TRIBAL

Empowering the world of education

Annual Report and Accounts **2019**

TRIBAL

Empowering the world of education

Tribal is a world-class, education focused company, providing the expertise, software and services needed by education and business organisations worldwide, to underpin student success.

For more information see our website:
www.tribalgroup.com

Highlights

Revenue

£78.2m

2019	£78.2m
2018	£80.1m

Adjusted Operating Profit (EBITDA)

£15.4m

2019	£15.4m
2018	£14.1m

Statutory Operating(Loss)/ Profit

£(2.4)m

2019	£(2.4)m
2018	£4.6m

Financial Performance

19.6%

Adjusted Operating Margin (EBITDA)[1]

2018: 17.7%

(3.1)%

Statutory Operating Margin

2018: 5.7%

4.4p

Adjusted Earnings per Share[1]

2018: 4.3p

(1.5)p

Statutory (Loss)/Profit per Share

2018: 2.0p

£16.5m

Net Cash

2018: £20.0m

105%

Cash Conversion[2]

2018: 132%

1. Adjusted Operating Profit, Adjusted Operating Margin and Adjusted Earnings per Share is in respect of continuing operations which excludes 'Other Items' charges of £14.1m (2018: charge of £6.2m).
2. Cash Conversion is calculated as net cash from operating activities before tax from continuing operations, less expenditure on intangible assets and property, plant and equipment, as a proportion of adjusted operating profit.

Operational Performance

£42.3m

Annual Recurring Revenue[3]

2018: £39.5m

£133.6m

Committed Income (Backlog)[4]

2018: £121.6m

3. Annual Recurring Revenue is defined as the software related support and maintenance fees and recurring cloud services revenue.
4. Committed Income (Backlog) refers to the Total Contract Value of booked sales orders which have not yet been delivered (including two years Support & Maintenance, where it is contracted on an annual recurring basis).

At a glance

Our portfolio consists of market-leading, cloud-enabled Student Information Systems and a broad range of Education Services

These underpin the student journey from recruitment to successful outcomes and cover quality assurance, peer review, improvement and inspections, and institution benchmarking and analysis.

Our vision is simply:

to empower the world of education.

We strive to research, develop and deliver the products, services and solutions needed by education institutes across the world to support their primary goals of educating students, providing optimum learning experiences and ultimately delivering successful outcomes. Our vision leads to a simple mission to guide our business.

Our mission is:

to provide the expertise, software and services required by education and business organisations worldwide to underpin student success.

Our key strengths

Extensive and long-standing customer relationships

We enjoy deep and long-term relationships with our customers across all education sectors.

Broad, complementary portfolio

We offer an extensive portfolio of cloud-based Student Information software that is uniquely complemented with a wide range of Education Services, including quality assurance, assessment and benchmarking.

Educational expertise and focus

Our deep educational domain expertise has been developed through a long and successful history of working with, and focusing on, the education market, and our team includes many previous education practitioners.

International delivery and insight

Our business operates globally, and actively collects and shares best practice and market insight with our worldwide customer base.

Investment case

Tribal operates globally, with offices in the UK, Australia, New Zealand, Canada, USA, Middle East, the Philippines and Malaysia

We employ over 800 people worldwide, serving customers in over 55 countries. We have customers in Higher Education (HE), Further and Vocational Education (FE), Schools, Government and State bodies, training providers and employers.

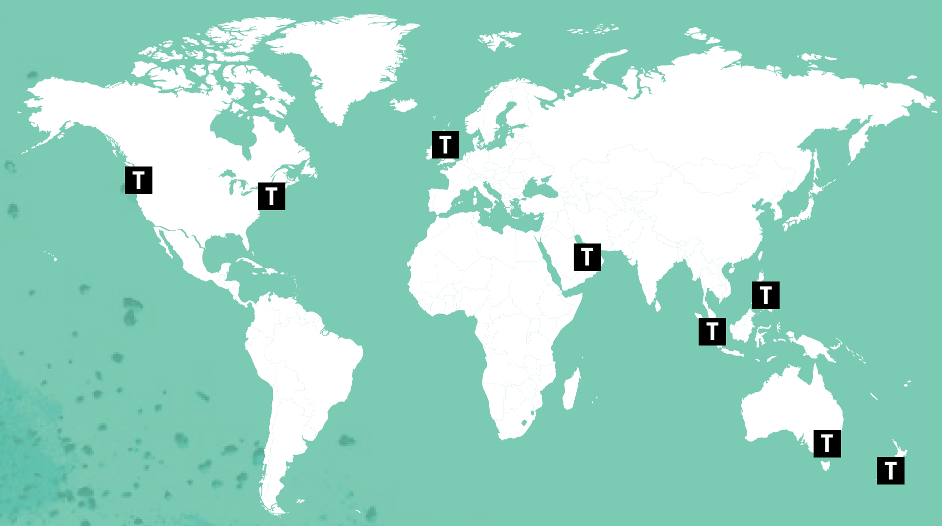
Who are our customers?

600+
Universities

100s
of colleges

1,000s
of schools

Training providers, employers, Government and State departments



over **50%**
of the UK Russell Group universities use Tribal's Student Information Systems

We work with
100%
of universities in New Zealand and
90%
in Australia

Market Position

#1
student information systems provider

to **HE**
in UK, Australia & New Zealand

to **FE**
in UK, Australia & New Zealand

to **UK**
training providers

Winning business with existing and new customers

I am pleased to report a good year of progress with improved growth in the following key financial metrics – Adjusted Operating Profit, Adjusted Operating Margin, Annual Recurring Revenue and Committed Income. The Group has continued to make strong progress developing the new Tribal Edge platform with the first module complete and available in early 2020. We made our first business acquisition for five years with the purchase of Crimson Consultants (now Tribal Dynamics), a provider of customer relationship management (CRM) software solutions which will complement existing and future sales and, in addition, we have resolved the dispute with a platform provider.

Results

The Adjusted Operating Profit (EBITDA) increased to £15.4m (2018: £14.1m) and the Adjusted Operating Margin (EBITDA) increased to 19.6% (2018: 17.7%). Revenue in the year was 2.3% lower than last year at £78.2m (2018: £80.1m) however this mostly reflects the timing of certain contracts into early 2020.

Annual Recurring Revenue (ARR) increased by 7.1% to £42.3m (2018: £39.5m). Committed Income at 31 December 2019 increased to £133.6m (2018: £121.6m).

The Statutory Profit after tax for the year was impacted by the resolution of the dispute with the platform provider, with expected costs of £9.1m resulting in an overall loss for the year of £3.0m (2018: profit of £4.1m); excluding this provision Statutory Profit would have increased by 48% to £6.1m.

The Group continued to be cash generative with strong operating cash flows of £12.4m (2018: £14.2m), before investment in the development of Tribal Edge and the acquisition of Crimson Consultants. We closed the year with net cash of £16.5m (2018: £20.0m).

Business Performance

The Group won business with existing and new customers for our SITS software. There has been a softer backdrop to the Higher Education market globally with limited new opportunities coming to market, however we had a significant new contract win towards the end of the year at the University of Northampton, with Tribal replacing the incumbent provider with a cloud hosted full SITS solution, including CRM, following a competitive tender process.

Sales of our education business systems (ebs) and Maytas solutions for Further Education and Vocational Learning providers, including TAFEs in Australia, continued to perform well with a number of notable new wins including Dyson, Capital City Colleges Group and UCFB (University Campus of Football Business).

In Education Services we won five new re-tenders for contracts with a total contract value for all new contracts of £29m, including the National Centre for Excellence in the Teaching of Maths (NCETM) in the UK, the New York State Education Department inspections contract in the US and inspections for the Abu Dhabi Department of Education and Knowledge (ADEK) in the Middle East.

Tribal Edge

The first phase of the development of our cloud-based software solution is nearing completion, with the first new module on the Tribal Edge platform released at the start of 2020. This is a significant milestone in the development of Tribal Edge. Further modules are in development and we expect to release the Admissions module towards the end of 2020. We are already selling a number of Edge ready modules on our existing platforms, including Student Engage which is our social collaboration app for students and teachers.

Acquisition

We made the key strategic acquisition of Crimson Consultants (now Tribal Dynamics) during the year, a business focused on CRM solutions such as student recruitment for education institutions built on the Microsoft Dynamics platform. These solutions complement and enhance our existing software solutions and provide opportunities to cross up-sell into existing customers and importantly competitor sites. This can be on a stand-alone basis, or as a combined offering alongside SITS or ebs, and as part of Tribal Edge. I would like to take this opportunity to welcome our new colleagues into Tribal.

