely effectiveness of mitigating actions that the Directors would consider undertaking.

Audit Committee Report

Composition and Responsibilities

The Audit and Risk Committee ("the Committee") is comprised of three Non-Executive Directors: Sally Tilleray (Chairperson), Richard Amos and Isabel Napper.

All Committee members are considered by the Board to be independent directors of the Company and to have appropriate skills and expertise to enable them to carry out their roles effectively.

All three members of the Committee have a mix of knowledge and skills gained through their experience in business, including risk management and industry sector experience. The Board agrees that at least one member of the Committee should have recent and relevant financial experience, and both Sally Tilleray and Richard Amos meet these requirements.

Only members of the Committee have the right to attend Committee meetings. The CEO and CFO are invited to attend all meetings, while other senior management may also attend by invitation as appropriate. The Committee has unrestricted access to the Group's external auditors, who are routinely invited to the meetings to discuss the planning and conclusions of their work.

The Committee meets at least twice a year, scheduled according to the timing of the Company's half-year and full-year results, with additional meetings held as required.

Activities During the Year

The Committee met four times during the year, with all members of the Committee present at each meeting.

The Committee reviewed and updated its terms of reference in October 2022, which were approved by the Board and are published on the Company's website.

The Committee works on a planned programme of activities focused on key events in the annual financial reporting cycle and other matters that are included in its terms of reference. It provides oversight and guidance to contribute to the ongoing good governance of the business, particularly by assuring that shareholders' interests are being properly protected by appropriate financial management, reporting and internal controls.

Financial Reporting

The Committee reviewed the half-year and annual financial statements. As part of this review, the Committee discussed the financial statements with the external auditor and management and considers the appropriateness of the accounting principles, the reasonableness of significant accounting judgements and the clarity of disclosures in the financial statements. The Committee reviewed and challenged the external auditor's report on these matters.

The Committee also considered management's assessment of going concern concerning the Group's cash position and commitments for the next 12 months.

In fulfilling its responsibility for monitoring the integrity of financial reports to shareholders, the Committee gave due consideration as to whether the Annual Report and Accounts are fair, balanced and understandable.

The coordination and review of the Group-wide input into the Annual Report and Accounts is a sizeable exercise and runs alongside the formal audit process undertaken by external Auditors. It is designed to arrive at a position where initially the Committee, and then the Board, is satisfied with the overall fairness, balance and clarity of the document and is underpinned by the following:

- Detailed guidance issued to contributors at operational levels;
- A verification process dealing with the factual content of the reports;
- Thorough review undertaken at different levels that aims to ensure consistency and overall balance; and
- Comprehensive review by the senior management team.

External Auditors

The Committee oversees the relationship with the external auditors and monitors all their services and fees payable to them. The Committee considers various matters when reviewing the ongoing appointment of an external auditor, including their performance in conducting the audit and its scope and planning, terms of engagement including remuneration, and their independence and objectivity.

Crowe UK LLP was reappointed as external auditors at the Company's Annual General Meeting in June 2022. The Audit Committee has confirmed it is satisfied with Crowe UK LLP's knowledge of the Company and its effectiveness as an external auditor. As such, the Audit Committee has recommended the reappointment of Crowe UK LLP to the Board, and there will be a resolution to this effect at the forthcoming Annual General Meeting.

Risk Management and Internal Controls

The Committee has oversight of the internal financial controls and risk management systems. During the year, the Committee:

- Reviewed the principal risks and the developments of the risk management framework. This included reviewing and approving the terms of reference of an executive management risk sub-committee;
- Reviewed the updated Group's Financial Position and Prospects Board Memorandum, including the delegation of authority and Group policy frameworks;
- Reviewed the Group's insurance policies;
- Considered the Group's whistleblowing policy; and
- Reviewed the requirement for an internal audit function and determined this was not deemed necessary due to the relatively small size of the Group.

Annual General Meeting

As Chair of the Committee, I will be attending the forthcoming Annual General Meeting of the Company and will be pleased to respond to shareholder questions on the Committee's activities.

Sally Tilleray | Audit and Risk Committee Chair
25 April 2023

Remuneration Report

Composition of the Remuneration Committee

The Chair of the Committee is Isabel Napper, and the other members of the Committee are Richard Amos and Sally Tilleray.

The Committee met three times during the year, and all committee members attended all the meetings.

Role of the Remuneration Committee

The Remuneration Committee's main functions include determining the policy and amount of the remuneration of the Executive Directors and other senior executives, including bonuses, incentive payments and share options. The Committee also reviews the design of all share incentive plans and the number of awards made each year.

Remuneration Policy

The Group's policy aims to provide Executive Directors with a competitive market-aligned package to reward individual and Group performance and deliver outstanding shareholder returns. The Committee benchmarks packages against organisations of a similar size and in a similar sector.

The Committee is committed to ensuring that the Company's key executive team is incentivised to drive sustainable earnings growth and returns to shareholders, thereby creating a genuinely strong alignment of interests between management and investors.

Executive directors based in the UK received an employer pension contribution of 3% of their salary.

An annual bonus scheme is in place based on achieving revenue growth targets in the year.

A share option plan is in place for non-founder executive directors.

Remuneration of Executive Directors

During the year under review, the Executive Directors received a basic salary, a bonus, a company car (where appropriate) and pension fund contributions which are set out in the table shown on page 62.

In 2022 the bonus scheme included a base-level bonus and a stretch bonus. The stretch-level bonus targets were not met.

For 2023 the scheme has been revised and provides three levels of bonus: a base level, paid subject to the Committee's discretion, an "on target" bonus and a maximum bonus. The collective cost of the maximum bonus equates to 72% of the collective base salaries for all the Executive Directors.

In addition, Richard Steele was granted share options as part of an annual policy. Further details of which are set out on page 63.

Share Awards

Awards have been made under the newly created Enterprise Management Incentive Share Option Plan ('EMI Plan') as noted above and which are detailed on page 63 of this report. Performance conditions did not apply to awards made before 31 December 2021. Non-qualifying awards are made where no other qualifying awards can be made under the EMI Plan or where awards are to be made to overseas or other ineligible employees. Awards made under the scheme are set out on page 63 of this report.

One award was made during the year to Richard Steele. On 22 June 2022, he was granted 360,000 qualifying EMI options at an exercise price of 24 pence. 241,200 of these options have no performance conditions and vest on the anniversary of the grant date over four years in equal instalments. The remaining 118,800 qualifying options vest over four years in equal instalments from 31 December 2022 to 31 December 2025, subject to the latest published Annualised Recurring Revenue being equal to or greater than five times the Enterprise Value of the Group. This performance condition was not met in 2022. The options do not lapse but are rolled forward into the following year's test.

Chris Backhouse was granted 80,000 options on 1 December 2021 at 37 pence. He resigned as a director of the Company on 11 May 2022 and ceased employment on 30 November 2022. The Committee agreed that these options would not lapse but continue to vest as if he remained in employment until 1 December 2025.

For 2023 the scheme has been revised and provides three levels of bonus: a base level, paid subject to the Committee's discretion, an "on target" bonus and a maximum bonus

Remuneration of the Non-Executive Directors

The remuneration of the Non-Executive Directors comprises fixed fees which are set by the Board. Advice is taken on appropriate levels considering the development of the Group, market practice, time commitment and responsibility.

The Non-Executive Directors received non-qualifying share options as part of a one-off event on the flotation of the Group. It is not intended to grant any further awards. The Board believes that the amount of those awards was insignificant and therefore did not compromise the independence of the Directors.

Directors' Remuneration for the Year Ended 31 December 2022

	Basic Salary/ Fees 2022 £'000	Pension 2022 £'000	Other 2022 £'000	Benefits 2022 £'000	Bonus 2022 £'000	Remuneration 2022 £'000	Remuneration 2021 £'000
Executive Directors							
Vivek Dodd *	96	0	1	0	0	97	96
Catriona Razic	110	4	1	4	85	204	199
Anthony Miller	110	4	1	5	85	205	199
Chris Backhouse ** (resigned 11 May 2022)	26	1	55	0	–	82	8
Richard Steele *** (appointed 11 May 2022)	115	3	1	0	27	146	
Non-Executive Directors							
Richard Amos	72	0	0	0	0	72	36
Sally Tilleray	40	0	0	0	0	40	17
Isabel Napper	40	0	0	0	0	40	17
Total	**609**	**12**	**59**	**9**	**197**	**886**	**572**

* Vivek Dodd does not receive any pension contributions, and there is no requirement for the Company to make any, as he is not resident in the UK.

** Chris Backhouse resigned as a director of the Company on 11 May 2022 and ceased employment on 30 November 2022. He is a director of Enterprise FD Ltd. The Group made payments to Enterprise FD Ltd for financial director and related services of £55,190 in the year ended 31 December 2022 (2021: £151,630).

*** Richard Steele was appointed as a director on 11 May 2022. His base salary was set at £180,000.

Service Contracts

The Executive Directors are subject to service contracts with a notice period of one year for Catriona Razic and Anthony Miller and six months for Vivek Dodd and Richard Steele. Payments on termination for Executive Directors, other than on the grounds of incapacity or circumstances justifying summary termination, are restricted to the value of any unexpired notice period and the cost of providing other contractual benefits during the unexpired notice period.

The Non-Executive Directors are appointed for a fixed period of three years and may be terminated by either party giving to the other not less than three months' notice.

