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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (PeopleCert Wisdom Limited)

Introduction

Peoplecert Wisdom Limited was incorporated in United Kingdom on 1 June 2021 as a private limited liability company. As at 22 July 2021, the Company proceed with the subscription for one ordinary share of EUR 1.00 in the capital of the Peoplecert International Ltd at a subscription price of GBP 8,343. As at 23 July 2021, Peoplecert Holdings UK (upper parent company of Peoplecert Group) transferred the 100% shares or EUR 10,000 hold for Peoplecert International Ltd and therefore at that date obtained the control of Peoplecert International Ltd and its subgroup. As at 28 July 2021, the Company proceed with the subscription for one ordinary share of EUR 1.00 in the capital of the Peoplecert International Ltd at a subscription price of GBP 140,000,000.

About PeopleCert

PeopleCert is a global examination (testing) and certification organization, founded in 2000 by Mr. Anastasios Byron Nicolaides, the Group's ultimate primary shareholder and its Chairman and Chief Executive Officer. The Group operates through subsidiaries formed in Greece, Cyprus, the United Kingdom, Turkey, China and the United States of America, and a branch office located in Dubai, U.A.E. which is in the process of being converted into a legal entity. The Group's main marketing and sales companies are PeopleCert International Limited ("PCIN"), a Cyprus private company limited by shares, with its registered office located in Nicosia, Cyprus, PeopleCert UK Ltd ("PCUK"), a limited company organized under the laws of England and Wales, with its registered office located in London, United Kingdom, PeopleCert Qualifications Ltd ("PCQ"), an English limited company, with its registered office located in London, United Kingdom, PeopleCert Hellas Foreas Pistopiisis Anthropinou Dinamikou Anonimi Etairia ("PCGR"), a Greek *societe anonyme* company, with its registered office located in Athens, Greece and PeopleCert Education S.A., a Greek *societe anonyme* company, with its registered office located in Athens, Greece.

We are a global leader in exam delivery and certification of professional and language skills with sales in over 220 countries. This includes developing and marketing our own qualifications and delivering internationally recognized third-party qualifications. We offer an extensive portfolio of globally recognized qualifications (more than 700 certifications).

Our principal revenue drivers are exams-followed by online invigilation of exams 24/7/365, content, additional services, accreditation services and training.

• *Exams*

Our exams business comprises of certifications in the IT, project management and language markets. This business is underpinned by our market leading in-house technology platform, providing services from registration to online invigilation without reliance on third parties. We offer a variety of services related to qualifications, from the development and design of the content, accreditation, exam delivery, certification (including certificate handling and delivery) and reporting the exam/certification results, to real-time reporting and worldwide marketing and business development. Our range of services are comprehensive compared to our competitors in the market, most of which focus on only a small number of these services. We have many long term awarding organization partners, Axelos being the largest since 2014. We have been the exclusive examination partner and institute for Axelos since 2018.

• *Online invigilation*

Online invigilation ("**OLI**") typically includes live proctoring, recorded proctoring, and advanced automated proctoring. While OLI market has two main segments, the academic market and the professional certifications market, we currently operate in the professional certifications market, offering both software and service solutions. We have a dedicated team of 194 people who are focused on selling and managing OLI. The technology for OLI is proprietary and developed in-house. OLI is a new and growing market, the accelerated growth being due to the growing share of online examinations.

• *Content*

Our "content" revenue segment includes sales of physical books and eBooks to business to consumer customers, as well as business to business customers, who then resell them. Content development and its distribution are an area of focus for revenue growth in the future. Physical books sell for approximately £80, with eBooks selling at a discount to physical.

• *Additional services*

Our main growth driver in the additional services revenue category is the exam re-sit insurance service ("**Take2**"), which we introduced and commercialized in September 2019. A "Take2" owner is eligible for a second exam, free of charge, in case of failing the first one. Other services include paper certificate, paper supplement, candidate registration and voucher reschedule. Paper certificate refers to delivery of a printed certificate instead of the one in digital (pdf) format that every candidate receives. Paper supplement is a charge for exams delivered on paper. Candidate registration refers to the fee paid by candidates to book their registration in exams over the phone instead of online. Vouchers reschedule is a service which for online rescheduling of exams.

• *Accreditation services*

Accreditation services are quality audits conducted by us based on specific criteria in order to certify organizations, their trainers and training material. Accreditation revenue refers to recurring annual fees for these services. Our accreditation revenue grew from 2016 to 2021, primarily due to growth in the number of accreditations as a result of expansion of our business partner network.