Platform resolution

Early in 2019 we notified the stock exchange that the Group had received a letter of claim from lawyers acting for a provider of a software platform on which a number of the Company's material products are based. The Board were pleased to announce at the start of 2020 that it had reached a non-binding agreement with the platform provider to settle all historic liabilities resulting in a payment of £9.1m including anticipated legal costs. Whilst the Board did not consider the claim to be justified, it was keen to resolve the matter at the earliest opportunity to remove risk and uncertainty from the business and our customers. On 13 March 2020 it was announced that an agreement had been signed. This includes entering into a new 10 year VAR agreement, with effect from 1 January 2020 thus bringing this matter to a close.

Management changes

Mark Pickett was appointed as Chief Executive Officer earlier in the year, having previously been Acting Chief Executive Officer and Chief Financial Officer, and Paul Simpson was appointed as Acting Chief Financial Officer having previously been the Global Financial Controller. Mike Cope was appointed as Chief Technology Officer, a new role for Tribal. Mike joined from University College London, an existing SITS customer, where he was CIO and his experience will be invaluable as we drive adoption of Tribal Edge.

Nigel Halkes was appointed to the Board as a non-executive director at the start of 2020. Nigel joins following a successful 35-year career at EY, retiring as Managing Partner, UK and Ireland Markets. His deep experience of advising and growing technology businesses is highly valuable to Tribal. The Board is committed to diversity throughout the company and will seek to appoint a woman to the Board at the time of the next appointment.

Employees

The Board recognises the hard work and commitment shown by our employees across the world. Our employees are essential to Tribal's continued success and on behalf of the Board I would like to express our thanks.

Dividend

Tribal remains committed to a progressive dividend policy and the Board is pleased to propose an annual dividend in respect of the year ended 31 December 2019 of 1.2p (pending approval at the AGM on 27 April 2020), representing a 9% increase on 2018. The dividend is expected to be paid at the end of July 2020, with an associated record date of 19 June 2020 and ex-dividend date of 18 June 2020.

Brexit

Tribal welcomes the increased certainty following the UK's recent exit from the European Union (Brexit). As post-exit trade negotiations progress we do not expect any short-term impact however we continue to monitor the position as areas concerning reduced funding for research projects and a fall in overseas student numbers could put pressure on universities' finances which may result in curtailment or delays in new investment.

Outlook and Coronavirus (Covid-19)

Tribal won a significant new SITS customer at the start of 2020 with Kaplan Australia, a large training provider in Australia, which followed on from the new contract win at the University of Northampton late in 2019.

Tribal is not immune to the consequences of the spread of the Coronavirus (Covid-19) and the impact it is having on the business and Education communities In Australia, where the academic year started in February 2020, it has affected the ability of international students (particularly Chinese students) to take up their places at universities. We have also seen schools temporarily closed in the UAE which has affected our ability to carry out school inspections. We are seeing educational institutions diverting people and financial resources to dealing with the effects of this issue.

Tribal itself has robust business continuity plans and will continue to support its customers and deliver its projects. It is however likely that existing projects will be delayed as customer resources are diverted elsewhere, and we also expect award of new projects to be on hold until matters become clearer. Should a significant number of schools and universities close (albeit temporarily) it is likely to impact Tribal's Education Services ability to deliver and complete benchmarking, surveys, and school inspections.

We do expect there to be a significant financial impact on the Group in the current year; however at this time, due to the constantly changing situation globally we are currently unable to quantify, with any degree of certainty the impact on the Group. We are monitoring the situation daily and will advise the market of any impact accordingly.

We do though, remain positive about the medium and longer-term prospects for the Group.

Richard Last
Chairman

Our business model

We provide world-class student information software and services

to customers in selected markets across the world, using our resources and expertise to create value that is shared with our stakeholders, and empowering educators to help produce the next generation of leaders.

Our Business Units

We operate two Business Units:

Student Information Systems

75% of sales

Student information systems and services tailored to different education segments.

Education Services[1]

25% of sales

Improvement and inspection services, quality assurance, student surveying and benchmarking across education.

Operations

Our development and support teams are in the UK and Australia, complemented with a development centre in the Philippines.

1 From 1 January 2019 Quality Assurance Solutions and i-graduate have been combined to form Education Services.

Our Resources

- Leading market share for Student Information Systems
- Trusted brand respected in education worldwide
- Education services capability complementing student management software
- Market insight from long standing customer relationships
- Fresh leadership bringing clear business focus
- Highly skilled people with deep domain expertise
- Culture that places customers at the heart of what we do

Underpinning how we operate:

Our Values See page 32

How we maximise value creation

> **"We were impressed by the capabilities of Maytas. Investment in our degree apprenticeship provision is critical to ensure success for all our students."**
>
> UCLan, UK

Our Software

Our cloud-based and on-premise Student Information Systems add value to education and business organisations throughout the student lifecycle. Our modules span:

- Marketing & Recruitment
- Admissions & Enrolment
- Learning & Studying
- Assessments & Examinations
- Student Welfare & Support
- Business Engagement
- Graduation & Alumni Management

Customers pay for Software-as-a-service (SaaS); cloud services; or for licence, implementation, support and maintenance.

Our Education Services

Our education services are offered internationally and cover institutions from Early Years through to Higher Education, all focused on improving learning and student outcomes.

- Self-assessment & Review
- Early Years & School Inspections
- School Improvement
- Professional Learning
- Quality Mark
- Student Experience Barometer
- Destination of Leavers Surveys
- Operational Benchmarking

Our Outputs

Generating returns and added value for all of our stakeholders:

Customers

Solutions to enable managers to enhance the quality of education and improve operational performance, to attract, engage and retain students throughout their learning journeys in a cost-effective and flexible manner.

Students

Supporting a student's life-long learning journey, through enhanced well-being, enriched experience beyond the academic curriculum, and seamless interaction with different learning channels (physical and virtual).

Shareholders

Shareholder value and returns from profitable, cash-generative growth with a high proportion of recurring revenue and progressive dividends.

Employees

Interesting and rewarding careers, with the opportunity to work with the leading educational institutes across the globe.

Government agencies/ education funders

Independent quality assurance services supporting the development of top class education provision.

Risk Management See page 30

Corporate Responsibility See page 32

Our strategy for profitable growth is outlined on page 8

Our strategy

To focus on international education sectors –

Higher Education, Further Education and Vocational institutions, Schools, Government and State bodies, Training Providers, and Employers – and to underpin student success through the provision of expertise, software and services.

Strategic Priorities Towards the end of 2019, we reviewed our strategic priorities and they remained unchanged with the exception of our strategy towards Tribal Edge.

Deliver a cloud-native student information ecosystem

Tribal Edge is a cloud-based Student Information System (SIS) platform developed from a student centric perspective that will empower institutions to enhance the student experience and improve student success. Tribal Edge will enable Tribal to offer a portfolio of solutions to the education sector, either developed by Tribal or by Tribal partners.

The Tribal Edge platform will focus on creating the underlying interfaces, data structures and embedded analytics that enable value-add solutions to be added to Tribal's existing SISs, including SITS:Vision, Callista and ebs. This enables our customers to gradually upgrade their systems, gaining value with each solution they take. The customer journey will allow them to transform their business processes as well as their systems infrastructure, leading to a more efficient and functional Student Information System.

Our strategic priority is to grow the adoption of functionality based on the Tribal Edge platform, whilst continuing to broaden the portfolio of value-add and student management solutions available.

Key measures

Customer adoption of new value-add and core solutions. Measured in live sites.

Progress in 2019

Progress has been made with the Tribal Edge platform and this was deployed into live environments at the end of 2019 for User Acceptance Testing (UAT) with several customers. A new core Submissions solution was delivered as part of this and is expected to go live in May 2020, meeting the needs of the Australian HE market. The development of a new Admissions solution is also progressing well with Early Adopter customers able to take this later in 2020.

The acquisition of Crimson Consultants provided several new value-add solutions, including Marketing & Recruitment, Business Engagement, Alumni Management, and Student Welfare and Support. These integrate with our existing student information systems and will form part of our Tribal Edge portfolio.

Increase Annual Recurring Revenue

We will exploit the market adoption of Software as a Service (SaaS) and cloud-based solutions, with the continued delivery of SaaS and cloud only solutions. This will enable an on-going higher value service provision and a smoother income flow from those customers on SaaS. The move of existing systems into the cloud is also enabling more rapid adoption of value-add solutions on the Tribal Edge platform.

Key measures

Annual Recurring Revenue; percentage of revenue annual recurring.

Progress in 2019

We adopted a public-cloud first strategy in 2019, supported by our comprehensive partnerships with AWS, Microsoft Azure and Rackspace. New business sales are predominantly cloud-based and the number of on-premise customers looking to transition to the cloud is increasing – all of which improves our annual recurring revenue.

Since 2017, the incremental cloud services revenue as well as the support and maintenance fees are included when calculating Annual Recurring Revenue.

Annual Recurring Revenue increased by 7.1% to £42.3m (2018: £39.5m), which included £6.5m for cloud services (2018: £5.7m) and represented 52% of revenue from continuing operations.