Directors Share Awards Under the Share Option Plan as at 31 December 2022

	At 1/1/2022	Awarded During the Year	Lapsed During the Year	Exercised During the Year	At 31/12/2022	Grant Date	Exercisable From	Exercise Price
Executive								
Richard Steele	nil	360,000	nil	nil	360,000	22/6/22	22/6/23-22/6/26	24p
Former Executive								
Chris Backhouse	80,000	nil	nil	nil	80,000	1/12/21	1/12/22 to 1/12/25	37p
Non-Executive								
Richard Amos	80,000	nil	nil	nil	80,000	1/12/21	1/12/22 to 1/12/25	37p
Sally Tilleray	50,000	nil	nil	nil	50,000	1/12/21	1/12/22 to 1/12/25	37p
Isabel Napper	50,000	nil	nil	nil	50,000	1/12/21	1/12/22 to 1/12/25	37p
Total	**260,000**	**360,000**	**nil**	**nil**	**620,000**			

Awards made before 2022 under the non-qualifying plan are not subject to performance conditions.

Directors' interests in Shares

Three Executive Directors, as founders of the business, hold a significant stake in the shares of the Company.

The interests of the Directors at the end of the year in the Share capital of the Company were as follows:

	As at 31 December 2022	As at 31 December 2021
Executive		
Vivek Dodd	52,459,459	52,459,459
Catriona Razic	4,924,324	4,924,324
Anthony Miller	7,124,324	7,124,324
Richard Steele *	nil	nil
Non-Executive		
Richard Amos **	67,568	67,568
Sally Tilleray	54,054	54,054
Isabel Napper	54,054	54,054

* Richard Steele was appointed as a director on 11 May 2022. Richard Steele purchased 56,497 shares at 17.7 pence on 27 January 2023.

** Richard Amos purchased a further 25,070 shares at 21.95 pence on 27 February 2023 to take his beneficial interest to 92,638 shares.

Isabel Napper | Chair, Remuneration Committee
25 April 2023


Lenovo

Directors' Report

The Directors of Skillcast Group plc (the 'Company') present the Annual Report to Shareholders together with the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2022.

Final dividend of 0.279p per share proposed

Principal Activities

The Company is the ultimate parent of Inmarkets Ltd, Inmarkets Group Ltd and Inmarkets International Ltd. This report and financial statements reflect the activities and transactions of the Company and consolidate the other group companies ("Group"). The Company is primarily involved in providing management services to other entities in the group. The Group is primarily involved in providing clients with staff compliance training and the ability to demonstrate compliance with various laws, regulations and standards relevant to the business.

Review of Business

A full review of the Group's activities during the year, recent events and future developments are contained in the Chairman and CEO statements on pages 10 and 14.

Dividends

The Board recognise the importance of dividend distributions to shareholders, and the Company has a history of regular dividend distributions. The policy of the Board is to maintain dividend distributions at least at the level paid in recent history.

During the year under review, the Group declared and paid an interim dividend of 0.168p per share.

At the AGM on 20 June 2023, the Board will propose a final dividend of 0.279p per share. In combination with the interim dividend, this represents a total distribution of 0.447p per share or £0.4 million, which was in line with the dividend in 2021. If approved by shareholders, the final dividend is expected to be paid on 21 July 2023 to investors on the register at 30 June 2023.

The business increased prices by 10% to new customers in June 2022 and to existing customers in January 2023

Future Developments

The directors consider that the year-end financial position was satisfactory. The reduction in profitability in the year, despite continued sales growth, was in line with the Board's investment strategy to accelerate future growth.

Financial Risk Management

The successful management of risk is essential to enable the Group to achieve its objectives. The ultimate responsibility for risk management rests with the directors who evaluate the Company's risks and formulate policies for identifying and managing such risks. There are a number of financial risks that could potentially impact the Group's activities, including, but not limited to, the following: credit risk, foreign currency risk, liquidity risk, etc. The Group's objective in managing such risks is the creation and protection of shareholder value. To manage and mitigate such risks, the Group employs a number of risk management tools in its day-to-day operation.

Post Balance Sheet Events

No reportable events have occurred from 31 December 2022 to the date of this report.

Ukraine/Russia War

The business has no dealings in either Ukraine or Russia and no clients from either country. Accordingly, it does not expect to see an impact outside of the effect of any general impact on the wider business/economic environment.

Inflation and the Higher Cost of Living

The business operates in the compliance/non-discretionary market and is therefore relatively resilient to adverse economic conditions. To support its financial standing, the business increased prices by 10% to new customers in June 2022 and to existing customers from January 2023. The business paid all employees, excluding non-executive directors, a £1,000/€1,000 bonus in November 2022 to support cost of living increases and salary increases averaging 5% in January 2023.

Banking Industry Instability and Potential Economic Impact

The recent bank rescues of Silicon Valley Bank and Credit Suisse in March 2023 could indicate further instability in the banking industry, which could have wider ramifications on the UK and global economy. With 55% of revenues derived from financial services, the Group acknowledges that while the sector of regulatory compliance that the Group operates in is a resilient market, any significant structural changes to the banking industry could have an impact on the Group.

Substantial Shareholdings

As at 31 December 2022, the significant shareholdings of 3% or more in the company's existing issued share capital are:

Name	Number of Shares	Shareholding (%)
Vivek Dodd[1]	53,099,459	59.36
Anthony Miller	7,124,324	7.96
Gurmakh Minhas	5,189,190	5.8
Catriona Razic	4,924,324	5.5
Canaccord Genuity Inc	4,244,629	4.74
Gresham House Asset Management Limited	4,244,629	4.74

[1] Including 640,000 Ordinary Shares held by a related party.

Directors

Details of the directors of the Company who held office during the year and at the year-end are set out on pages 46 to 47. On 11 May 2022, Chris Backhouse, CFO, ceased being a director and ceased being employed on 30 November 2022. On 11 May 2022, Richard Steele joined as Group as CFO and was appointed a director.

Directors' Interests

Details of the interests in the shares of the Company of the directors holding office as at the date of this report, and their immediate families, appear in the Remuneration report.

No director had a material interest in any significant contract with the Company or any of its subsidiaries during the year. Chris Backhouse, who resigned as a director on 11 May 2022, remained a director if Enterprise FD Ltd, a company that provided services to the Group as stated in note 6 of the Group's consolidated financial statements. Procedures for dealing with directors' conflicts of interest are in place and are operating effectively.

Directors' and Officers' Indemnities and Insurance

The Company maintains liability insurance for its directors and officers.

Stockbrokers

Allenby Capital was the Company's Nomad and stockbroker at the year-end. The closing share price on 31 December 2022 was 18 pence per share.

Disclosure of Information to Auditors

So far as each Director in office at the date of approval of this report is aware, there is no relevant audit information of which the Company's external auditor (Crowe U.K. LLP) is unaware.

Each of the Directors has taken all steps that they ought to have taken in performing their roles as Directors to exercise due care, skill and diligence in order to make themselves aware:

(i) of any relevant audit information and

(ii) to establish that the Company's external auditor is aware of such information.

For the purposes of this statement on disclosure of information to the external auditor, 'relevant audit information' is the information needed by the Company's external auditor in connection with the preparation of its report.

Auditors

Crowe U.K. LLP has expressed its willingness to continue as auditor of the Company. A resolution to re-appoint Crowe U.K. LLP as the Company's auditor will be put to the forthcoming AGM.

Approved by the Board of Directors and signed by order of the Board:

Richard Steele | Chief Financial Officer
25 April 2023

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

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

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable.
- State whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that 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.

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 the legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website are the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement of Disclosures to Auditors

So far as each of the Directors at the date of approval of this report are aware;

(a) there is no relevant audit information of which the Company's auditors are unaware; and

(b) they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Forward-Looking Statements

This document contains certain forward-looking statements. The forward-looking statements reflect the knowledge and information available to the Company and Group during the preparation and up to the publication of this document. By their very nature, these statements depend upon circumstances and relate to events that may occur in the future and thereby involving a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company or Group.

Approved by the Board of Directors and signed by order of the Board:

Richard Steele | Chief Financial Officer
25 April 2023


TAX

Financial Statements

Independent Auditor's Report	74
Consolidated Financial Statements	80
Notes to the Consolidated Financial Statements	84
Company Financial Statements	112
Notes to the Company Financial Statements	116

Independent Auditor's Report to the Members of Skillcast Group PLC

Opinion

We have audited the financial statements of Skillcast 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 for the year ended 31 December 2022;
- The consolidated and Company statements of financial position as at 31 December 2022;
- The consolidated and Company statements of cash flows for the year then ended 31 December 2022;
- The consolidated and Company statements of changes in equity for the year then ended; and
- The notes to the financial statements, including 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 Company financial statements is applicable law and UK-adopted International Accounting Standards. In our opinion the financial statements:

- Give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- Have been properly prepared in accordance with UK-adopted International Accounting Standards;
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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's and Parent Company's ability to continue to adopt the going concern basis of accounting included the following procedures;

The going concern assessment period used by the Directors was at least 12 months from the date of the approval of the financial statements. We assessed the appropriateness of the approach, assumptions and arithmetic accuracy of the model used by management when performing their going concern assessment.

We evaluated the Directors' assessment of the Group and the Company's ability to continue as a going concern, including tested the integrity of the going concern model, reviewed and challenged the underlying data and key assumptions used to make the assessment. Additionally, we reviewed and considered potential downside scenarios and the resultant impact on available funds, to assess the reasonableness of economic assumptions on the Group's solvency and liquidity position.