• *Training*

Training was introduced in 2018 targeting on-site training through a proof-of-concept center in Athens, Greece. It is one of our smaller businesses at the moment and following the start of the Covid-19 pandemic we transitioned immediately to virtual classrooms. -

Our business has grown organically and through acquisitions. Part of our strategy is to integrate vertically and acquire the margins higher up the value chain; acquisitions are in line with this strategy. For instance, in 2015 we completed the acquisition of Global Certification Institute Pty. Ltd. (“GCI”), in 2020 the acquisition of the International Association For Six Sigma Certification LLC (“IASSC”) and in 2021 the Axelos acquisition. The GCI transaction provided us direct access to GCI’s customers, gave us a strong hold in Australia and New Zealand, and contributed to our globalization. IASSC is an independent provider of Lean Six Sigma certification testing and accreditations. The IASSC acquisition has generated both revenue and cost synergies for our pre-existing business delivering IASSC certifications.

Finally, the Axelos acquisition is considered a landmark for the organization since currently PeopleCert has become an IP house of own certifications instead of delivering third party exams. This is changing our profitability and cash flow generation enabling us to pursue new growth milestones.

Significant Factors Affecting our Results of Operations

Our results of operations during the periods under review have been affected primarily by the following factors, which we expect will continue to affect our business and results of operations in the future.

Industry trends

Our results of operations are affected by trends that affect our industry generally, including the following items listed below.

Digital Transformation

The level of digital transformation in governments and corporations has impacted and will continue to impact our industry and we believe this will accelerate, particularly since the Covid-19 pandemic. For example, governments around the world have set up funds to incentivize corporations and individuals to "re-skill," meaning the need to teach and certify new skills. We expect spending on technology services, which enable digital transformation, to grow at a 21% CAGR from 2020 to 2023.

Growing Investment in Skills

Training budgets in companies are increasing, especially in developing markets. Self-improvement is also a growing trend across all aspects of life, which also plays out in the workplace, with employees striving to boost their confidence and qualifications. This should increase our revenues as increasing investment in skills naturally results in an increase of examinations and certifications.

Tighter Job Markets

If job markets tighten, an increasing need for certifications and qualifications may arise due to the need for applicants to distinguish themselves. We believe that the Covid-19-driven recession will create such a competitive jobs market. At the same time, people who are unemployed or underemployed as a result of the recession will also have additional time to focus on furthering qualifications. Teleworking is one of the new forces driving tighter job markets as it increases the possibility to source talent across the globe without need for relocation.

Job Search and Learning Digitalization

We are noticing a movement towards self-service online learning and testing that will positively impact our industry. For example, human resource departments increasingly use 'Application Tracking Systems' to filter *curriculum vitae* on key words, boosting importance of qualifications. Candidate filtration methodologies mean it is increasingly vital for candidates to be in possession of certifications, which we expect to drive future volumes, and thus revenues. The shift in examinations and training towards online delivery accelerated during the Covid-19 pandemic, and we expect this trend to continue. We believe these trends will result in a greater number of certifications and therefore revenue.

Emerging economies

Emerging economies are seeing their services sectors increasing, boosting demand for professional disciplines like project management or IT Services Management. The progressive shift to services should be positive for our qualifications considering that, for example, 87% of IT professionals hold at least one certification (Market Report).

Internationalization of Workforce and Education Seekers

Workforces are becoming increasingly mobile and international. Education is also becoming ever more global, with language and other certificates required for admission. At the same time, immigration rules are tightening and qualification certificates, especially to show language ability, are a requirement to such mobility.

General economic conditions

We operate in over 220 countries around the world. Our business is significantly dependent on job opportunities, certification requirements and the need of employees to upskill or reskill in the various markets where we sell our products. This, in turn, depends on local and regional economic conditions, including levels of inflation and unemployment. An actual or anticipated improvement or deterioration of economic conditions in any of our major markets may affect sales and revenue, as well as the level of demand for our products and the prices at which they can be sold.

Foreign currency exchange rates

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Our consolidated financial statements are presented in Great Britain Pounds (GBP), which is the Group's presentation currency and the functional currency of the Company. The functional currency of our subsidiaries PeopleCert International Ltd, PeopleCert Hellas S.A, PeopleCert Educational S.A. and PeopleCert Global Services S.A. is the Euro; of PeopleCert Personel Belgelendirme A.S. is the Turkish Lira; and of PeopleCert UK Ltd and PeopleCert Qualifications Ltd is GBP. Accordingly, movements in foreign currency exchange rates against GBP, particularly the Euro and USD, may result in changes in the reported income or balance sheet items from non-GBP operations. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in our profit or loss.