“ **We see how technology is the backbone of adult learning today and we are excited to see opportunities arise for our learners from our partnership with Tribal.”**

North Yorkshire County Council, UK

While the priorities remain broadly similar,
the changes bring greater clarity to the business.

Grow market share in established and new territories

We have a four-pronged growth strategy:

- **Product penetration** – with cross-selling and upselling opportunities for our large installed base of customers across both systems and services;
- **Market penetration** – ensuring a pro-active approach to new business in existing territories, and selling add-on solutions to sites without a Tribal Student Management System;
- **Geographical expansion** – continuing our international sales development in regions such as Middle East, US and Malaysia, while reviewing additional target geographies particularly in APAC;
- **Mergers and acquisitions** – that broadens our value-added SaaS solutions offering as part of Tribal Edge.

Key measures

Committed Income (Backlog).

Progress in 2019

We have continued to grow business in Malaysia and in April, hosted our first conference in region - Empowering Education Malaysia with over 140 attendees. We continue to win new customers in existing markets, such as the Health Education and Training Institute (HETI), Australia; Fruition Horticulture, New Zealand; Louisiana Dept. of Education, US; and Dyson Institute of Engineering and Technology, UK.

The acquisition of Crimson Consultants has broadened our portfolio and customer base, and given us new value-add solutions to take to the worldwide market.

Committed Income (Backlog) increased 9.9% to £133.6m (2018: £121.6m).

Drive improved margin

With a clear focus on operational efficiency and managing our overall cost base against the anticipated revenue, we will continue to improve upon our margins. A series of business process improvements have been established to improve our sales and delivery capability, standardising practices across the Group and ensuring faster time to revenue. Continued margin improvement will ultimately increase value to shareholders.

Key measures

Adjusted Operating Profit Margin.

Progress in 2019

Our efforts continue to yield improved performance and we achieved a margin of 14.9% (2018: 13.5%).

Burnley College

Burnley College has been using Tribal's Student Information System – ebs – for over 18 years.

The college has found that Tribal technology has enabled them to streamline their student data and funding streams, and is now crucial to the student journey.

"ebs is built specifically for further education use which helps us to provide an efficient and effective service to our staff and students. It allows rules to be applied which match funding requirements of the relevant bodies. The use of custom tables allows us to customise the solution for our business needs.

We look at how we use Tribal products and new technology to ensure that we are constantly striving to achieve the best. We ensure we are as efficient and effective as possible and that we provide the best possible service and systems to our staff, learners and prospective customers."

Phillip Glass,
Software Development Manager at Burnley College

Question Time with Mark Pickett, CEO

Mark Pickett joined Tribal in July 2016 as CFO, became Acting CEO in September 2018 before being appointed CEO in March 2019.

Mark's ambition was to build on the success of the previous three years and to drive Tribal forward. We talk to Mark about Tribal's strategy, the major acquisition in 2019 and where he is now leading the Company.

Q How would you describe your last 12 months in Tribal?

Interesting, productive, focused.

I took on the role of Acting CEO in unfortunate circumstances, and during my first few months, the priority was to keep Tribal moving forward and to ensure we hit our numbers for 2018, which of course we did. Throughout 2019 I was able to get much more involved in all aspects of the business and quickly recognised we needed to create a clear vision to move us forward. I instigated a series of reviews which culminated in a revised strategy for Tribal, with a focus on value-add solutions into a broader Student Information Systems (SIS) ecosystem, delivered using our new cloud-native SIS platform, Tribal Edge.

During 2019 I was pleased to complete our first major acquisition to accelerate those strategic priorities - Crimson Consultants. The integration of Crimson has gone well, and they are very much a part of Tribal and a crucial part of our bigger picture.

Q You completed Tribal's first significant business acquisition in quite a few years, can you tell us more?

Crimson Consultants were a pure-play Microsoft Dynamics vendor, developing IP-based solutions for the UK Higher and Further Education market. They had over 60 customers, including over 30 universities – so a perfect fit with our market. Crimson had been capitalising on the education market trend to adopt CRM to increase student recruitment and drive competitive advantage through improved student experience – hot topics for our worldwide customer base in both HE and FE.

The addition of Crimson has immediately filled out our value-add solutions offerings and a substantial source of future SaaS revenue for us. We are working to fully integrate these Dynamics solutions with the Tribal Edge platform, but are already able to take these to our customers with our existing student systems. The acquisition enables us to take a growing share of wallet in our current customers and also allows us to target prospects that do not have Tribal systems.

The acquisition of Crimson has accelerated our strategic vision of a broad portfolio of value-add solutions, delivered through a cloud-native SIS platform. It also reduces the product investment cost required to develop this functionality; however, we will continue to invest in this new area of business to ensure we drive increased sales.

Q What new initiatives have you introduced in the last 12-18 months?

Since becoming CEO, I was keen to get a sharper focus in our business, with clear accountability and responsibility. I was also conscious that we needed to maintain and improve Tribal's business performance – so my approach was to review the details and make gradual changes rather than any significant revolution that may have set us back.

Initially, I moved several centralised functions, like support, into the lines of business to ensure closer alignment with customers and our business needs. In product development, we appointed Mike Cope as our CTO with overall responsibility for product development and our cloud services and infrastructure. Given his previous role of CIO at University College London, he brings excellent domain experience that will be vital as we look to help all our customers on their journey to the cloud. I also moved product management to be part of the broader remit of Marketing under Mike Beech, to give us a clear focus on go-to-market strategy and ensuring what we were developing was highly saleable. At the start of 2020, I appointed Mark Wilson as Chief Operating Officer with full customer responsibility from a revenue and sales perspective in addition to his existing responsibilities for support and services in EMEA.

Finally, I have ensured a complete review of our strategy to ensure that we were heading in the right direction. As with the changes in organisation structure, I was keen to have clarity and to ensure we were making the right investments. The review was a productive exercise, has pulled together the various strands in the business and given a sharp focus for our SIS business. We have also moved to a public cloud strategy, embracing our existing partners AWS, Rackspace and Microsoft Azure, the latter being our exclusive partner for Tribal Edge.

> **“ It’s a massive milestone for our institute and I’m looking forward to seeing our next cohort of students using the portal to enrol very soon.”**
>
> Toi Ohomai Institute of Technology, New Zealand

Q Can you tell us more about Tribal’s revised strategy?

Our strategic goal to deliver a world-class, cloud-native Student Information System remains unchanged. Our approach, however, has evolved and we now have more emphasis on value-add solutions and working with the right partners. Our Tribal Edge platform is extensive and deployed in the UK and Australia. While there will be more to add to this, such as orchestration, the Tribal Edge platform is already able to support institutions’ journey to the cloud.

In terms of value-add solutions, we will also continue to look for acquisitions that add significantly to our portfolio, just like Crimson. We have been conducting an extensive market analysis to understand the gaps in what we offer as well as where the most attractive market opportunities lie.

We have also reworked our plans towards migrating customers and have a simple three-step model. Step one is a customer’s current position, and quite typically on-premise.

Step two involves using templates to standardise around industry best practice, and providing an open API framework that would work on existing systems, like SITS, as well as Edge. This step also enables a smooth transition to the public cloud. For our Higher Education customers using SITS, we refer to this step as SITS-TE.

The third step is adopting the Tribal Edge platform and the value-add solutions we can offer ourselves and through partners. This is an extended step as a customer can take as many, or as few, of our solutions as they need. Each solution implemented delivers value to the institution giving an immediate return on investment.

Having revised our strategy, I am also ensuring that all development and investment aligns with delivering this broad portfolio on Tribal Edge. For example, we now design all template work to allow that smooth transition from step one to step three, supporting the adoption of Tribal Edge solutions.

Q Given that update, how is Tribal Edge progressing?

We had good take-up of our initial value-add solutions, such as our student-focused mobile app, Engage, which now has over 20 education institutions using it. We also embarked on two significant developments in 2019 - Submissions for the Australian market, and Admissions, a core part of the Student Information System. Both developments have gone well, and we had a production version of Submissions ready in February 2020 ready for first submissions in April 2020. We have all of our Higher Education customers in Australia using Submissions, and most were involved in extensive user acceptance testing.

Admissions is nearing completion, and we plan to allow our customers “early access” to the SaaS solution in the next few months. We are planning on five early adopters for the end of 2020. All of this is cloud-native, created on the Tribal Edge platform operating in the Microsoft Azure public cloud in both the UK and Australia.

As mentioned earlier, the acquisition of Crimson has also expanded our value-add solution portfolio. We are now able to offer Marketing and Student Recruitment; Business Engagement; Student Welfare and Support; and Alumni Management; as well as other Dynamics CRM-based accelerators.