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's and 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 of our Audit Approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £90,000 (2021: £50,000), based on approximately 1 percent of the Group revenue. This benchmark is a change from prior year due to the impact on the EBITDA of the group's planned investment programme. Given the nature of the

Company's activities we consider that the most appropriate benchmark to be a combination of the revenue and the profit or loss for the year. Materiality for the Parent Company financial statements as a whole was set at £25,000 (2021: £20,000) based on 5% of the Company's profit before tax. We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This is set at £67,500 (2021: £37,500) for the group and £18,750 (2021: £15,000) for the parent.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £9,000 (2021: £3,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

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 two significant components, being the principal operating subsidiaries, Inmarkets Limited and Inmarkets International Limited. Our group audit strategy focused on the parent company and both of the significant components, which were subject to a full scope audit. The audit of Inmarkets International Limited was performed in Malta by a local Crowe member firm who acted as component auditors. All Group companies were within the scope of our audit testing.

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. These matters included 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.

This is not a complete list of all risks identified by our audit.

Key Audit Matter	How the Scope of our Audit Addressed the Key Audit Matter
Revenue recognition – See note 4.	We assessed the revenue recognition policy against the 5-step model of IFRS 15 to assess the compliance of the accounting policy.
The Group generated revenues of £9.8m as detailed in note 4 based on the Groups revenue recognition policy. In applying IFRS 15 "Revenue from Customers" to the Groups contracts particular consideration was given regarding; • The identification of the performance obligations within the contracts and the point at which performance obligations are satisfied and revenue is recorded. • The allocation of the transaction price in instances where the transaction price has to be split to include the deferred income amounts for the periods in which the performance obligations are yet to be fulfilled. Given the above we considered this area to represent a significant audit risk and key audit matter.	We agreed a sample of revenue transactions in the year to the supporting contracts, invoices, cash receipts and other relevant sales documents. We obtained and reviewed customer orders and contracts for a sample of customers to assess the appropriateness and application of the revenue recognition policy. Specific consideration was given to the identification of the performance obligations and the time or circumstances at which they are satisfied per the agreements. We reviewed disclosures and accounting policies for compliance with IFRS 15.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other Information

The directors are responsible for the other information contained within the annual report. 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 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.

Opinion on Other Matter Prescribed by the Companies Act 2006

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

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

Matters on which we are Required to Report by Exception

In light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of the Directors for the Financial Statements

As explained more fully in the directors' responsibilities statement set out on page 70, 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 Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We obtained an understanding of the legal and regulatory frameworks within which the Group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to management override risks included enquiries of management about their own identification and assessment risk of irregularities, testing a risk-based selection of journals, reviewing accounting estimates for biases, assessing the accounting treatment of non-routine transactions, corroborating amounts and balances recognised to supporting documentation on a sample basis and ensuring accounting policies are appropriate under IFRS's and applicable law.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

Leo Malkin | Senior Statutory Auditor

For and on behalf of

Crowe U.K. LLP
Statutory Auditor

55 Ludgate Hill
London
EC4M 7JW

25 April 2023

Consolidated Financial Statements

Skillcast Group PLC – Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Note	2022 £	2021 £
Revenue	**4**	**9,830,431**	**8,408,056**
Cost of sales		**(2,942,092)**	**(2,476,708)**
Gross profit		**6,888,339**	**5,931,348**
Administrative expenses		(7,442,068)	(5,853,792)
Operating profit		**(553,729)**	**77,556**
EBITDA	**3**	**(316,314)**	**360,345**
Adjustment items	3	–	695,472
Adjusted EBITDA	**3**	**(316,314)**	**1,055,817**
Other income		3,013	1,650
Finance income		15,996	393
Finance expense		(21,307)	(18,953)
Profit before tax	**5**	**(556,027)**	**60,646**
Income tax rebate	7	144,237	316,984
Profit after tax and total comprehensive income		**(411,790)**	**377,630**
Earnings per share:			
Basic	18	-0.460p	0.467p
Diluted	18	N/A	0.465p
EPS Basic Adjusted	18	-0.460p	1.328p

The notes on pages 84 to 110 form an integral part of the financial statements.

Skillcast Group PLC – Consolidated Statement of Financial Position

As at 31 December

	Note	2022 £	2021 £
Assets			
Non-current assets			
Property, plant and equipment	10	254,288	276,697
Right-of-use assets	11/20	616,024	582,517
Deferred tax assets	15	11,999	4,745
		882,311	**863,959**
Current assets			
Trade and other receivables	8	3,330,574	3,798,823
Cash and cash equivalents	9	7,704,003	7,856,126
		11,034,577	**11,654,949**
Total assets		**11,916,888**	**12,518,908**
Issued capital and reserves attributable to owners			
Share capital	16	89,459	89,459
Share Premium		3,490,541	3,490,541
Share Option Reserve	21	223,331	17,000
Retained earnings		2,812,695	3,624,369
Total equity		**6,616,026**	**7,221,369**
Liabilities			
Current liabilities			
Trade and other payables	12	1,199,370	1,440,550
Contract liability	13	3,437,764	3,037,184
Current lease liabilities		188,586	182,366
Income tax payable	14	16,320	176,134
		4,842,040	**4,836,234**
Non-current liabilities			
Long-term lease liabilities	22(a)(iii)	458,822	461,305
		458,822	**461,305**
Total liabilities		**5,300,862**	**5,297,539**
Total equity and liabilities		**11,916,888**	**12,518,908**

The notes on pages 84 to 110 form an integral part of the financial statements.

The financial statements on pages 80 to 81 were approved and authorised for issue by the Board of Directors on 25 April 2023.

Signed on behalf of the Board of Directors by

Vivek Dodd | Director
25 April 2023

Skillcast Group PLC – Consolidated Statement of Changes in Equity

For period ended 31 December 2022

	Share Capital	Share Premium Paid	Share Option Reserve	Retained Earnings	Total Equity
01 January 2021	**2,000**	–	–	**3,874,738**	**3,876,738**
Comprehensive income for the period					
Profit	–	–	–	377,630	377,630
Total comprehensive income for the period	–	–	–	**377,630**	**377,630**
Total contributions by and distributions to owners					
Capitalisation of Profit and Loss	78,000	–	–	(78,000)	–
Shares issued on admission to AIM	9,459	3,490,541	–	–	3,500,000
Share Option Reserve	–	–	17,000	–	17,000
Dividends – prior Year	–	–	–	(400,000)	(400,000)
Dividends – current Year				(150,000)	(150,000)
Total contributions by and distributions to owners	**87,459**	**3,490,541**	**17,000**	**(628,000)**	**2,967,000**
31 December 2021	**89,459**	**3,490,541**	**17,000**	**3,624,368**	**7,221,368**
01 January 2022	**89,459**	**3,490,541**	**17,000**	**3,624,368**	**7,221,368**
Comprehensive income for the period					
Profit	–	–	–	(411,790)	(411,790)
Total comprehensive Income for the period	–	–	–	**(411,790)**	**(411,790)**
Total contributions by and distributions to owners					
Share Option Reserve	–	–	206,331	–	206,331
Dividends – prior Year	–	–	–	(249,592)	(249,592)
Dividends – current Year				(150,292)	(150,292)
Total contributions by and distributions to owners	–	–	**206,331**	**(399,884)**	**(193,553)**
31 December 2022	**89,459**	**3,490,541**	**223,331**	**2,812,694**	**6,616,025**

The notes on pages 84 to 110 form an integral part of the financial statements.

Skillcast Group PLC – Consolidated Statement of Cash Flows

For the year ended 31 December

	2022 £	2021 £
Cash flows from operating activities		
Profit before tax	(556,027)	60,646
Adjustments for:		
Depreciation of property, plant and equipment	88,405	84,668
Amortisation of right-of-use assets	149,010	198,121
Finance income	(15,996)	(393)
Share based payment	206,331	17,000
Finance expense	21,307	18,953
	(106,970)	**377,345**
Decrease/(increase) in trade and other receivables	468,248	(324,474)
Increase in trade and other payables, including contract liabilities	159,399	1,456,609
Cash generated from operations	**520,677**	**1,509,480**
Income taxes paid	(22,831)	(10,629)
Net cash flows from operating activities	**497,846**	**1,498,851**
Investing activities		
Purchases of property, plant and equipment	(65,995)	(242,612)
Interest received	15,996	393
Net cash used in investing activities	**(49,999)**	**(240,569)**
Financing activities		
Principal paid on lease liabilities	(178,779)	(133,007)
Dividends paid	(399,884)	(550,000)
Share Issued	–	3,500,000
Interest paid on lease liabilities	(21,307)	(18,953)
Net cash (used) in/from financing activities	**(599,970)**	**2,798,040**
Net (decrease)/increase in cash and cash equivalents	**(152,123)**	**4,056,322**
Cash and cash equivalents at beginning of period	**7,856,126**	**3,799,804**
Cash and cash equivalents at end of period	**7,704,003**	**7,856,126**

The notes on pages 84 to 110 form an integral part of the financial statements.

Notes to the Consolidated Financial Statements

1

General Information

Skillcast Group PLC ('Company') is registered in the United Kingdom with registration number 12305914 and is limited by shares. Its registered office is at 80 Leadenhall Street, London, England, EC3A 3DH. The Company is the ultimate parent of Inmarkets Ltd, Inmarkets Group Ltd and Inmarkets International Ltd.

This report and financial statements reflect the consolidated activities and transactions of the Company and other group companies ('Group').