In addition, we invoice in three main currencies, EUR, GBP and USD, as well as AUD and JPY. Our currency exposure has had a low impact on business historically, with low net losses of £182,193, £237,207 and £332,443 for the twelve months ended 31 December 2018, 2019 and 2020 respectively. Our Treasury is currently optimizing our risk management policies in light of newly formed exposures post Axelos acquisition, in order to mitigate currency risk.

Seasonality

Business & IT qualifications revenue traditionally peaks towards the year end, while language examinations revenues peak in May – July period as students take foreign language exams alongside school examinations. Business & IT qualifications is the revenue stream which contributes the most to our results, with approximately 30% on average of the stream's revenue occurring within the last quarter of each year. February and March also present an increased revenue trend. The respective revenue stream for language examinations is also seasonal, as on average approximately 33% of total revenue in each of the years ended December 31, 2018, 2019 and 2020 was generated within the second quarter.

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PeopleCert Wisdom Limited Financials

In the following sections we are presenting the financials of Peoplecert Wisdom Limited. Since the Company is a newly established entity, the below represents the financial performance for the period from 23 July 2021 to 31 December 2021 and no comparatives are available.

Please note that Financial Statements are prepared and audited in accordance with International Financial Reporting Standards (IFRS).

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Consolidated Statement of Profit and Loss and Other Comprehensive Income for year ended 31 December 2021

	23 July 2021 to 31 December 2021
	£
Revenue	**37,281,461**
Cost of sales	**(5,967,651)**
Gross profit	**31,313,810**
Other operating income	**253,931**
Distribution expenses	**(4,965,524)**
Administrative expenses	**(7,899,480)**
Other operating expenses	**(21,202,174)**
Operating loss	**(2,499,437)**
Finance income	**15,421,000**
Finance expense	**(17,129,855)**
Net finance costs	**(1,708,855)**
Loss before tax	**(4,208,292)**
Taxation	**(1,692,764)**
Loss from continuing operations	**(5,901,056)**
Loss for the year	**(5,901,056)**
Other comprehensive income	
Items that will not be reclassified to profit or loss:	
Remeasurements of defined benefit liability/asset	**(5,624)**
Income tax on items that will not be reclassified to profit or loss	**1,350**
	(4,274)
Items that are or may be reclassified subsequently to profit or loss:	
Foreign currency translation differences – foreign operations	**(2,147,258)**
Other Comprehensive income for the year, net of income tax	**(2,151,532)**
Total comprehensive loss for the year	**(8,052,588)**

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Consolidated Balance Sheet
at 31 December 2021

	2021 £
Non-current assets	
Property, plant and equipment	**1,456,360**
Right-of-use assets	**1,698,586**
Intangible assets	**389,986,650**
Other financial assets	**186,699**
Total non-current assets	**393,328,295**
Current assets	
Inventories	**25,220**
Trade and other receivables	**9,528,234**
Cash and cash equivalents	**18,836,946**
Total current assets	**28,390,400**
Total assets	**421,718,695**
Equity attributable to equity holders of the parent	
Share capital	**4**
Share premium	**140,058,339**
Reserves	**(1,612,150)**
Retained earnings	**5,416,604**
Total equity	**143,862,797**
Non-current liabilities	
Other interest-bearing loans and borrowings	**252,079,657**
Provisions	**78,518**
Other financial liabilities	**591,164**
Deferred tax liabilities	**5,510,095**
Obligations under finance leases	**1,304,477**
Total non-current liabilities	**259,563,911**
Current liabilities	
Other interest-bearing loans and borrowings	**6,029,185**
Trade and other payables	**7,182,534**
Income tax payable	**1,448,106**
Deferred income	**3,164,328**
Obligations under finance leases	**467,834**
Total current liabilities	**18,291,987**
Total liabilities	**277,855,898**
Total liabilities and equity	**421,718,695**

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Consolidated Cash Flow Statement