We have also developed initial business process templates for our SITS customers to help with their transformative journey to the cloud. These are expanding to cover all functionality, but we have completed plenty to allow customers to begin that process.

Q What has encouraged you about Tribal since becoming CEO?

Tribal has long had highly knowledgeable and skilled people who have developed excellent customer relationships. What has been so encouraging in the last 12-18 months is the willingness of staff to adapt and push forward. In the last few years, there have been substantial changes, and much needed given where the business had been. During this, everyone has continued to work hard, deliver what is right for the customer and us as a business. I think the new clarity of direction we have brought in the last few months will help us all focus on the key areas we need to deliver.

Q What can we expect in 2020?

Delivering Admissions and getting our first five early adopter customers in the UK is a big focus for 2020. We are also engaging with all of our current Higher Education customers worldwide to plan their journeys and potential timelines - all at a pace that meets their institution’s needs.

We will be continuing to promote and grow our Dynamics business. Having invested in the go-to-market side of this in 2019, we will continue to market and sell these new value-add solutions, including to our customers and prospects in APAC.

Our acquisition strategy continues, although we will be selective on companies to engage. A similar analysis will also help us with choosing partners that integrate into our SIS ecosystem. Any partner or acquisition needs to deliver value to our customers and be a good fit with Tribal.

Naturally, we will look to continue our business improvements to ensure we meet or exceed both the revenue and profit levels that analysts are predicting for us. We have a clear focus on execution and know that sustained success in 2020 is essential for our future growth.

Business review

Introduction

It has been a year since I was appointed as CEO at Tribal and I am pleased to report that the Group has seen continued improvements in its core metrics of Annual Recurring Revenue, Adjusted Operating Profit and Margin percentages.

Strategically, I have set out our priorities to:

1) Continue to drive new sales through our portfolio of products in existing and new geographies. Our core products, in particular SITS in Higher Education and ebs in Further Education, are leaders in their markets and continue to secure new customers.

2) Deliver on the Tribal Edge strategy which provides a compelling vision to new and existing customers to embrace our next-generation, best-of-breed Student Information System (SIS) solutions. As a native cloud SIS, it provides a competitive differentiator in acquiring new customers and protects Tribal's customer base for a generation by providing the most efficient, lowest cost route for an existing customer to achieve a comprehensive, integrated, open-standards SIS which maximise the student experience and reduce technical complexity and IT cost.

3) Support our new and existing customers in taking advantage of cloud technologies by broadening the portfolio of value-add solutions and services offered. This includes building a partner programme to offer market leading cloud solutions on our Edge platform; targeted acquisitions which broaden our Student Information System offering and; lowering total cost for our customers by providing seamless, pre-built integrations.

These provide additional revenue and margin opportunities for Tribal from existing customers, particularly in relation to improving student experience and driving greater cost efficiencies. In line with our strategy, Tribal is moving to becoming a cloud-only company, and I am pleased to report that all our existing products, including SITS and ebs, are now already available in the public cloud.

In this regard, we are already seeing significant customer-led cloud opportunities, as institutions increasingly look to move their existing systems into a Public Cloud environment to reduce complexity and lower their internal IT spend. Through the critical nature of the SMS system, Tribal has a differentiated value proposition in providing expert support to the whole technology stack, from application to infrastructure, which enables Tribal to increase its share-of-wallet from existing customers. This is also a significant step on the journey to become a cloud-only SaaS based system, as these are delivered as annual recurring cloud services.

In addition, our successful acquisition of Crimson Consultants (now Tribal Dynamics) broadened our portfolio of solutions that we deliver on the Tribal Edge Platform, including, for example, our Marketing, Enquiries and Recruitment solutions, which integrate seamlessly with the Open Day and Admissions solutions. In addition to enabling our up-sell and cross-sell strategy we will actively seek further acquisitions to provide further cloud-based solutions, as well as building a partner ecosystem of best-of-breed solutions, all pre-integrated onto our Edge platform, which maximise the value-add for the customer, but minimises the total cost.

We continue to successfully build out our next generation, cloud-native Edge platform, which will provide a SaaS platform at lower total cost for our customers but provide increased revenue from the customer for the cloud hosting element. I am delighted that we have successfully rolled out our first module on this platform, in early 2020, to our Australian customers. Work continues apace, and the next modules, for Admissions, will be ready for our first customer adoption later in 2020. Thereafter, we will see further modules being delivered to customers at regular intervals. We see significant interest from our existing customer base, as it supports a Public Cloud strategy at the lowest cost for a university.

2019 in summary

Student Information Systems

Student Information Systems performed well in the period with results ahead of last year.

We continued to implement our full SITS student information system software at a number of larger Higher Education customers in the UK including The University of Sheffield, Hull University, The University of Portsmouth, Canterbury Christ Church University, St Mary's University Twickenham, Glasgow Caledonian University and Ravensbourne University London. In Australia and the wider APAC region we continued to implement full SITS at the University of Malaya in Malaysia, together with additional work at the University of Sydney.

The overall market for new customers in both the UK and APAC softened through the year with limited tenders coming to market; however, we have been successful in converting the opportunities that have arisen. Tribal secured a new full SITS customer in the UK towards the end of the year at the University of Northampton following a competitive tender process and, just after the year end, signed a further large new SITS customer with Kaplan Australia, a large training provider. We also saw our first sale of SITS Accelerate, a more standardised templated version of SITS, to a smaller training provider in Australia. We expect to see more sales of this solution, including outside of the traditional Higher Education SITS market.

Our Callista student information system software, which is used by 11 universities in Australia, representing almost 25% of Australian universities, continued to perform well completing the second year of a four-year contract extension.

We won 11 new customers for our ebs software in the UK including Capital City Colleges Group, London's largest further education group, and five new Higher Education alternate provider including Dyson and UCFB (University Campus of Football Business), offering the world's first degrees dedicated to the football and sports industry. Sales to the vocational learning market in both the UK and APAC performed well, although the in-year revenue was partly reduced by the shift to subscription selling and the delivery of larger implementations, both of which result in revenue being spread over time.

Business review continued

Student Information Systems continued

In Australia ebs is used in the New South Wales TAFEs (Technical and Further Education colleges) at over 130 campuses and in the Department of Education (DoE) schools' contract. The New South Wales (NSW) contract has been very successful this year and we have delivered a number of solutions and upgrades to the software as part of their OneTAFE programme which aims to bring together the 11 TAFEs onto one common platform; this work will continue into 2020. However, as previously announced, the TAFE NSW contract will come to an end in the near future. The OneTAFE work is part of the preparation for migration of the TAFEs to the new provider, although this is not expected to conclude for at least two years. The DoE schools' contract is in a steady state, and we continue to provide support to around 2,000 schools.

We provide our SchoolEdge solution to a further 1,800 schools in Australia and combined with the DoE contract our software is used in approximately one third of Australian schools. As highlighted in previous years, two of the school's dioceses (New South Wales and Victoria) which represent about 800 schools will migrate away to a new product provider over the next 2-3 years. The migration is progressing slowly, and we continue to see good retention levels with these schools. The product is now in a steady state and we continue to sell additional modules to existing customer, including archiving solutions, as well as agreeing multi-year deals for support.

In the Work-based Learning market in the UK we had a successful year with our Maytas solution for apprenticeship management with sales to 17 new customers including Sopra Steria/ Construction Industry Training Board (CITB), Siemens and BMI Healthcare. We delivered to Sopra Steria within 7 months, the largest Maytas implementation to date. We have also started to see sales to Higher Education institutions, a new market sector for Maytas, as part of the government's degree apprenticeships programme.

Our software is used by the British Council across 47 countries using a bespoke version of Campus. We continue to provide support as part of this contract and secured a renewal until 2021, however the large implementation work that benefitted previous years has now ended.

Education Services

Education Services had a good sales year winning all five of the major re-tenders it competed for with an overall win rate across all tenders of 86% and securing £29m worth of contracts. The major re-tenders won were with the National Centre for Excellence in the Teaching of Maths (NCETM) in the UK, the New York State Education Department inspections contract in the US, inspections for the Abu Dhabi Department of Education and Knowledge (ADEK) in the Middle East, Inspection of European Schools and benchmarking for the New Zealand Tertiary Education Commission (TEC). In addition, we won three new states in the US for inspections (Louisiana, Utah and Washington) and secured a major piece of work with a new emirate in the Middle East, Sharjah.

The financial performance in Education Services was behind last year; although we won the large re-tender in Abu Dhabi (ADEK), the timing of the inspections work was largely delayed by the customer to 2020 resulting in a reduction to 2019 revenue. It is noted, however that the UK performed very well, benefitting from the NCETM and Advanced Maths Support Programme (AMSP) contracts.

Acquisition

On 10 May 2019, Tribal acquired Crimson Consultants (now Tribal Dynamics), the UK's market-leading provider of customer relationship management (CRM) based solutions to the education market. Crimson's technology provides valuable, additional functionality to Tribal Edge. It will accelerate its speed to market and reduces Tribal's requirement to develop this capability.