Up to 28 July 2021, the Company was a private limited company. On 28 July 2021, the Company re-registered as a public company as Skillcast Group PLC. The Company did this in preparation for admission to the AIM market of the London Stock Exchange. On 1 December 2021, the Company's ordinary shares were admitted to trading on AIM.

The Company is primarily involved in providing management services to other entities in the group. The Group provides software and content subscriptions and related professional services to enable companies to transform their staff compliance. Operating from its two bases, in

London and Malta, the Group helps companies across a broad spectrum of industry sectors in the UK, EU and in the rest of the world, to train their staff and demonstrate compliance with various laws, regulations, and standards that are relevant for their business.

2.1

Basis of Preparation and Statement of Compliance

These financial statements have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. They have been prepared under the historical cost convention and on a going concern basis. The financial statements are presented in Pounds Sterling, which is the Group's presentation currency.

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.

Business combinations other than the share for share acquisition of Inmarkets Group Ltd by Skillcast Group PLC in 2019 are 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 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. Intragroup 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.

2.2

Changes in Accounting Policies and Disclosures

The Company has adopted all the new or amended UK-adopted International Accounting Standards and Interpretations that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted for the annual reporting period ended 31 December 2022. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

2.3

Summary of Significant Accounting Policies

Revenue Recognition

Software as a Service (SaaS) Subscriptions

The Group provides subscriptions to its content and technology products to clients for subscription periods that are typically twelve months.

Revenue is recognised evenly over the contractual period of the subscription as the client simultaneously receives and consumes the benefits of the Group's services.

The balance of the revenue which has not been recognised at the reporting date is deferred as a contract liability in current liabilities, until it is due to be recognised as revenue.

Where a contract includes multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling prices.

Professional Services

The Group provides customised and standard content to its clients provided under fixed-price contracts which is generally non-recurring revenue.

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 client is simultaneously receiving and consuming the benefits of the Group's services as it performs.

Business development costs incurred as part of a bid or tender process are expensed as incurred. There are no material costs incurred during the period between the contract being awarded and service delivery commencing.

For fixed-price contracts, the client pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, an amount recoverable on contract assets is recognised. Conversely, if the payments exceed the services rendered; a liability is recognised.

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

Segmentation

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 Group), in order to allocate resources to the segment and to assess its performance. The Directors of the Group consider the Group is organised as one business unit and all assets, liabilities, revenues, and expenditures are retained and recorded as such.

However, the Group does segment revenue by type of revenue, namely SaaS subscriptions and Professional Services, and on a geographic basis.

Foreign Currencies

The financial statements are presented in the Company's functional currency, Pounds Sterling, being the currency of the primary economic environment in which the Group operates. Transactions denominated in currencies other than the functional currency is translated at the rates of exchange ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in the statement of comprehensive income, except in the case of significant exchange differences arising on investing or financing activities, which are classified within investment income, investment losses or finance costs as appropriate.

Taxes

Current and deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also dealt with in other comprehensive income or in equity, as appropriate.

Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed, and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

Current tax assets and liabilities are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to set off its current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets 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 liabilities or assets are expected to be settled or recovered.

In Malta, Inmarkets Group Ltd can reclaim a proportion of the corporation tax paid by its subsidiary, Inmarkets International Ltd, if it meets certain criteria laid down by the Maltese tax authorities. The criteria include that the relevant corporation tax has been paid by Inmarkets International Ltd and that dividends to Inmarkets Group Ltd have been declared by Inmarkets International and are payable to non-Maltese tax resident shareholders. It is Group policy to fully reclaim Maltese corporation tax permissible and to recognise this income in Inmarkets Group Ltd based upon dividends declared, or that will be declared once tax returns are completed, for the financial year. The reclaimed corporation tax is presented as netted off with the income tax expense and in other receivables.

Property, Plant, and Equipment

The Group's property, plant and equipment is classified as furniture and fittings, computer hardware and software, and office equipment. Property, plant, and equipment is:

- Initially measured at cost. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.
- Stated at cost less any accumulated depreciation and any accumulated impairment losses.
- Derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in the profit or loss in the period of derecognition.

Depreciation

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss so as to write off the cost, less any estimated residual value, over their estimated useful lives, using the straight-line method, on the following bases:

Computer hardware	25% per annum
Computer software	33% per annum
Furniture and fittings	10% per annum
Office equipment	25% per annum
Leasehold Improvements	Based upon the length of Contract

The depreciation method applied, residual value and useful life, are reviewed and adjusted, if appropriate, at the end of each reporting period.

Right-of-use Assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, and are subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified as follows:

- Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

Financial Liabilities

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) The Group has transferred substantially all the risks and rewards of the asset, or (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement.

Impairment of Financial Assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

For trade receivables, the Group reviews receivables for signs of risk of default. This review covers each receivable by client, taking into account the length of debt, client communications and circumstances. Provisions and write-offs are recognised. The review takes place regularly and at least at the reporting date.

Impairment of Non-financial Assets

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in profit or loss. An impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment reversals are recognised immediately in profit or loss.

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable to transaction costs.

Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

Gains or Losses on Liabilities Held for Trading are Recognised in the Statement of Comprehensive Income

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Derecognition

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts, and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Employee Benefits

The Group contributes towards the state pension in accordance with local legislation. The only obligation of the Group is to make the required contributions. Costs are expensed in the period in which they are incurred.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities on the statement of financial position.

Share-based Payments

Employees (including Directors and Senior Management) of the Company receive remuneration in the form of share-based payment transactions, whereby these individuals render services as consideration for equity instruments (equity-settled transactions) There individuals are granted share options rights approved by the Board, which can only be settled in shares of the Company. No cash-settled awards have been made or are planned.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant individuals become fully entitled to the award (vesting point). The cumulative expense recognised for the equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments and value that will ultimately vest. The statement of comprehensive income charge for the year represents the movement in the cumulative expense recognised as at the beginning and end of that period.

The fair value of share-based remuneration is determined at the date of grant and recognised as an expense in the statement of comprehensive income on a straight-line basis over the vesting period, taking account of the estimated number of shares that will vest. The fair value is determined by use of the Black-Scholes model method.

2.4

Significant Accounting Judgements, Estimates and Assumptions

In preparing the financial statements, the directors are required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. The use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates, and the differences may be material to the financial statements. These estimates are reviewed on a regular basis, and if a change is needed, it is accounted for in the period the change becomes known.

In the opinion of the directors, the accounting estimates, assumptions, and judgements made in the course of preparing these financial statements are not difficult, subjective, or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised) 'Presentation of Financial Statements'.

Allowance for Expected Credit Losses

The allowance for expected credit loss assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the COVID-19 pandemic and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

3

EBITDA and Adjusted EBITDA

The Group elected to adjust its EBITDA from continuing operations for non-recurring costs in connection with its IPO in December 2021. It also elected to adjust EBITDA by reversing the IFRS treatment of depreciation of property leases and share-based payment charges. The Group now accepts these are both recurring items and no longer elects to adjust for them.

	2022	**As adjusted 2021**	**Audited 2021**
	£	**£**	**£**
Operating profit	(553,729)	77,556	77,556
Depreciation	88,405	84,668	84,668
Amortisation	149,010	198,121	198,121
EBITDA	**(316,314)**	**360,345**	**360,345**
Rent equivalent	–		(198,005)
Non-recurring expenditure	–	876,477	876,477
Share-based payments	–		17,000
Adjusted EBITDA	**(316,314)**	**1,236,822**	**1,055,817**

Due to the nature of the calculation of EBITDA and adjusted EBITDA, the reported figures may not be comparable to other companies with similar measures.

4
Revenue

	2022 £	2021 £
Major product lines		
Software as a Service (SaaS) subscriptions (i)	6,689,710	5,227,229
Professional services (ii)	3,140,721	3,180,827
	9,830,431	**8,408,056**

(i) SaaS subscriptions - The Group provides subscriptions to its content and technology products to the customer for subscription periods that are typically twelve months. The revenue is recognised evenly over the period of subscription. This revenue includes subscriptions to: (a) Skillcast Portal - the Group's integrated compliance management application that comes with a broad range of tools, namely SELMS, Policy Hub, Compliance Declarations, Surveys, Compliance Registers, Training 360, Events Management and SMCR 360; and (b) the Skillcast OTS course libraries, namely Essentials, FCA Compliance, Insurance Compliance and Risk.

(ii) Professional services – The Group provides customised and standard content to its clients under fixed-price contracts. This non-recurring revenue includes: (a) bespoke e-learning development projects for large corporates; (b) translations of those bespoke courses; (c) customisation of OTS courses for subscription clients; and (d) other content and technology consultancy.

	2022 £	2021 £
Geographic split		
UK	7,627,351	5,716,503
Europe	1,344,694	1,693,379
Rest of world	858,386	998,175
	9,830,431	**8,408,056**

Non-current assets in which they are based are shown below:

	2022 £	2021 £
Property, plant and equipment		
UK	197,744	205,003
Malta	56,544	71,694
	254,287	**276,697**
Right of use assets		
UK	365,968	465,188
Malta	250,056	117,329
	616,024	**582,517**

5
Profit Before Taxation

The profit before taxation is stated after charging the following amounts:

	2022 £	2021 £
Staff cost (CoS)	1,846,407	1,536,011
Subcontracted services (CoS)	797,125	865,251
Staff costs (Admin)	4,835,911	3,173,390
Directors' compensation	848,496	565,345
Professional fees	215,534	228,735
Depreciation and amortisation expense	237,415	282,789
Fees payable to the Company's auditor for the audit of Parent and Subsidiaries	73,870	87,483
Expenses related to the admission into AIM	0	876,477

Included in the prior year expenses related to the admission into AIM was payments made to Crowe U.K. LLP, who are engaged as the Company's auditors, of £110,000. There were no non-audit fees incurred from Crowe U.K. LLP in 2022.