	2021 £
Cash flows from operating activities	
Loss for the period	**(4,208,292)**
Adjustments for:	
Depreciation, amortisation and impairment	**4,323,833**
Foreign exchange losses	**(11,420,114)**
Financial expense	**6,305,420**
Actuarial losses from changes in financial assumptions	**27,540**
(Increase)/decrease in trade and other receivables	**(1,121,092)**
(Increase)/decrease in inventories	**(25,220)**
(Decrease)/increase in trade and other payables	**2,469,047**
(Decrease)/increase in deferred income	**1,718,257**
Defined benefit obligations paid	**(5,176)**
Tax paid	**(2,545,614)**
Net cash used in operating activities	**(4,481,411)**
Cash flows from investing activities	
Proceeds from sale of property, plant and equipment	**117,793**
Acquisition of subsidiary, net of cash acquired	**(372,599,537)**
Acquisition of property, plant and equipment	**(184,438)**
Acquisition of other assets	**(44,013)**
Acquisition of intangible assets	**(2,815,894)**
Net cash used in investing activities	**(375,526,089)**
Cash flows from financing activities	
Proceeds from the issue of share capital	**-**
Increase in share premium	**139,999,997**
Proceeds from new loan	**505,184,325**
Interest paid	**(291,827)**
Repayment of borrowings	**(251,689,575)**
Payment of lease liabilities	**(387,989)**
Dividends paid	
Net cash from financing activities	**392,814,931**
Net increase in cash and cash equivalents	**12,807,431**
Cash and cash equivalents at 23 July	**6,367,768**
Effect of exchange rate fluctuations on cash held	**(338,253)**
Cash and cash equivalents at 31 December 2021	**18,836,946**

Group Financials

In the following sections we are presenting unaudited financials for the Group for information purposes only, as if PeopleCert Wisdom Limited had existed and owned PeopleCert International Ltd from January 1st, 2020.

Factors Affecting Comparability of our Results of Operations

Impact of IFRS 16

IFRS 16 introduced new or amended requirements with respect to lease accounting. It introduced significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting remained largely unchanged. The date of initial application of IFRS 16 for the Group was January 1st, 2019.

IFRS 16 implementation impacted both our balance sheet and income statement figures.

• Balance sheet: We recognize right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16. The impact on the balance sheet is direct as the total amount of assets is increasing by the amount for buildings and leased vehicles. The same applies to the liability created by the implementation of IFRS , that gradually diminishes over the years. In the previous year, 2018, before IFRS 16 implementation, these items were not in company's balance sheet.

Net impact on balance sheet

Twelve months ended December 31(£) 2021 2020

	2021	**2020**
Assets	1,698,586	1,601,782
Liabilities	1,772,311	1,273,084

• Income statement: We recognize depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of comprehensive income. The net impact is the difference between a) the sum of depreciation plus interest due to IFRS 16 less b) the initial lease expense (reversed).

Net impact on profit and loss

Twelve months ended December 31(£) 2021 2020

	2021	**2020**
Depreciation IFRS 16	502,144	423,715
Interest Expense IFRS 16	85,429	72,091
Addition of IFRS 16 Entries	**587,573**	**495,805**
Reversal of initial building and vehicle invoices expense	(467,085)	(390,996)
Net impact	**120,488**	**104,810**

Business consolidation

On June 20th, 2021, PeopleCert International Limited entered into the Axelos Acquisition Agreement, with the Axelos Sellers to acquire Axelos. The Axelos acquisition concluded on July 29th, 2021. As a result, royalty payments made to Axelos in the past, (£37,826,366 for the year ended December 31, 2020, or 99.17% of the total amount of royalties paid in that year), are eliminated on consolidation following the Axelos acquisition. Please see "*Business*" below for further information on the strengths of our business following the Axelos acquisition.

Key Line Items in Our Consolidated Statement of Comprehensive Income

Revenue

Revenue represents the amount of consideration to which we expect to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes): the transaction price. We include in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on our experience with similar contracts and forecasted sales to the customer. We recognize revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, we can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of our future cash flows is expected to change as a result of the contract), it is probable that we will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer, and when specific criteria have been met for each of our contracts with customers. We base our estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, we consider only the customer's ability and intention to pay that amount of consideration when it is due.

Cost of sales

The cost of sales is the accumulated total of all costs used to create a product or service which has been sold. Our cost of sales is primarily composed of royalty fees, relating to the provision of various test owner certifications. Royalty fees are the consideration provided by us in order to act as an examination institute and use such certifications. Other components of cost of sales include amortization of intangibles, learning service purchase costs, intellectual property rights fees, exam supervision and testing program expenses, accreditation costs and other services received and commissions payable. Learning service purchase costs refer to the provision of training services and training material provided in the scope of execution of trainings on behalf of other companies.

Gross profit

Our gross profit is comprised of revenue for the related period, less the cost of sales for the related period.

Other operating income

Other operating income includes revenue from all other operating activities which are not related to our principal activities. The principal components of our other operating income include recharges to related and other parties, bad debts recovered, commissions received and sundry operating income.