Since acquisition Tribal Dynamics, has won a number of new contracts including the University of Durham, Northampton University and Aberdeen University. There is a growing pipeline of opportunities for early 2020 in both the UK, Australia and the wider APAC region.

2020 outlook

With the new SITS customers at University of Northampton, Kaplan and the smaller, SITS Accelerate win at HETI in Australia, there was a strong start to 2020. Budgets remain tight and there are only a limited number of new customer opportunities coming to market; however, due to our market leading products we have been successful in converting those opportunities that have arisen. Our growing number of services available will enable further cross-sell and up-sell opportunities and, in addition we continue to work on a good pipeline of new opportunities, particularly around moving our customers into the Public Cloud.

The recent outbreak of Covid-19 is of concern; this has the potential to significantly impact our business as customers will look to delay projects as they divert resource to deal with their response to the outbreak. The Australian universities, in particular, are heavily dependent on Chinese students, who were unable to commence their university semester in February. Institutions will also be less likely to make decisions regarding new projects, so that could

> **“ Tribal’s approach to student and teacher engagement aligns with the Group’s strategy whilst offering strong core MIS functionality.”**
>
> Capital City College Group, UK

impact the pipeline of new SITS and ebs opportunities as well as Education Services, where schools’ inspections, benchmarking and surveys are all likely to be impacted. Extensive sickness in both Tribal’s and our customers’ workforce will also limit our ability to complete project work and realise revenue.

Tribal has effective business continuity plans to support customers’ systems, and we will look to mitigate the impact. However, this outbreak will affect Tribal’s results this year but, at this stage, due to the constantly changing situation globally, it is too early to be able to fully quantify the impact.

We will continue to focus on margins by driving efficiencies within the organisation in 2020. The software lines of business will be combined into one division, driving functional efficiencies across the Group, with single regional teams for implementation, cloud delivery, sales and management. We will also actively explore further offshoring opportunities into our Manila Shared Services Centre.

Overall, we have made good progress in the year reported and we will continue to execute our operational strategy in order to deliver sustained value for all our stakeholders. We remain confident in the medium to long-term; however our outlook for the year will be impacted. We are monitoring the situation daily and are taking immediate corrective actions to help mitigate the financial impact as a result of Coronavirus.

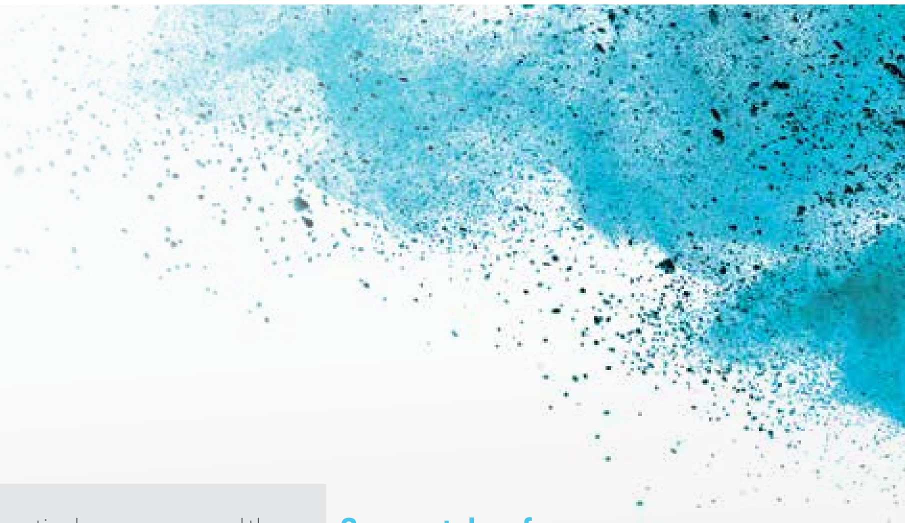
Mark Pickett
Chief Executive Officer

Financial review

Results

£m	2019	Constant Currency 2018[4]	Change	Reported 2018	Change
Revenue	78.2	79.6	-1.8%	80.1	-2.3%
Student Information Systems	58.6	57.1	2.6%	57.6	1.7%
Education Services	19.6	22.5	-13.0%	22.4	-12.6%
Adjusted Operating Profit (EBITA)[1, 2] (Before Central Overheads)	22.0	21.3	3.1%	21.5	2.2%
Student Information Systems	17.9	16.7	7.7%	16.9	6.1%
Education Services	4.0	4.6	-13.6%	4.6	-12.2%
Adjusted Operating Margin (EBITA)[1, 2] (Before Central Overheads)	28.1%	26.7%	140bps	26.8%	130bps
Student Information Systems	30.6%	29.2%	140bps	29.3%	130bps
Education Services	20.5%	20.6%	-10bps	20.4%	10bps
Central Overheads[5]	(10.3)	(10.5)	-2.2%	(10.7)	-3.6%
Adjusted Operating Profit (EBITA)[1, 2]	11.7	10.8	8.2%	10.8	7.9%
Adjusted Operating Margin (EBITA)[1, 2]	14.9%	13.5%	140bps	13.5%	140bps
Adjusted Operating Profit (EBITDA)[1, 3]	15.4	14.1	9.1%	14.1	8.9%
Adjusted Operating Margin (EBITDA)[1, 3]	19.6%	17.7%	190bps	17.6%	200bps
Statutory (Loss)/Profit before Tax	(2.9)	4.8	(160)%	4.8	(160)%
Statutory (Loss)/Profit after Tax	(3.0)	4.1	(173)%	4.1	(173)%
Annual Recurring Revenue	42.3	39.1	8.1%	39.5	7.1%

1. Adjusted Operating Profit and Adjusted Operating Margin are in respect of continuing operations and excludes charges reported in "Other items" of £14.4m (2018: £5.9m), refer to note 7 in the Financial Statements.
2. EBITA is calculated by taking the Adjusted Operating Profit before the allocation of Central Overheads and excludes Interest, Tax and Amortisation.
3. EBITDA is calculated by taking the Adjusted Operating Profit after the allocation of Central Overheads and excludes Interest, Tax, Depreciation and Amortisation.
4. 2018 results adjusted are updated for constant currency - the Group has applied 2019 foreign exchange rates to 2018 results to present a constant currency basis, when applied to 2018 results there is a reduction in Revenue of £0.5m, a reduction to Adjusted Operating Profit (before Central Overheads) of £0.2m and Adjusted Operating Profit of £nil.
5. Central Overheads are made up of costs that are not directly attributable to either Student Information Systems or Education Services.



Revenue

Revenue in the year was 1.8% lower than last year at £78.2m on an adjusted basis (2018: £79.6m adjusted for the negative impact of foreign exchange of £0.5m; £80.1m as reported).

The Group has chosen to present its results in the Financial Review on an adjusted basis to give a true reflection of year-on-year performance and account for the adverse impact of foreign exchange movements in the year. Approximately 39% of Tribal's income in the year was generated outside the UK and is therefore subject to foreign exchange movement. During 2019, the continued strengthening of sterling, particularly against the Australian dollar, has impacted revenue. Consistent with reporting last year, the results for 2018 have been adjusted to reflect the foreign exchange rates prevailing during 2019 to provide a "constant currency" comparative.

Note this presentation disclosed as "constant currency" is an alternative performance measure and not a statutory reporting measure prepared in line with International Financial Reporting Standards (IFRS) and disclosed as "reported" in the Business and Financial Reviews.

Adjusted Operating Profit (EBITDA)

The Adjusted Operating Profit (EBITDA) was £15.4m (2018: £14.1m constant currency; £14.1m reported). The Adjusted Operating Margin (EBITDA) increased to 19.6% (2018: 17.7% constant currency; 17.6% reported). The Adjusted Operating Profit (EBITA) was £11.7m (2018: £10.8m constant currency; £10.8m reported). The Adjusted Operating Margin (EBITA) increased to 14.9% (2018: 13.5% constant currency; 13.5% reported).

Tribal previously reported Adjusted Operating Profit on an EBITA basis (Earnings Before Interest, Tax and Amortisation). We have now moved to reporting on an EBITDA basis (Earnings Before Interest, Tax, Depreciation and Amortisation) at an overall Group level to bring the business in line with reporting by peer group, and the assessments made by market analysts. Reporting at segment level will remain on an EBITA basis.

Central Overheads costs fell by £0.2m to £10.3m (2018: £10.5m constant currency; £10.7m reported). The Group adopted IFRS 16 "Leases" effective 1 January 2019 as a result of this rent charges have been replaced by the depreciation on the right-of-use assets recognised. In 2018 rent of £0.8m was included in Central Overheads, in 2019 this was replaced by interest and depreciation on ROU assets of £1m. The Group continues to identify cost saving measures and effectively manages its cost base.