6
Staff Costs and Employee Information

The profit before taxation is stated after charging the following amounts:

	2022 £	2021 £
Salaries and wages	6,488,702	4,609,966
Social security costs	718,605	499,630
Pension	102,924	70,043
Share-based payment expenses	206,331	17,000
Other payroll costs	14,252	6,107
	7,530,814	**5,202,746**

The Group companies contribute towards the state pension in accordance with local legislation. The only obligation of the companies is to make the required contributions. Costs are expensed in the period in which they are incurred.

Number of Staff

The average number of persons employed by the Group during the year was 100, and at December 2022 the number of persons employed was 111, analysed by category as follows:

	At 31 December 2022	At 31 December 2021	Average 2022	Average 2021
Directors	7	7	7	5
Administration	2	1	2	1
Client service	23	19	21	18
Operations/Production	24	21	23	19
Sales and marketing	33	21	27	19
Finance	4	4	4	3
Technology	18	15	17	13
	111	**88**	**100**	**78**

Key Management Personnel

The remuneration of key management personnel (considered to be the Directors and Senior Management) is £1,267,456 (2021: £988,699) and is set out below in aggregate for each of the categories specified in IAS24: Related Party Disclosures. Compensation has been disclosed in this note, while further information can be found in the remuneration report on page 60.

	2022			2021		
	Directors £	Senior Management £	Total £	Directors £	Senior Management £	Total £
Wages and salaries	820,346	93,757	914,103	493,345	59,432	552,777
Social Security	114,772	2,384	117,156	63,280	2,173	65,453
Pension	11,597	–	11,597	6,600	–	6,600
Share-based payment expenses	20,743	9,174	29,917	915	634	1,549
Consultancy fees	55,190	139,493	194,683	224,130	138,190	362,320
	1,022,648	**244,808**	**1,267,456**	**788,270**	**200,429**	**988,699**

Chris Backhouse resigned as a Director on 11 May 2022 and Richard Steele joined as a Director on 11 May 2022. Chris Backhouse is a director in Enterprise FD Ltd. The Company made payments to Enterprise FD Ltd for financial director and related services of £55,190 in the year ended 31 December 2022 (2021: £152,130). Morten Damsleth, whose remuneration is included in Senior Management above, is the owner of Monad IKE. The Company made payments to Monad IKE for operations director and related services of £139,493 (2021: £138,190). Vivek Dodd, Director, ceased being a consultant and became employed as of 1 October 2021. Prior to him becoming employed the Company paid £72,000 to him as a consultant in 2021.

7
Income Tax Expense

	2022 £	2021 £
Current tax on profits for the year	–	169,798
Deferred tax expense	(7,254)	367
Withholding taxes credit on intercompany dividends	(136,983)	(487,149)
	(144,237)	**(316,984)**

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

	2022 £	2021 £
Profit(loss) before taxation	**(556,027)**	**60,646**
Tax calculated at applicable UK statutory tax rate of 19%	(105,645)	11,523
Tax effects of:		
– Expenses not deductible for tax purposes	52,481	195,150
– Taxable losses carried forward	491,791	234,361
– Withholding tax credit on intercompany dividends	(136,983)	(487,149)
– Research and Development Credits	(520,000)	(112,691)
– Differing tax rates due to trade in different jurisdictions	9,002	(125,230)
– Other adjustments	65,117	(32,948)
Current income tax	**(144,237)**	**(316,984)**

The Company provides for income taxes on the basis of its income for financial reporting purposes, adjusted for items that are not assessable or deductible for income tax purposes in accordance with the regulation of domestic tax authorities.

The effective rate of tax for the year ended 31 December 2022 was -26% (2021: -525%). This effective tax rate is a combination of the following items:

The tax rates and tax regimes in the UK and Malta in which the businesses of the Company operate;

The diverse tax treatments of deferred consideration amounts applied in each jurisdiction;

The tax loss carry forward regulations in different jurisdictions.

The tax rates applicable in the jurisdictions are:

UK: The applicable statutory tax rate for 2021/20 is 19%

Malta: Income taxes are due at 35% of taxable income.

In 2022 a withholding tax rebate of £136,983 (2021: £487,149) is netted against the income tax expense. The rebate relates to withholding taxes on dividends declared by Inmarkets International Limited to the Inmarkets Group Limited.

As of the end of the period, the Post 1 April 2017 loss carry forward was £1,218,613, and the Pre 1 April 2017 loss carry forward was £69,877 for the Company.

8
Current Assets – Trade and Other Receivables

	2022 £	2021 £
Trade receivables	2,120,467	2,569,083
Less: Allowance for expected credit losses	(92,514)	(125,286)
	2,027,953	**2,443,797**
Prepayments and contract assets	387,669	415,073
Maltese withholding tax	854,903	825,213
Other receivables	60,049	114,740
	1,302,621	**1,355,026**

As of 31 December 2022, trade receivables totalled £2,120,467 (2021: £2,569,083) were past due but not impaired. These primarily relate to customers for whom there is considered a low risk of default. An allowance of £92,514 (2021: £125,286) have been set up to offset credit risks.

During the year no withholding tax rebates were received by the Company (2021: £355,178). Of the £854,903 owing at 31 December 2022, £226,846 has been filed and is expected to be paid by 31 December 2023. The claim for the remaining balance is in the process of being filed.

9
Current Assets – Cash and Cash Equivalents

	2022 £	2021 £
Cash at bank	7,704,003	7,853,451
Cash at hand	–	2,675
	7,704,003	**7,856,126**
Geographic split		
United Kingdom	4,935,131	5,359,938
Malta	2,768,872	2,496,188
	7,704,003	**7,856,126**

	2022 £	2021 £
Cash Held by Currency (in Pound Sterling)		
Pound Sterling	7,592,698	7,492,134
Euro	57,925	350,138
US Dollar	53,380	13,854
	7,704,003	**7,856,126**

10

Non-current Assets – Property, Plant, and Equipment

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Computer Software and Hardware	Furniture and Fixtures	Office Equipment	Leasehold Improvements	Total
Balance at 1 January 2021	70,386	45,069	3,298	–	118,752
Additions	66,747	49,713	1,705	124,447	242,612
Disposals	–	–	–	–	–
Depreciation expense	(49,613)	(11,602)	(2,712)	(20,741)	(84,668)
Balance at 31 December 2021	**87,520**	**83,180**	**2,291**	**103,706**	**276,696**
Balance at 1 January 2022	87,520	83,180	2,291	103,706	276,696
Additions	53,452	12,064	479	–	65,995
Disposals	–	–	–	–	–
Depreciation expense	(53,644)	(12,600)	(1,420)	(20,741)	(88,404)
Balance at 31 December 2022	**87,328**	**82,645**	**1,350**	**82,965**	**254,287**

11

Non-current Assets – Right-of-use Assets

Reconciliations of the written down values at the beginning and end of the current and previous financial periods are set out below:

	Leasehold property	Car leases	Total
Balance at 1 January 2021	247,003	16,350	263,353
Additions	517,284	–	517,284
Disposals	–	–	–
Amortisation expense	(189,174)	(8,946)	(198,121)
Balance at 31 December 2021	**575,113**	**7,404**	**582,517**
Balance at 1 January 2022	**575,113**	**7,404**	**582,517**
Additions	182,516	–	182,516
Disposals	–	–	–
Amortisation expense	(146,978)	(2,031)	(149,010)
Balance at 31 December 2022	**610,651**	**5,373**	**616,024**

The Group leases its offices, typically for a period of several years, with an option to extend (see note 21). On renewal, the terms of the lease are renegotiated. Prior to 2019, the Group recognised expenditure related to office rents in relation to the period to which it related. From 2019 it recognised right-of-use assets in accordance with IFRS 16. On 23rd May 2021, the Company's UK Subsidiary moved to a new office located at the 3rd Floor, Leadenhall Street, London, UK, the present value of this lease was calculated at £517,284. The new lease will expire on the 23rd May 2026. On 20th September 2022, the Company's Malta Subsidiary renegotiated its lease with its landlord, essentially modifying the old lease. The present value of this lease modification was calculated at £406,715. The modified lease's Initial Term will expire on 30th September 2025, with an Extended Term then expiring on 30th September 2028.

12
Current Liabilities – Trade and Other Payables

	2022 £	2021 £
Trade payables	186,783	180,452
Accruals	550,987	444,141
Amount due to shareholders	450	450
Sales and payroll taxes	433,466	758,094
Wages and pension payable	27,684	57,413
	1,199,370	**1,440,550**

13
Current Liabilities – Contract Liability

	2022 £	2021 £
Deferred revenue – subscriptions	3,212,733	2,695,496
Deferred revenue – professional services	225,031	341,688
Deferred revenue	**3,437,764**	**3,037,184**

Contract liabilities represent subscription revenue that has not been recognised at the reporting date, as performance obligations remain. Subscription revenue is recognised over the subscription period, which is generally 12 months. Contract liabilities from Professional Service contracts are recognised on a percentage of completion at the end of the reporting period as per IFRS15.