Selling and distribution expenses

Selling expenses refer to those expenses which are incurred to promote sales and service to our customers, while distribution expenses, on the other hand, are those which are incurred for making our products available to our customers. Our selling and distribution expenses are comprised primarily of staff costs, sales consultant fees (expenditure for the expansion of business & IT and language certification qualifications), advertising and overseas travel, as well as sponsorships and conference attendance.

Administration expenses

Administration expenses refer to the costs of operating our business that are not directly attributable to the production of goods or services. Examples of administrative examples include the salaries of employees that are not involved in the production of our goods and services (e.g., accountants), information technology fees, repairs and maintenance, legal services, facilities management, entertaining and similar items.

Net impairment (loss) on financial and contract assets

From 1st January 2018, we began to assess on a forward-looking basis the expected credit losses (“ECL”) for debt instruments (including loans) measured at amortized cost (“AC”) and fair value through other comprehensive income (“FVOCI”) and with the exposure arising from loan commitments and financial guarantee contracts. We measure ECL and recognize credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of comprehensive income within “net impairment losses on financial and contract assets”. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other expenses

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36. For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), we have opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within ‘other expenses’ in profit or loss.

Operating profit

Our operating profit is comprised of gross profit and other operating income for the related period, less the selling and distribution expenses, administration expenses, net impairment (loss) on financial and contract assets (if any) and other expenses (if any) for the related period.

Finance income and finance costs

Our finance income is comprised of certain items, including interest income, finance income on the net investment in finance leases, interest from overseas and realized foreign exchange profit. Our finance costs include interest expense (for example, loan interest), other sundry finance charges (such as bank fees) and net foreign exchange losses.

Profit before tax

Our profit before tax is comprised of our operating profit and finance income for the related period, less any finance costs for the related period.

Tax

Tax includes corporation tax, any defense contribution and deferred taxes. Our entities operate in difference countries, such as Cyprus, Greece, Turkey and the United Kingdom and therefore are subject to different income tax rates.

Net profit for the year

Our net profit before for the year is comprised of our profit before tax for the related period, less any tax for the related period.

Results of Operations

The following table summarizes our unaudited consolidated results of operations for the years ended December 31st,
2020 and 2021.

Year ended December 31st, 2021 and 2020

	2021	2020
Revenue	79,636,766	63,945,181
Cost of sales	(31,261,040)	(42,342,030)
Gross profit	**48,375,726**	**21,603,151**
Other operating income	429,688	179,168
Selling and distribution expenses	(8,979,486)	(5,070,798)
Administration expenses	(15,186,972)	(9,951,027)
One-off	(21,505,054)	(402,456)
Operating profit	**3,133,901**	**6,358,037**
Finance income	16,811,872	1,222,429
Finance costs	(18,584,827)	(2,414,136)
Profit before tax	**1,360,945**	**5,166,331**
Tax	(5,248,284)	(211,535)
Net (loss) / profit for the year	**(3,887,338)**	**4,954,796**

Comparison of Results of Operations for the year ended December 31st, 2021 and December 31st, 2020

Revenue

Revenue increased by £15,691,585 or 25%, to £79,636,766 for the year ended December 31st, 2021 from £63,945,181 for the year ended December 31st, 2020. The growth derives from the B&IT stream that presented an increase of 13.4%, primarily driven by Axelos' products that increased by 11.3% with a significant further contribution from Languages' products that rose by 253% following the Madrid tender win and SELT's full year contribution. The continuous recovery of volumes and margins and the sequential growth of revenues are providing concrete indications of improving demand and is further evidenced by the recovery of BI&T performance to 2019 levels.

The observed growth is partially attributed to Axelos revenue that flowed into the Group post acquisition while the remaining variation is related to PeopleCert's achievement to overcome the adverse impact of the coronavirus pandemic and retain its leadership position worldwide by taking advantage of the fact that the Global market is rapidly moving towards more digital delivery models. PeopleCert adapted rapidly to the changing circumstances by promoting the provision of online invigilation services, partially offsetting the original loss from postponed classroom-based exams.