Statutory (Loss)/Profit after Tax

The Operating Profit before the costs relating to the platform dispute increased by 48% to £6.1m (2018: £4.1m). Including the platform dispute costs the Statutory Operating Loss was £3.0m (2018: profit £4.1m). The Statutory (Loss)/Profit before Tax decreased to £(3.0)m (2018: Profit £4.8m reported).

Annual Recurring Revenue

Annual Recurring Revenue (ARR), comprising Support & Maintenance Fees and Cloud Services together with Subscription License fees where the license revenue is received over the life of the contract, increased by 8.1% to £42.3m (2018: £39.1m constant currency: £39.5m reported), representing 71.8% of Software & Related revenue and 53.8% of total Group revenue (2018: 63.6% and 45.2% respectively). Growth has been generated in both Support & Maintenance revenues and Cloud revenues, where we continue to see increased demand from customers. We are also seeing growth in recurring license sales, particularly in Vocational Learning, where customers are purchasing on a subscription (term license) basis with license and support sold as a bundled offering, rather than as perpetual license sales.

Segmental performance

The Group provides software and non-software related services to educational customers, both public and private. These services are managed across two lines of business (segments), Software Information Systems (SIS) and Education Services (ES). The majority of software sales are across our core Student Information Systems business together with a small amount of software sales in Education Services, reported under Other.

Student Information Systems (SIS) focusses on software related solutions to the Higher Education, Further Education, Colleges and Employers (referred to in Australia as VET), and Schools sectors across the main geographic markets being the UK, Australia, New Zealand, Malaysia and Canada. Products and offerings are split between License & Development Services, Support & Maintenance, Implementation, and Cloud Operations. A number of software solutions are provided including SITS, SITS Accelerate, ebs and Maytas together with the Dynamics solutions following the acquisition of Crimson Consultants earlier in the year. For 2019 reporting all of our Data Managed Services work is included in SIS, this was previously split between SIS and Other, and 2018 has been updated for comparison.

Education Services (ES) provides non-software related solutions globally across the same market sectors. The core offerings are inspection and review services which support the assessment of educational delivery, and performance benchmarking (formerly known as Quality Assurance Solutions (QAS)), and student surveys and data analytics (previously referred to as i-graduate). This segment also covers various non-core software businesses including K2 Asset Management, Software Solutions and Information Matters. These are businesses that are mature fully developed solutions that operate profitably and continue to be supported.

Student Information Systems (SIS)

£m	2019	Constant Currency 2018	Change	Reported 2018	Change
Revenue	58.6	57.1	2.6%	57.6	1.7%
License & Development Fees	6.4	6.5	-1.8%	6.5	-1.8%
Support & Maintenance Fees	32.6	31.3	4.1%	31.7	2.8%
Implementation Services	12.8	13.5	-5.3%	13.6	-5.9%
Cloud Services	6.0	5.2	17.2%	5.2	16.8%
Other Services	0.8	0.7	22.2%	0.7	21.2%
Adjusted Operating Profit	17.9	16.7	7.7%	16.9	6.1%
Adjusted Operating Margin	30.6%	29.2%	140bps	29.3%	130bps

Student Information Systems revenue increased by 2.6% to £58.6m (2018: £57.1m constant currency; £57.6m reported) compared to a decrease in the previous year.

Overall the market for replacement student information systems in the UK, Australia and wider APAC region has slowed with a reduced number of opportunities coming to market compared to previous years. Tribal has been successful in the opportunities that have arisen and won a new full SITS implementation at the University of Northampton at the end of the year from a competitor. Since 2016 Tribal has displaced over 21 competitive student information systems and replaced four home grown solutions in universities.

License & Development fees relate to the sale of new software licenses as well as customer paid enhancements (development fees) to previous sales. Tribal's core Student Information Systems products include:

- SITS (Student Information Technology System) used by around 50% of universities in the UK, including 50% of the Russell Group universities, as well as universities in Australia, New Zealand, Malaysia, Canada, Southern Ireland, Hungary and Malta;
- Tribal Dynamics, a suite of customer relationship management (CRM) based solutions;
- Callista, a bespoke student management system implemented in 11 Australian universities;
- ebs (education business system) used by colleges and training institutes in the UK (including Northern Ireland);
- Maytas, for training providers and apprenticeship providers;
- Student Engage, a social collaboration mobile technology application sold across all markets;
- School Edge and ebs Schools used by around 4,000 schools in Australia.

In addition, non-SIS software sales includes K2 (asset management software) and Software Solutions (bespoke software development). These are businesses that operate profitably and continue to be supported, although there is limited investment in future development of the solutions and little proactive sales and marketing activity.

License & Development fees revenue remained consistent with the previous year at £6.4m (2018: £6.5m constant currency; £6.5m reported). Under IFRS 15 license revenue is recognised as the software is implemented on a percentage complete basis, resulting in the revenue from larger implementations taking up to four years to recognise. We continue to recognise license revenue from wins in previous years including the five large Higher Education wins in the UK from 2018, as well as ongoing smaller module sales in the current year to existing customers. There have been new sales in Further Education (FE) although the revenue on these sales have been impacted slightly by the move to subscription selling where the license is bundled with the support and maintenance fee which is paid for and recognised over the life of the contract, rather than upfront.

> **"Our students are at the core of everything we do at Backstage Academy and we're passionate about ensuring individuals have the best possible experience and opportunities as they study with us – we believe partnering with Tribal will help us achieve that."**
>
> Backstage Academy, UK

Implementation services deliver the technical implementation of our software products at customer sites, typically working alongside customer teams. Implementation projects vary in length, and range from a small number of days, to more than two years for more complex projects. Revenues are typically based on day rate fees, although we sometimes operate under fixed fee contracts for defined implementation scopes. Revenue was reduced by 5.3% to £12.8m (2018: £13.5m constant currency; £13.6m reported). In the UK revenue grew by 31% to £8.6m reflecting the ongoing implementations from sales in earlier years as well as additional work won in year with existing customers. In APAC revenue decreased by 43% to £3.7m due to the completion of implementations from sales in previous year and limited new opportunities coming to market to provide new work.

Support & Maintenance fees in the period increased by 4.1% to £32.6m (2018: £31.3m adjusted; £31.7m reported). This reflects the strong retention rates in our customer base and their ongoing commitment to Tribal solutions.

Cloud services cover the provision of managed IT services and hosting services to customers to manage their Tribal products either on premise, in a private cloud, or in a public cloud. We continue to see increasing demand for cloud services across all markets. Revenue has grown by 17.2% to £6.0m (2018: £5.2m constant currency; £5.2m reported).

Other software & related services include revenue from the conferences that Tribal provides to customers in the Higher Education and Further Education sectors, and research and development tax credits (RDEC) received in the UK in relation to product development work undertaken.

In the **Higher Education** market Tribal completed the implementation of full SITS at University of Hull, Central European University and University of the Arts, London. We continue to implement full SITS at University of Portsmouth, Canterbury Christ Church University, the University of Sheffield, Glasgow Caledonian University, Ravensbourne University and St Mary's University, Twickenham, with most of the projects expected to finish over the next couple of years. In addition, we have seen a good level of sales to existing customers over the year to provide new modules and additional functionality.

In Asia Pacific, we continue to implement full SITS at the University of Malaya, however the majority of implementations are now completed, and we have moved to a steady state with these customers. Our Callista business completed the second year of a four year renewal and continues to perform well with annualised support and delivery revenues in excess of £8m (AUD15m). We have been developing the new TCSI module (Transforming the Collection of Student Information) with these customers for submitting student information to the government. This will go-live in early 2020 on the Edge platform. There will be additional revenue from this module from the Callista group and other non-Callista customers in Australia. The in-year demand for additional technical developments outside the scope of the core renewal was lower than previous years, mainly due to the customers focus on TCSI.

The demand for Cloud services continued to increase with all of the new universities won in 2018 elected to have provision of their SITS software from the Cloud, either a Private Cloud in a data centre or the Public Cloud rather than managed On Premise by an in-house IT team.

On 10 May 2019, Tribal Group plc acquired **Tribal Dynamics**, formerly Crimson Consultants. The initial cash consideration was £6m with a further £4m contingent consideration based on meeting an annual recurring revenue target. The acquisition was financed through existing cash resources and the integration has been successful since acquisition. Tribal Dynamics contributed revenue of £1.8m and operating profit of £0.2m to the Group for the period between the acquisition and balance sheet dates. Had the acquisition occurred on 1 January 2019, the Group's revenue would have increased by £2.7m and its operating profit increased by £0.2m, before central overheads. Dynamics sales are on a SaaS (Software as a Service) basis, together with fees for initial implementation work. The SaaS revenue has helped improve the Group's Annual Recurring Revenue by £0.8m for the year.