14
Current Liabilities – Income Tax

	2022 £	2021 £
Corporation tax payable	**16,320**	**176,134**

15

Non-current Liabilities – Deferred Tax

The deferred tax (liability)/asset for the year is analysed as follows.

	2022 £	2021 £
At beginning of the period	4,745	5,112
Credited to statement of comprehensive income	7,254	(367)
At end of the period	**11,999**	**4,745**
Deferred tax asset		
Temporary differences – on non-current assets due to accelerated tax depreciation	**11,999**	
Deferred tax liability – on non-current assets due to accelerated tax depreciation		**4,745**

16

Equity – Issued Capital

The deferred tax (liability)/asset for the year is analysed as follows.

	2022 £	2021 £
Number	89,459,460	89,459,460
Par value per share	0.10p	0.10p
Total	**89,459**	**89,459**

All the shares in the Company are fully paid up. On 28 July 2021 the Company re-registered as a public company. Prior to re-registration, the company's shares were reclassified as Ordinary Shares, and the company capitalised £78,000 of retained profit in order to meet the minimum capital value for these shares required of a public company. The shares were also consolidated into 1 share for every 10 in issue. On 1 December 2021 9,459,460 additional shares were issued upon the Company's admission to the Alternative Investment Market.

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of, and amounts paid, on the shares held. On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

17
Related Party Transactions

Enterprise FD Ltd	Limited liability company registered in England and Wales. Company registration number is 11201000. Provided services to the Group. Chris Backhouse is both a director of Enterprise FD Ltd and was member of the key management personnel of the Group up until his resignation on 11 May 2022, see note 6.
Vivek Dodd	Was an independent contractor located in Czech Republic. Provided services to the Group as an independent contractor up until 1 October 2021. This compensation is included in note 6. Vivek Dodd is a director and owns more than 50% of the shares in the parent company.
Monad IKE	Limited liability company registered in Greece. Company registration number is 153449133000. Provides services to the Group. Morten Damsleth is both a director of Monad IKE and a member of the key management personnel of the Group, see note 6.

	2022 **£**	**2021** **£**
Group expenditure with Enterprise FD Ltd	55,190.49	152,130.07
Vivek Dodd	–	72,000.00
Monad IKE	139,492.74	138,190.00
Outstanding payables of Group with Enterprise FD Ltd	–	–

18

Earnings per Share

Earnings per share (EPS) is calculated on the basis of profit attributable to equity shareholders divided by the weighted average number of shares in issue for the year.

Diluted earnings per share have been calculated on the same basis as above, except that the weighted average number of ordinary shares that would be issued on the conversion of the dilutive potential ordinary shares as calculated using the treasury stock method (arising from the Company's share option scheme and warrants) into ordinary shares has been added to the denominator.

	2022 **£**	**2021** **£**
Profit before tax	**-556,027**	**60,646**
Tax	144,237	316,984
Profit after tax	**-411,790**	**377,630**
Non-recurring expenditure	0	695,472
Adjusted earnings	**-411,790**	**1,073,102**
Weighted average number of ordinary shares		
Basic	89,459,460	80,788,288
Effect of dilutive potential ordinary shares	3,843,507	402,500
Diluted average number of shares	93,302,967	81,190,788
Earnings per share:		
Basic	-0.460p	0.467p
Diluted	N/A	0.465p
Adjusted earnings – basic	-0.460p	1.328p
Adjusted earnings – diluted	N/A	1.322p

The Group elected to adjust its EBITDA from continuing operations for non-recurring costs in connection with its IPO in December 2021. It also elected to adjust EBITDA by reversing the IFRS treatment of depreciation of property leases and share-based payment charges. The Group now accepts these are both recurring items and no longer elects to adjust for them.

Basic per share of -0.460p (2021: 0.467p) has been impacted by non-core operating expenses. Tax on adjusted earnings is the same figure as that shown on the consolidated statement of comprehensive income, given that the majority of the adjusting items in the earnings per share calculation above are also adjusted for when calculating the Company's tax expense.

19
Dividends

	Pence per Share	2022 £	Pence per Share	2021 £
Dividend declared – final 2021	0.279p	249,592		
Dividend declared – interim 2022	0.168p	150,292		
Dividend declared – final 2020			0.500p	400,000
Dividend declared – interim 2021		–	0.188p	150,000
Dividend declared per share		0.688p		0.500p
Dividend declared per share – diluted		0.688p		0.500p

During the period under review, the Group generated a loss before tax of -£554,812 (2021: £60,646). A final dividend of £249,592 (0.279p) was declared and paid with regard to the year ended 2021 and £150,292 (0.168p) interim dividend was declared and paid with regard to the year ended 2022. The Group's policy is to at least maintain dividend payments.

The Board became aware of a breach of procedure concerning compliance with the Companies Act 2006 in relation to the payment of the interim dividend of £150,000 for the 2021 financial year of the Company that was paid in October 2021. This dividend was paid to Shareholders when the Company had sufficient reserves. However, the Company's relevant accounts for the purposes of the Companies Act 2006, namely those filed for the year ended 31 December 2020, did not show sufficient distributable reserves, and no interim accounts had been filed at Companies House to confirm the adequacy of reserves at the time of the declaration and as required by the Act.

To satisfy the steps required to rectify this breach of procedure, a resolution was passed at the Company's General Meeting on 22 June 2022. The Company has put in place the necessary controls and processes to ensure that a similar issue will not recur.

The Board is proposing a final dividend of 0.279p per share. In combination with the interim dividend, if confirmed by the shareholders at the AGM, this will represent a total dividend for the year of £399,884 (2021: £399,592) or 0.447p per share based upon the number of shares currently in issue. If further approved by shareholders at the AGM on 20 June 2023, the final dividend will be paid on 21 July 2023 to shareholders on the register at the close of business on 30 June 2023.

20
Leases

The Company leases various offices and vehicles under non-cancellable leases expiring within six months to six years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	2022 £	2021 £
Lease liabilities		
Current lease liabilities	177,499	182,366
Non-current lease liabilities	469,909	461,305
Total lease liabilities	**647,408**	**643,671**
Right-of-use assets		
Properties	615,632	575,113
Motor vehicles	392	7,404
Total right-of-use assets	**616,024**	**582,517**

Interest expense related to the lease liabilities and depreciation related to the right-of-use assets recognised in the consolidated statement of comprehensive income for the period are shown below:

	2022 £	2021 £
Depreciation for right-of-use assets	149,010	198,121
Interest expense on lease liabilities	21,307	18,953

Properties

The Company leases office space at the following locations, all of which are operating leases:

London, UK. The lease agreement was entered into on 23 May 2021 with a break option at 36 months and an expiry date of 22 May 2026.

Mriehel, Malta. The lease agreement was entered into on 15 September 2014 with an initial three-year term which was extended an additional seven years, and which would have expired on 31 December 2024. On 20 September 2022, this lease was modified. The new modified agreement has an initial three-year term with a break option at 36 months and an expiry date of 30 September 2028

Motor vehicles

The company has one motor vehicle lease in London, UK. The lease term was for 36 months to Jan 2023.

21
Share Options and Warrants

Share Options

The share option scheme, adopted by the Company after admission to AIM on 1 December 2021, was established to reward and incentivise the executive management team and staff for delivering share price growth. The option schemes are equity-settled.

The share scheme is administered by the Remuneration Committee.

360,000 options were granted during 2022 (2021: 4,483,000) with a weighted average fair value of 28 pence (2021: 37 pence). 410,000 options lapsed during 2022 (2021: n/a) with a weighted average fair value of 37 pence (2021: n/a). These fair values were based on the Company's share price at the date of grant. Out of the 4,163,000 outstanding options (2021: 4,483,000), 1,018,250 options were exercisable (2021: 0).

A charge of £206,331 (2021: £17,000) has been recognised in the consolidated statement of comprehensive income for the year relating to these options.

Options are exercisable in accordance with the contracted vesting schedules; if an employee leaves the employment of the Company prior to the options vesting, then unless otherwise agreed, the share options will lapse.

Details of the share options outstanding at the year-end are as follows:

	Number 2022	WAEP* 2022	Number 2021	WAEP* 2021
Outstanding at 1 January as per 2021 reporting	4,830,000	37p	–	0p
Adjustment to 2021 grants	-110,000			
Granted during the year	360,000	24p	4,830,000	37p
Exercised during year	–	0p	–	0p
Lapsed during year	410,000	37p	–	0p
Outstanding at 31 December	4,670,000	37p	4,830,000	37p
Thereof exercisable at 31 December	1,018,250	37p	–	0p

* Weighted average exercise price

Share options granted are valued under the Black-Scholes model. All options granted vest equally over 4 years. A dividend yield was assumed based on the Group's stated policy of paying £400,000 per annum. A 50% expected volatility has been assumed. Options in the prior year were granted with an exercise price of 37 pence at the time of the IPO, equal to the IPO price of 37 pence. Options granted in the year have an exercise price of 24 pence, being the share price at the date of grant.

22

Financial Instruments

The Company's activities are exposed to a variety of risks including foreign currency, credit, and liquidity risk. The Company's overall financial risk management policy focuses on minimising potential adverse effects on its financial performance. The Company does not trade in financial instruments.