The table below shows our revenue by product categories for the years ended December 31st, 2021 and

2020:

Year ended December 31st, 2021 and 2020

	2021	2020
Business and IT Qualification	69,155,911	60,979,260
Language Qualification	10,479,173	2,965,921

The table below shows our revenue by types of revenue for the years ended December 31st, 2021 and 2020:

Year ended December 31st, 2021 and 2020

	2021	2020
Exams	63,945,205	52,390,272
Online Invigilation	6,682,748	5,013,718
Accreditation	2,519,731	2,298,549
Training	553,994	469,608
Additional Services	4,042,170	3,109,930
Content	1,095,505	48
Other Revenue	795,266	663,056

The table below shows our revenue by our top geographies in which we deliver our services for the years ended December 31st, 2021 and 2020:

Year ended December 31st, 2021 and 2020

	2021	2020
United Kingdom	20.94%	20.96%
United States	10.40%	14.05%
Germany	7.38%	7.68%
India	6.91%	7.24%
Spain	4.58%	1.56%
Netherlands	4.16%	4.43%
Greece	4.08%	2.96%
China	3.83%	3.09%
Italy	3.76%	3.41%
Poland	3.09%	3.17%

Cost of sales

Cost of sales decreased by £11,080,989 or 26%, to £31,261,040 for the year ended December 31st, 2021 from £42,342,030 for the year ended December 31st, 2020. This decrease was primarily attributable to a reduction in royalty fees of £15,952,548 or 42%, following the cessation of Axelos royalties post acquisition.

The table below shows our cost of sales as a percentage of revenue for the years ended December 31st, 2020 and 2021:

Year ended December 31st, 2021 and 2020

	2021	**2020**
Revenue	79,636,766	63,945,181
Cost of Sales (excluding Amortisation)	25,891,372	40,023,061
Cost of Sales as a % of Revenue (excluding Amortisation)	33%	63%

Other operating income

Other operating income increased by £250,520 or 140%, from £179,168 in 2020 to £429,688 in 2021.

Selling and distribution expenses

Selling and distribution expenses increased by £3,908,688, or 77%, from £5,070,798 in 2020 to £8,979,486 in 2021. This increase was primarily attributable to increases in staff costs of £1,476,707 or 78.7%, and in marketing expenses of £1,143,914 or 200.5%. It's worth mentioning that both staff and marketing were key contributors to 2021 growth.

Administration expenses

Administration expenses (excl. one-off expenses) increased by £5,235,944 or 53%, from £9,951,026 in 2020 to £15,186,972 in 2021. This increase was primarily driven by increases in staff costs of £3,312,856 or 65,9% (due to the Axelos acquisition, the increased hiring of low-cost employees for online invigilation, computer supplies and maintenance due to teleworking and new projects and legal fees due to participation to tenders) and in IT expenses of £731,588 or 130,2%.

One-off expenses

Other expenses of £21,505,054 relating to the Axelos acquisition were incurred for the year ended December 31st, 2021.

Operating profit

Operating profit decreased by £3,224,136 or 51%, to £3,133,901 for the year ended December 31st, 2021 from £6,358,037 for the year ended December 31st, 2020. This decrease derives from the acquisition related one-off expenses. Excluding these expenses, operating profit increased by £18,280,916 or 288%.

Finance income and finance costs

Finance income increased by £15,589,443 or 1275%, to £16,811,872 for the year ended December 31st, 2021 from £1,222,429 for the year ended December 31st, 2020. Finance costs increased to by £16,170,692 or 670%, to £18,584,827 for the year ended December 31st, 2020. Net finance costs were £1,772,956 in 2021 compared with £1,191,707 in 2020, reflecting exchange gains on interest expenses of £6.2 million imposed on the Eurobond issue.

Tax

Taxes increased by £5,036,749 to £5,248,284 for the year ended December 31st, 2021 from £211,535 for the year ended December 31st, 2020 primarily due to the impact of Axelos deferred tax liability and the change in the Cypriot tax regime effective in July 2021.

Net loss for the year

A net loss of £3,887,338 was recorded for the year ended December 31st, 2021 compared to a profit of £4,954,797 for the year ended December 31st, 2020 which is mainly due to the high transactional costs relating to the acquisition of Axelos and is expected to turn into profitability in the next year.

Liquidity and Capital Resources

Overview

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, capital expenditure, debt service obligations, other commitments and contractual obligations. Our primary source of liquidity is cash flow from operating activities. We strongly believe that our expected operating cash flows, together with cash on hand, will be adequate to meet our anticipated liquidity needs. The ability of our businesses to generate cash from their operations depends on future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as other factors discussed under "Risk Factors" and "—Factors Affecting Comparability of our Results of Operations."