In **Further Education/Vocational Learning**, the Group won two new Further Education college contracts, including a significant win at Capital City Colleges Group, one of the largest college groups in the UK. This follows our win in 2018 with Colleges Northern Ireland, consolidating ebs as the leading Further Education student management system in the UK. We also signed a large contract with Sopra Steria to implement our Maytas product to manage the apprenticeship programme for the Construction industry Training Board. The size of these contracts resulted in license revenue being recognised over a longer period of time due to the move to IFRS revenue recognition. It also had an adverse impact compared to the prior year where the majority of deals were smaller in size and fully recognised in year. In the year we have seen an increase in subscription type sales, where the license, support and cloud services are bundled into one sale proposition and recognised over the life of the contract. Over 73% of new sales across Further Education and Work-based learning in the UK were subscription based. The overall impact to current year revenue of subscription sales on larger deals is approximately £0.3m, this will however benefit future years.

Financial review continued

Student Information Systems (SIS) continued

In the Further Education/Vocational Learning sectors in Australia and the wider APAC region, we have seen above expectation levels of work in certain areas of the TAFE market, however as highlighted last year there has been a slowdown in the wider market as contracts have reached maturity and moved into steady state of support and maintenance with limited new investment – this is the case at the British Council which runs a bespoke version of Campus across 47 counties, English Language Partners in New Zealand (ELPNZ) where we completed the first deployment of a cloud-based ebs platform in region in 2018, TAS TAFE and several NZ FE clients. The contract to support the 138 TAFEs (Technical & Further Education) in New South Wales, Australia has been very successful in year and we have provided a significant amount of new implementation work as they move to a single access system as part of their OneTAFE project; this significant work will continue into 2020.

We have taken the decision to migrate the small number of customers on our mainstream Campus product, mainly in Australia and New Zealand, to our ebs solution. We expect this to conclude in the first half of 2020 and will no longer provide Campus as a solution, with the exception of the bespoke British Council version; this will help improve future margins in this part of the business as we only invest in and support one product.

In the **Schools** sector, we continue to support the 2,200 schools in the Student Administration and Learning Management (SALM) programme in New South Wales, Australia. The contract revenues are now mainly from support and maintenance, with the implementation work from previous years now completed.

Our other schools product, SchoolEdge, continues to be used by over 1,500 schools in Australia and continues to generate good support and maintenance revenues. We completed the development of the SchoolEdge solution last year and there is no new investment in the product outside of limited roadmap releases and statutory updates. We have seen limited new sales however the attrition rate with existing customers has been lower than expected at 12%. The 840 Catholic systemic schools previously earmarked for movement onto their own student management system platform has been progressing slowly, with only 53 of the 376 CECV schools moving to a competitor product now since the migration began in 2017. The migration of the 468 CeNET schools also continues to progress slowly with limited migration to the alternative SMS platform since the pilot rollout commenced in 2016. We will continue to support these schools through this elongated transition and have also developed an archiving solution to help with the migration, this will provide additional revenues to Tribal following the migration as we continue to support the customers with their historic data. The migration is expected to take place over the next two years to the end of 2020.

We will continue to receive revenue from schools prior to their migration and a one-off following migration and will work with the Dioceses to ensure smooth migration.

The Annual Recurring Revenue in SIS, which relates to Support & Maintenance, Cloud services and Subscription license/support sales, increased by almost 6% to £38.7m (2018: £36.5m constant currency; £36.9m reported) and represents 66% of SIS revenue (2018: 64%). Support and maintenance renewals have minimal attrition and the demand for cloud services continues to grow.

The Adjusted Operating Profit in Student Information Systems increased by 7.7% to £17.9m (2018: £16.7m constant currency; £16.9m reported) and Adjusted Operating Margin increased to 30.6% (2018: 29.2% constant currency; 29.3% reported). The improvement in both profit and margin is driven by increased revenue in Support & Maintenance and Cloud services which has been delivered off a similar cost base to the previous year, together with efficiency improvements in implementation services.

“ The introduction of SITS will enable us to save time, create a slicker and more integrated experience for our students, and make the right data accessible to our staff.”

University of Portsmouth, UK

Education Services (ES)

£m	2019	Constant Currency 2018	Growth	Reported 2018	Growth
Revenue	19.6	22.5	-13.0%	22.4	-12.6%
School Inspections & Related Services	15.5	16.5	-6.2%	16.4	-5.6%
Asset management and software solutions	2.1	2.6	-20.3%	2.6	-20.2%
Surveys & Data Analytics	1.8	2.6	-31.3%	2.6	-31.8%
Information Management Services	0.3	0.5	-45.4%	0.5	-45.4%
Technology Services	–	0.3	-100.0%	0.3	-100.0%
Adjusted Operating Profit	4.0	4.6	-13.6%	4.6	-12.2%
Adjusted Operating Margin	20.5%	20.6%	-10bps	20.4%	10bps

Education Services revenue decreased by 13.0% to £19.6m (2018: £22.5m constant currency; £22.4m reported).

The revenue from **School Inspections & Related Services** decreased by 6.2% to £15.5m (2018: £16.5m constant currency; £16.4 reported).

School inspections & related services are delivered globally with sales in the UK, North America, the Middle East, Australia and New Zealand. Inspection services are provided to government and non-government bodies in the UK, US and Middle East. These tend to be multi-year contracts with fixed and variable pricing elements. Related complementary services include training for prospective quality assurance inspectors, training and software tools for school leaders to prepare for inspections, online professional development tools for teachers to enhance their professional development, and other similar offerings.

There was a strong performance in the UK, ahead of 2018, as the business delivered the NCETM contract (National Centre for the Excellence in the Teaching of Mathematics), a £9m three year contract to help improve mathematics teaching in England, and the Advanced Maths Support Programme (AMSP), a £2.0m 2 year contract in partnership with MEI (Mathematics in Education and Industry), a national programme designed to increase the maths education levels of our population and better prepare young people for apprenticeships, work, and higher education. In addition, we provided quality assurance to the Department for Education (DfE) for their new gold-standard National Professional Qualifications (NPQ). The contract ensures qualifications are independently verified, nationally consistent, and of the highest quality across the country. The contract has been agreed for an initial three-year period, worth up to £2m per year.

In the USA, we continued to deliver assessments for the New York State Education Department contract (NYSED) and won a new £10.1m five-year contract that runs to 2024. We also won and delivered inspections work in three new states – Utah, Washington and Louisiana.

In the Middle East, we won work in a new emirate, Sharjah, and delivered a number of small projects in Bahrain. We successfully completed the school’s inspections contract in Abu Dhabi with ADEK (The Department of Education and Knowledge) in the first half of the year and won the tender for further school inspections work in the second half of the year. The majority of the inspections were however delayed to the start of 2020 resulting in a fall in revenue compared to 2018.

In New Zealand, we secured a one-year extension to the benchmarking contract with the Tertiary Education Council (TEC). Other benchmarking work is run across the world and performed consistently with the previous year.

The revenue for **Surveys & Data Analytics** fell by 31.3% to £1.8m (2018: £2.6m constant currency; £2.6m reported).

Surveys & data analytics, which includes benchmarking, provides a range of services for managers of universities, colleges and schools to assess and enhance the quality of education they provide and improve their operational performance. These services are provided globally, the largest product being the International Student Barometer which is performed annually for each of the Northern and Southern hemispheres.

Education Services (ES) continued

The International Student Barometer operates across the Northern and Southern hemispheres. The Northern hemisphere barometer revenue included the 2018/2019 academic year for the first half of the year and the 2019/2020 academic year for the second half of the year and was consistent with the previous year. The Southern hemisphere barometer operates within the Tribal financial year and the majority of universities partake on a bi-annual basis. 2019 was an "off" year resulting in lower revenues. The Group run a number of smaller surveys across the world and has benefitted from a number of new wins including in South East Asia.

The revenue in our information management services business, Information Matters, fell to £0.3m (2018: £0.5m constant currency; £0.5m reported) as customers cease their requirements or take work in house. We continue to see demand for advice on General Data Protection Regulation (GDPR) compliance.

Information management services is a complementary consultancy service providing advice on information and records management including General Data Protection Regulation (GDPR) compliance.

The revenue from **Asset Management (K2) and Software Solutions**, decreased by 20.3% to £2.1m (2018: £2.6m constant currency; £2.6m reported) as two of the larger customers ceased their requirements in the year; this will see a further reduction in 2020 as the full year effect is reflected. These two businesses continue to operate profitably and be supported; however, they are non-core with limited investment benefits and will reduce over time.