The principal financial instruments used by the Company, from which financial instrument risk arises are as follows:

	2022 £	2021 £
Financial assets measured at amortised cost		
Trade and other receivables	3,330,574	3,798,823
Cash and cash equivalents	7,704,003	7,856,126
	11,034,577	**11,654,949**
Financial liabilities measured at amortised cost		
Trade and other payables and accruals	1,199,370	1,440,550
Current lease liabilities	188,586	182,366
	1,387,956	**1,622,916**

Non-current borrowings are included within section (iii), liquidity risk, below.

(a) Financial Risk Management Policies

(i) Market Risk

The Company is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the Sterling (GBP). The currency giving rise to this risk is primarily the 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 Euro.

The carrying amounts of the Company's financial instruments at 31 December 2022 are denominated in the following currencies:

	GB £	EUR £	USD £	Total £
Current financial assets				
Trade and other receivables	3,217,237	75,918	37,419	3,330,574
Cash and cash equivalents	7,592,698	57,925	53,380	7,704,003
	10,809,935	**133,843**	**90,799**	**11,034,577**
Current financial liabilities measured at amortised cost				
Trade and other payables	1,075,414	123,178	777	1,199,370
Current lease liabilities	139,791	37,708	–	177,499
	1,215,205	**160,886**	**777**	**1,376,869**

The sensitivity analysis in the table below details the impact of changes in foreign exchange rates on the Company's post-tax profit or loss for the period.

If the Sterling strengthened or weakened by 10% against the currency specified in the table below, with all other variables in each case remaining constant, then the impact on the Company's post-tax profit or loss would be gains or losses as follows:

	2022 Strengthen/ Weaken £	2021 Strengthen/ Weaken £
EUR	+/-5,457	+/-50,236

(ii) Credit Risk

The Company's exposure to credit risk arises mainly from trade and other receivables. The Company 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 banks with high credit ratings.

The expected loss rates are based on the historical 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. The loss allowance is shown in Note 8.

(iii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company 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 Company 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.

The maturity profile of the Group's financial lease liabilities, including interest payments, based on contractual undiscounted payments are summarised below.

	Less than one year	1-2 years	2-3 years	> 3 years	Total
Year ended 31 December 2022	186,422	122,741	174,233	61,616	545,012
Year ended 31 December 2021	182,366	196,465	134,326	156,764	669,921

(iv) Capital Risk Management

The aim of the Company's capital management policy is to ensure the Company's ability to continue as a going concern, maintain a strong capital base in order to provide confidence to investors and creditors, and to sustain the future development of the business.

The Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt in order to maintain the capital structure. Capital is regarded as total equity, as recognised in the statement of financial position, plus cash, less debt. Debt includes lease liabilities.

The debt-to-equity ratio of the Company as at the end of each reporting period was as follows:

	2022 £	2021 £
Total equity	6,616,026	7,221,369
Less debt: lease liability	-647,408	-643,671
Capital	**5,968,618**	**6,577,698**
Debt-to-equity ratio	**0.10**	**0.09**

There have been no events of default on any financing arrangements during the year.

23
Financing Cash Flows

A reconciliation of the financing cash flow is set out below:

	2022 £	2021 £
Lease liability		
At 1 January	**643,671**	**259,394**
Additions	182,516	517,284
Interest expense	21,307	18,953
Lease payments	-200,086	-151,960
Disposal		–
At 31 December	**647,409**	**643,671**
Dividend liability		
At 1 January	–	–
Dividends declared	399,884	550,000
Dividend payments	-399,884	-550,000
At 31 December	**0**	**0**
Changes to equity		
Capital raised (admission into AIM)	0	3,500,000
Share Option Reserve*	206,331	17,000
At 31 December	**206,331**	**3,517,000**
Net financing payments	-393,639	2,815,040
Financing per statement of cash flows	-599,970	2,798,040

*The difference between the Net financing payments and Financing per statement of cash flows is due to the non-cash movement of share option reserves.

A final dividend of £249,592 was declared and paid in 2022 with regards to the year ended 31 December 2021 and £150,292 interim dividend was also declared and paid for the year ended 31 December 2022.

24
Events After the Reporting Period

Apart from the final dividend declared as disclosed in note 19, no other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Company Financial Statements

Skillcast Group PLC – Company Statement of Financial Position

For Period Ended 31 December 2022

	Note	2022 £	2021 £
Assets			
Non-current assets			
Investment	4	74,500	74,500
Current assets			
Trade and other receivables	5	4,092,020	3,806,075
Sales Taxes receivables	5	140,220	117,374
Total assets		**4,306,741**	**3,997,948**
Issued capital and reserves attributable to owners			
Share capital	8	89,459	89,459
Share Premium		3,490,541	3,490,541
Share Options Reserve		223,331	17,000
Retained earnings		418,332	306,804
Total Equity		**4,221,663**	**3,903,804**
Liabilities			
Current liabilities			
Trade and other payables	6	85,078	94,145
Total liabilities		**85,078**	**94,145**
Total Equity And Liabilities		**4,306,741**	**3,997,948**

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the Income Statement and Statement of Comprehensive Income.

The profit before taxes for Skillcast Group Plc was £511,412 (2021: £900,690).

The notes on pages 116 to 126 form an integral part of the financial statements.

The financial statements on pages 112 to 113 were approved and authorised for issue by the Board of Directors on 25 April 2023.

Signed on behalf of the Board of Directors by

Vivek Dodd | Director
25 April 2023

Skillcast Group PLC – Company Statement of Changes in Equity

For Period Ended 31 December 2022

	Share Capital £	Share Premium Paid £	Share Option Reserve £	Retained Earnings £	Total Equity £
1 January 2021	**2,000**	**–**	**–**	**34,114**	**36,114**
Comprehensive income for the period					
Profit	–	–	–	900,690	900,690
Total comprehensive Income for the period	**–**	**–**	**–**	**900,690**	**900,690**
Total contributions by and distributions to owners					
Capitalisation of Profit and Loss	78,000	–	–	(78,000)	–
Shares issued on admission to AIM	9,459	3,490,541	–	–	3,500,000
Share Option Reserve	–	–	17,000	–	17,000
Dividends				(550,000)	(550,000)
Total contributions by and distributions to owners	**87,459**	**3,490,541**	**17,000**	**(628,000)**	**2,967,000**
31 December 2021	**89,459**	**3,490,541**	**17,000**	**306,804**	**3,903,804**
1 January 2022	**89,459**	**3,490,541**	**17,000**	**306,804**	**3,903,804**
Comprehensive income for the period					
Profit	–	–	–	511,412	511,412
Total comprehensive Income for the period	–	–	–	**511,412**	**511,412**
Total contributions by and distributions to owners					
Share Option Reserve	–	–	206,331	–	206,331
Dividends				(399,884)	(399,884)
Total contributions by and distributions to owners	–	–	**206,331**	**(399,884)**	**(193,553)**
31 December 2021	**89,459**	**3,490,541**	**223,331**	**418,332**	**4,221,663**

The notes on pages 116 to 126 form an integral part of the financial statements.

Skillcast Group PLC – Company Statement of Cash Flows

For Period Ended 31 December 2022

	2022 £	2021 £
Cash flows from operating activities		
Profit before tax	511,412	892,688
Adjustments for:		
Share Option Reserve	206,331	17,000
	717,743	**909,688**
(Increase)/decrease in trade and other receivables	(308,792)	(3,817,848)
Increase/(decrease) in trade and other payables	(9,066)	(41,839)
Cash generated from operations	**193,553**	**(2,967,000)**
Income taxes paid	–	–
Net cash flows from operating activities	**399,884**	**(2,950,000)**
Financing activities		
Subsidiaries	–	–
Sale of property, plant and equipment	–	–
Interest received	–	–
Net cash used in investing activities	–	–
Financing activities		
Ordinary shares issued	–	3,500,000
Dividends paid	(399,884)	(550,000)
Net cash (used in)/from financing activities	**(399,884)**	**2,950,000**
Net increase in cash and cash equivalents	–	–
Cash and cash equivalents at beginning of period	–	–
Cash and cash equivalents at end of period	**–**	**–**

The notes on pages 116 to 126 form an integral part of the financial statements.

Notes to the Company Financial Statements

1

General Information

Skillcast Group PLC ('Company') is registered in the United Kingdom with registration number 12305914 and is limited by shares. Its registered office is at 80 Leadenhall Street, London, England, EC3A 3DH. The Company is the ultimate parent of Inmarkets Ltd, Inmarkets Group Ltd, Inmarkets International Ltd, together referred to as the 'Group'.

This report and financial statements reflect the activities and transactions of the Company.

Up to 28 July 2021, the Company was a private limited company. On 28 July 2021, the Company re-registered as a public company as Skillcast Group PLC. The Company did this in preparation for admission to the Alternative Investment Market of the London Stock Exchange. On 1 December 2021, the Company was admitted into the Alternative Investment Market.

The Company is primarily involved in providing management services to other entities in the Group.

2.1
Basis of Preparation and Statement of Compliance

These financial statements have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. They have been prepared under the historical cost convention and on a going concern basis. The financial statements are presented in Pounds Sterling, which is the Group's presentation currency.

2.2
Changes in Accounting Policies and Disclosures

The Company has adopted all of the new or amended UK-adopted International Accounting Standards and Interpretations that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted for the annual reporting period ended 31 December 2022. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

2.3
Summary of Significant Accounting Policies

Revenue Recognition

Professional Services

Revenue is recognised as the client simultaneously receives and consumes the benefits of the Companies services.

Foreign Currencies

The financial statements are presented in the Company's functional currency, Pounds Sterling, being the currency of the primary economic environment in which the Company operates.