Cash Flows

The following table summarizes our unaudited consolidated statements of cash flows for the periods indicated:

	2021 £	2020 £
Cash flows from operating activities		
Profit for the year	**1,360,945**	5,166,332
Adjustments for:		
Depreciation, amortisation and impairment	**6,207,287**	3,001,138
Foreign exchange losses	**(10,127,005)**	(13,897)
Financial expense	**6,336,192**	162,691
Financial income	**-**	(34,877)
Actuarial losses from changes in financial assumptions	**27,538**	61,442
Change to profit or loss for provisions	-	120,097
(Increase)/decrease in trade and other receivables	**(1,930,113)**	3,152,611
(Increase)/decrease in inventories	**(25,220)**	-
(Decrease)/increase in trade and other payables	**(2,009,097)**	(1,466,135)
(Decrease)/increase in deferred income	**1,003,259**	128,283
		-
Defined benefit obligations paid	**(5,176)**	(25,824)
Tax paid	**(2,545,614)**	(191,961)
Net cash used in operating activities	**(1,707,004)**	10,059,900
Cash flows from investing activities		-
Proceeds from sale of property, plant and equipment	**117,793**	-
Acquisition of subsidiary, net of cash acquired	**(372,599,537)**	-
Purchase of subsidiary, net of cash acquired		(1,509,886)
Acquisition of property, plant and equipment	**(556,245)**	(334,747)
Acquisition of other assets	**(78,415)**	(23,409)
Acquisition of intangible assets	**(3,490,391)**	(2,055,534)
Net cash used in investing activities		-
	(376,606,795)	(3,923,576)
Cash flows from financing activities		
Proceeds from the issue of share capital	**-**	-
Increase in share premium	**139,999,997**	
Proceeds from new loan	**505,199,292**	89,903
Interest paid	**(322,335)**	(90,981)
Repayment of borrowings	**(252,220,860)**	(1,124,237)
Payment of lease liabilities	**(548,789)**	(468,492)
Dividends paid	**(10,541,549)**	(494,466)
Net cash from financing activities	**381,565,756**	(2,088,273)
Net increase in cash and cash equivalents	**3,251,957**	4,048,050
Cash and cash equivalents at 1 January 2021	**16,816,255**	12,004,332
Effect of exchange rate fluctuations on cash held	**(1,231,266)**	764,417
Cash and cash equivalents at 31 December 2021	**18,836,946**	16,816,799

Cash Flows from Operating Activities

Net cash flows from operating activities decreased by £11,766,904, or 116.97%, to £(1,707,004) for the year ended December 31, 2021 from £10,059,900 for the year ended December 31, 2020. This decrease was primarily due to the decrease in profit before tax driven by one-off expenses relating to the acquisition of Axelos Limited combined with the higher interest expenses following the bond loan of €300 million that was issue in August 2021. Net cash used in operating activities was also affected by higher amortization of intangible benefits, as well as by the worsening in working capital primarily due to a lesser trade and other receivables from an increase of £3,152,611 in the year ended December 31, 2020 to a decrease of £(1,930,113) in the year ended December 31, 2021 partially offset by the increase in deferred income by £874,976 from an increase of £128,283 in the year ended December 31, 2020 to an increase of £1,003,259 in the year ended December 31, 2021.

Cash Flows from Investing Activities

Net cash flows used in investing activities increased by £372,683,219 to £376,606,795 for the year ended December 31, 2021 from £3,923,576 for the year ended December 31, 2020. This increase was primarily attributable to the cash consideration paid in connection with our acquisition of Axelos Limited, as well as due to higher capital expenditure in intangible assets by £1,434,857 to £3,490,391 for the year ended December 31, 2021 from £2,055,534 for the year ended December 31, 2020 and property, plant and equipment by £221,498 to £556,245 for the year ended December 31, 2021 from £334,747 for the year ended December 31, 2020.

Cash Flows from Financing Activities

Net cash flows from financing activities increased by £383,654,029 to £381,565,756 for the year ended December 31, 2021 from £(2,088,273) for the year ended December 31, 2020. This increase was primarily attributable to the proceeds from the bond loan that was issued in August 2021, as well as to the share premium of £139,999,997.

Capital Expenditures

The table below presents a breakdown of our consolidated capital expenditures for the periods indicated:

Year ended December 31(£) 2021, 2020

	2021	2020
Purchase of property, plant and equipment	556,245	334,747
Payment of intangible assets	3,490,391	2,055,534
Total capital expenditures	4,046,636	2,390,281

We have minimal capital expenditure requirements, the majority of which relate to intangible assets as we make continuous improvements to existing software and invest in the development of new software. We allocate capitalized payroll to each project at the end of each month. The bulk of this capital expenditure relates to our PASSPORT and LanguageCert programs, while the remaining concerns other intangible assets such as courseware, websites, mobile applications and back-office systems. Capital expenditure related to tangible assets primarily consists of additions to
property, plant and equipment, including furniture, IT-related equipment (for example, printing machines and audio and visual machines). Our absolute level of capital expenditure is not expected to increase materially from current levels.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements as of December 31, 2021.