Transactions denominated in currencies other than the functional currency are translated at the rates of exchange ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in the statement of comprehensive income, except in the case of significant exchange differences arising on investing or financing activities, which are classified within investment income, investment losses or finance costs as appropriate.

Taxes

Current tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the current tax is also dealt with in other comprehensive income or in equity, as appropriate.

Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed, and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

Fixed Asset Investments

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

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial Recognition and Measurement

Financial assets are classified at initial recognition, and are subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, Inmarkets initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified as follows:

- Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

Financial Assets

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) The Company has transferred substantially all the risks and rewards of the asset, or (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement.

Impairment of Financial Assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

Impairment of Non-financial Assets

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in profit or loss.

An impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Impairment reversals are recognised immediately in profit or loss.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Derecognition

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Share-based Payments

Employees (including Directors and Senior Management) of the Company receive remuneration in the form of share-based payment transactions, whereby these individuals render services as consideration for equity instruments (equity-settled transactions) these individuals are granted share options rights approved by the Board, which can only be settled in shares of the Company. No cash-settled awards have been made or are planned.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant individuals become fully entitled to the award (vesting point). The cumulative expense recognised for the equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments and value that will ultimately vest. The statement of comprehensive income charge for the year represents the movement in the cumulative expense recognised as at the beginning and end of that period.

The fair value of share-based remuneration is determined at the date of grant and recognised as an expense in the statement of comprehensive income on a straight-line basis over the vesting period, taking account of the estimated number of shares that will vest. The fair value is determined by the use of the Black-Scholes model method.

2.4

Significant Accounting Judgements, Estimates and Assumptions

In preparing the financial statements, the directors are required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. The use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates, and the differences may be material to the financial statements. These estimates are reviewed on a regular basis, and if a change is needed, it is accounted for in the period the change becomes known.

In the opinion of the directors, the accounting estimates, assumptions, and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised) 'Presentation of Financial Statements'.

3
Administrative Expenses

	2022 £	2021 £
Director's compensation	157,000	100,833
Social security costs	18,632	11,553
Other employer contributions	206,331	17,000
Professional fees	100,789	26,598
Auditor's remuneration	46,370	56,000
Insurance	107,473	17,617
Expenses related to the admission into AIM	–	786,221
Expenses related to AIM	84,107	–
Other expenses	7,886	9,491
	728,588	**1,025,312**

4
Investments

	2022 £	2021 £
Acquisition of Inmarkets Ltd from Inmarkets Group Ltd on 31 December 2019	72,500	72,500
100% acquisition of Inmarkets Group Ltd through a share swap on 22 November 2019	2,000	2,000
	74,500	**74,500**

5
Current Assets – Trade and Other Receivables

	2022 £	2021 £
Sundry debtors	4,400	4,400
Due from Group companies	4,005,778	3,701,881
Prepayments	81,843	99,794
Sales taxes	140,220	117,374
	4,232,241	**3,923,448**

No impairment allowance is considered necessary for these receivables.

6
Current Liabilities – Trade and Other Payables

	2022 £	2021 £
Trade Payables	44,088	63,195
Accruals	40,540	31,000
Amount due to Shareholder	450	450
	85,078	**94,645**

7
Current Liabilities – Income Tax

	2022 £	2021 £
Corporation tax payable	–	–

8
Equity – Issued Capital

	2022 £	2021 £
Number	89,459,460	89,459,460
Par value per share	0.10p	0.10p
Total	**89,459**	**89,459**

All the shares in the Company are fully paid up. On 28 July 2021 the Company re-registered as a public company. In connection to the re-registration the shares were renamed into Ordinary Shares, the Board capitalized £78,000.00 of Retained Profit and Loss and the shares were consolidated by 1 for 10. On 1 December 2021, 9,459,460 additional ordinary shares were allocated upon the Company's admission into the Alternative Investment Market.

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of, and amounts paid, on the shares held. On a show of hands, every member present at a meeting in person or by proxy shall have one vote, and, upon a poll, each share shall have one vote.

9
Key Management Personnel

The key management personnel are:

Catriona Razic	Director	(appointed 8/11/2019)
Anthony Miller	Director	(appointed 25/11/2019)
Vivek Dodd	Director and owns more than 50% of the shares in the parent company	(appointed 25/11/2019)
Richard Steele	Director	(appointed 11/05/2022)
Christopher Backhouse	Director and provides key management personnel services through Enterprise FD Ltd, see note 10	(appointed 2/8/2019, resigned 11/05/2022)
Richard Amos	Director	(appointed 2/8/2019)
Isabel Napper	Director	(appointed 2/8/2019)
Sally Tilleray	Director	(appointed 2/8/2019)

	2022 **£**	**2021** **£**
Compensation for key management personnel	157,000	100,833

10
Related Party Transactions

The Group related party companies are:

Inmarkets Group Ltd	Limited liability company registered in Malta. Company registration number is C73909. Registered office is 1, Sqaq il-Għadam, Mriehel, Birkirkara BKR3000, Malta. 100% subsidiary of the Company.
Inmarkets International Ltd	Limited liability company registered in Malta. Company registration number is C39269. Registered office is 1, Sqaq il-Għadam, Mriehel, Birkirkara BKR3000, Malta. 100% subsidiary of Inmarkets Group Ltd.
Inmarkets Ltd	Limited liability company registered in England and Wales. Company registration number is 04267842. Registered office is 80 Leadenhall Street, London, EC3A 3DH, UK. 100% subsidiary of the Company.

	2022 £	2021 £
Transactions		
Revenue with Inmarkets International Ltd	120,000	84,000
Revenue with Inmarkets Ltd	120,000	84,000
Balances outstanding		
Amount due from Inmarkets International Ltd	252,000	132,000
Amount due from Inmarkets Limited Ltd	1,826,278	2,642,381
Amount due from Inmarkets Group Ltd	1,927,500	927,500

All inter-company balances are unsecured, interest-free and paybable on demand.

Other related party companies are:

Enterprise FD Ltd	Limited liability company registered in England and Wales. Company registration number is 11201000. Registered office is 10 Ashfern Drive, Sutton Coldfield, B76 1JD, UK. Provides services to the Group. Christopher Backhouse is a director of Enterprise FD Ltd and a member of the key management personnel of the Group, see note 6.

There were no outstanding balances between the Company and Enterprise FD Ltd at the reporting date.

11

Earnings Per Share

Earnings per share (EPS) is calculated on the basis of profit attributable to equity shareholders divided by the weighted average number of shares in issue for the year.

	2022	2021
Profit after tax (GBP)	511,412	900,190
Weighted average number of ordinary shares	89,459,460	80,788,288

12

Dividends

A final dividend of £249,592 (0.279p) was declared and paid with regard to the year ended 2021, and £150,292 (0.168p) interim dividend was declared and paid with regard to the year ended 2022. The Group's policy is to at least maintain dividend payments.

The Board has become aware of a breach of procedure concerning compliance with the Companies Act 2006 in relation to the payment of the interim dividend of £150,000 for the 2021 financial year of the Company that was paid in October 2021. This dividend was paid to Shareholders when the Company had sufficient reserves. However, the Company's relevant accounts for the purposes of the Companies Act 2006, namely those filed for the year ended 31 December 2020, did not show sufficient distributable reserves and no interim accounts had been filed at Companies House to confirm the adequacy of reserves at the time of the declaration and as required by the Act.

To satisfy the steps required to rectify this breach of procedure, a resolution will be proposed at the Company's forthcoming General Meeting. The Company has put in place the necessary controls and processes to ensure that a similar issue will not recur.

The Board is proposing a final dividend of 0.279p per share. In combination with the interim dividend, if confirmed by the shareholders at the AGM, this will represent a total dividend for the year of £399,884 (2021: £399,592) or 0.447p per share based upon the number of shares currently in issue. If further approved by shareholders at the AGM on 20 June 2023, the final dividend will be paid on 21 July 2023 to shareholders on the register at the close of business on 30 June 2023.

13

Financial Instruments

The Company's activities are exposed to a variety of risks, including foreign currency, credit, and liquidity risk. The Company's overall financial risk management policy focuses on minimising potential adverse effects on its financial performance.

Financial Risk Management Policies

The Company is not exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Pounds Sterling. All intercompany transactions are conducted in Pounds Sterling.

Credit Risk

The Company's exposure to credit risk arises mainly from Intercompany receivables. At each reporting date, loans made to subsidiaries are reviewed to determine whether there is any indication that those assets are impaired. If there is an indication of possible impairment, the recoverable amount of the asset is estimated and compared with its carrying amount. Any resulting impairment loss is recognised immediately in profit or loss. For other financial assets (including cash and bank balances), the Company minimises credit risk by dealing exclusively with banks with high credit ratings.

The Directors have reviewed the loans at 31 December 2022 and have concluded that there are no indicators of impairment.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Company 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 Company 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.

Capital Risk Management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The Company has a capital risk management policy in place.

14

Events After the Reporting Period

Apart from the final dividend declared as disclosed in note 19, no other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors, Secretary and Advisers

Directors

Richard Amos	Non-Executive Chairman
Vivek Dodd	Chief Executive Officer
Catriona Razic	Chief Commercial Officer
Anthony Miller	Chief Technical Officer
Richard Edward Steele	Chief Financial Officer
Isabel Napper	Non-Executive Director
Sally Tilleray	Non-Executive Director

All of whose business address is at the Company's registered office

Company Secretary

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