Quantitative and Qualitative Disclosure about Market Risks

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortized cost, at fair value through other comprehensive income (“FVOCI”) and at fair value through profit or loss (“FVTPL”), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and contract assets as well as lease receivables. Further, credit risk arises from financial guarantees and credit related commitments. Our credit risk is managed on a group basis. For banks and financial institutions, we have established policies whereby the majority of bank balances are held with independently rated parties with a minimum rating of ‘C.’ If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, our management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by our board of directors. The utilization of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Our investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. We have procedures with the object of minimizing such losses, such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Our income and operating cash flows are substantially independent of changes in market interest rates as the Group have no significant interest-bearing assets. We are exposed to interest rate risk in relation to our non-current borrowings. Borrowings issued at variable rates expose us to cash flow interest rate risk. Borrowings issued at fixed rates expose us to fair value interest rate risk. Our management monitors interest rate fluctuations on a continuous basis and act accordingly.

Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group’s measurement currency. We are exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar, Euro, Australian Dollars and Japanese Yen. Our management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Significant Accounting Policies

The Historical Financial Information is prepared in accordance with IFRS. The amounts presented in the Historical Financial Information involve the use of estimates and assumptions about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in the economic environment, financial markets and any other parameters used in determining such estimates and judgments could cause actual results to differ and the estimates and assumptions will seldom equal the related actual results. Our accounting policies are more fully described in note 4 of fiscal year 2020 consolidated financial statements and elsewhere in this Offering Memorandum. We believe the following policies to be the most significant policies that require management to consider matters that are inherently uncertain or to make subjective and complex judgments.

Basis of consolidation

We have subsidiary undertakings for which IFRS 10 requires consolidated financial statements to be prepared. The consolidated financial statements incorporate our financial statements and entities controlled by us (our subsidiaries). Control is achieved where we are exposed, or have rights, to variable returns from our involvement with the investee and have the ability to affect those returns through our power over the investee. Transactions with non-controlling interests that do not result in loss of control of a subsidiary, are accounted for as transactions with the owners (i.e. as equity transactions). The difference between the fair value of any consideration and the resulting change in the non-controlling interests' share of the net assets of that subsidiary, in recorded in equity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by us, liabilities incurred by us to the former owners of the acquiree and the equity interests issued by us in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Leases

At inception of a contract, we assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, we assess whether:

• the contract involves the use of an identified asset—this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

• we have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

• we have the right to direct the use of the asset. We have this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, we have the right to direct the use of the asset if either:

(i) we have the right to operate the asset; or

(ii) we design the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, we allocate the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which we are a lessee, we have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Revenue recognition and measurement

Revenue represents the amount of consideration to which we expect to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties(for example, value-added taxes); the transaction price. We include in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on our experience with similar contracts and forecasted sales to the customer.

According to our commercial policy, our Business & IT qualifications customers receive a volume discount at the end of each semester. Volume discounts are based on invoiced exam volume from all products at the end of each semester. Pricing was also affected by the launch of the “Take2” re-sit service in mid-2019. Customers purchasing the Take2 service are granted a second voucher free of charge in case they fail the first exam. As a result the actual price is lower than the list price. Various other promotional campaigns which are targeted to specific products and/or markets are planned throughout the year and affect the actual price.

We recognize revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, we can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract), it is probable that we will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of our contracts with customers. We base our estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable we consider only the customer's ability and intention to pay that amount of consideration when it is due. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the consolidated statement of comprehensive income in the period in which the circumstances that give rise to the revision become known by our board of directors.

Employee benefits

We and our employees contribute to the Government Social Insurance Fund in Greece based on employees' salaries. In addition we provide retirement benefits in the form of lump sum amounts based on a fixed benefit retirement plan to our employees. Our contributions are expensed as incurred and are included in staff costs. We have no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Debtors and provision for bad debts

Bad debts are written off to profit or loss and a specific provision is made, where it is considered necessary. No general provision for bad debts is made. Trade debtors are stated after deducting the specific provision for bad and doubtful debts, if any.

Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

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Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Anastasios Byron Nicolaides 30 April 2022

Director