The Adjusted Operating Profit in Education Services decreased by 13.6% to £4.0m (2018: £4.6m constant currency; £4.6m reported), however the Adjusted Operating Margin remained consistent at 20.5% (2018: 20.6% constant currency; 20.4% reported). The profit decrease was mainly driven by the revenue reductions in School Inspections & Related Services and Asset Management & Software Solutions. The majority of the inspections work is delivered by associates as a variable cost paid on a project delivery basis, this helped to maintain the profit and margin. The profit in Surveys and Data Analytics improved to £0.6m (2018: £0.4m reported; £0.4m reported) following significant restructuring of the business following its move to new shared management and resource sharing as part of Education Services.

Product Development

£m	2019	2018	Change
Product Development	12.3	11.2	9%
Of which capitalised	6.2	4.1	33%
Tribal Edge	5.9	3.7	38%
Tribal Dynamics	0.2	–	100%
School Edge	–	0.5	(0%)
Of which expensed	4.7	5.7	(20%)
SITS	1.5	1.9	(22%)
ebs	1.4	1.7	(15%)
Maytas	0.2	0.2	(18%)
SchoolEdge	0.4	0.5	(41%)
Tribal Dynamics	0.2	–	100%
Other	1.0	1.4	(48%)
Of which Amortised	1.4	1.4	2%

Non-client funded Product Development spend was £12.3m, of which £6.2m was capitalised (2018: £11.2m spent, £4.1m capitalised). The net P&L charge after removing capitalised spend decreased by 15.0% to £6.2m (2018: £7.1m), and £4.8m excluding amortisation (2018: £5.7m). We continue to invest in our core products, adding new modules and additional functionality as well as statutory updates. In the year we acquired Crimson Consultants adding the Dynamics suite of modules, we invested £0.2m in these products.

The Group continued to invest in the Tribal Edge platform, the next generation, cloud-based platform for student information systems in the Higher Education and Further Education & Colleges sectors. Capitalised Product Development spend increased to £5.9m (2018: £3.7m) as the Tribal Edge development team increased in size to accelerate the development for the release of the first modules in 2020.

Investment in SchoolEdge, the Group's student information system for schools, ceased at the end of 2018 (2017: £1.0m) following the completion of the development of the core set of SchoolEdge modules.

The Group also undertakes client funded product development work in relation to the Callista student management system on behalf of a group of 11 universities in Australia.

Geographic revenue

£m	2019	Reported 2018	Change
Revenue	78.2	80.1	(2.3)%
UK	47.4	42.6	11.5%
Asia Pacific	23.5	27.8	(15.2)%
Rest of world[1]	7.2	9.7	(25.7)%

1. Including USA, Canada and Middle East.

"Having integrated technology in place takes a huge pressure from our teams and gives us the confidence and time to relieve some of the administration that comes with being a training provider."

Pluss, UK

Tribal's key geographic markets are the UK (61% of total revenue), Asia Pacific including Australia, New Zealand and Malaysia (30%); and, North America and the rest of the world including Middle East (9%).

UK revenues increased 11.5% due to significant new customers in both Higher Education and Further Education together with new contract wins for QAS and revenue generated from Tribal Dynamics since acquisition.

Asia Pacific revenues reduced by 15.2%, primarily due to larger implementations coming to an end in the year, a limited pipeline for new implementations as well as reduced sales in the schools market.

Revenue for the Rest of the world reduced by 25.7%, due to the conclusion of larger QAS contracts in the Middle East and the rephasing of ongoing work into 2020.

Key Performance Indicators (KPIs)

	2019	Reported 2018	Change
Revenue	£78.2m	£80.1m	(2.3)%
Adjusted Operating Profit (EBITDA)*	£15.4m	£14.1m	11.4%
Adjusted Operating Margin*	19.6%	17.6%	1.4pp
Annual Recurring Revenue (ARR)	£42.3m	£39.5m	7.1%
Committed Income (Backlog)	£133.6m	£121.6m	9.8%
Operating Cash Conversion	105%	132%	(27.0)pp
Free Cash Flow	£5.3m	£8.8m	(39.8)%
Staff Retention	87.9%	89.0%	(1.2)pp
Revenue/Average FTE	£92.0k	£91.7k	0.3%

* Current year Adjusted Operating Profit and Adjusted Operating Margin are before depreciation. As reported last year Adjusted Operating Profit including depreciation, 2019: £11.7m (2018: 10.8m) a growth of 7.9% and Adjusted Operating Margin including depreciation, 2019:14.9% (2018: 13.5%).

Committed Income (Backlog)

The Committed Income (backlog) relates to the total value of orders which have been signed on or before, but not delivered by 31 December 2019. This represents the best estimate of business expected to be delivered and recognised in future periods and includes 2 years of Support & Maintenance revenue. At 31 December 2019 this increased to £133.6m (2018: £121.6m reported). The majority of the increase relates to significant contract wins in Education Services.

Annual Recurring Revenue (ARR)

	2019	2018	Change
Support	33.7	32.9	2.46%
Cloud	6.5	5.7	14.97%
Subscription License	2.1	1.0	120.39%
ARR	42.3	39.5	7.12%

The Annual Recurring Revenue (ARR) includes Support & Maintenance fees paid on all software, Cloud hosting services, and License sold on a subscription basis. The 2018 ARR is restated to include License sold on a subscription basis. Overall the Annual Recurring Revenue total increased by 9.9% to £42.3m (2018: £38.5m reported).

Operating cash conversion

Operating cash conversion is calculated as net cash from operating activities after tax as a proportion of adjusted operating profit. In 2019, operating cash conversion was 105% (2018: 132% reported).

Free cash flow

Free cash flow is included as a key indicator of the cash that is generated by the Group and available for further investment or distribution. It is calculated as net cash from operating activities less capital expenditure and less capitalised development costs (excluding acquired intellectual property). In 2019, free cash flow was £5.3m (2018: £8.8m reported).

Headcount and staff retention

	2019	2018	Change
Headcount	879	900	(2.3)%
UK	585	581	0.69%
Asia Pacific	250	302	(17.2)%
Rest of world[1]	15	17	(11.8)%
Full Time Equivalent (FTE)	850	873	(2.6)%

1. Including USA, Canada and Middle East.

Our overall workforce has decreased by 2.3% to a total headcount of 879, down from 900 at 31 December 2018; this is after adding an additional 42 heads from the acquisition of Crimson Consultants.

The total Full Time Equivalent (FTE) headcount has decreased by 23 FTEs to 850 (2018: 873 FTEs). Headcount in the UK and Rest of World is consistent with prior year, the decrease of 52 heads in APAC is driven by the Group's change of focus from the School Edge product to the Tribal Edge platform.

Financial review continued

Headcount and staff retention continued

The Revenue per Average FTE metric is consistent with prior year at £92.0k for 2019 (2018: £91.7k). On an operational headcount basis (excluding Product Development), the revenue per FTE for 2019 is £104.6k (2018: £100.0k).

We note, though, that despite the extent of change within the Group, our staff retention has marginally decreased to 87.9% (2018: 89%).

Items excluded from adjusted profit figures

The Group has adopted a policy of disclosing separately on the face of its Group income statement the effect of any components of financial performance considered by the Directors to be not directly related to the trading business or regarded as exceptional, or for which separate disclosure would assist in a better understanding of the financial performance achieved. A full explanation of "Other Items" is included in note 7 of the Financial Statements however the main items are as follows:

- **Employee related share option charges**

  In 2019, share based payment charges (including employer related taxes) totalled £1.7m (2018: £2.3m), and are excluded from the Adjusted operating profit.

  On 7 June 2019, 760,563 nil-cost share options were granted to Mark Pickett under the terms of the 2010 LTIP. On 7 June 2019, 2,900,000 and 16 September 2019, 300,000 share options were granted to senior management under the Company share option plan. On 1 November 2019, 92,778 share options were granted Mark Pickett and senior management under the Company SAYE plan.

  On 18 December 2019 Richard Last and Roger McDowell each exercised 1,702,999 Matching shares.

- **Amortisation of IFRS 3 intangibles**

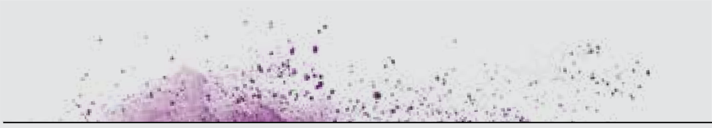
  The amortisation charge in relation to IFRS 3 intangible assets of £1.3m (2018: £1.8m) arose from separately identifiable assets recognised as part of previous acquisitions. The assets principally relate to software and customer relationships and are amortised over their expected life which was determined in the year the acquisition took place.

- **Restructuring and associated costs**

  These costs relate to the restructuring of the Group's operations and the charge for the year is £0.8m (2018: £1.0m). At the end of 2018 the Group announced the restructure of the management of its i-graduate business in the UK and the SchoolEdge development team in Asia Pacific, with costs arising in 2019 mainly due to redundancies. There are no restructuring provisions recognised as at 31 December 2019.

Net cash and cashflow

£m	2019	2018	2017	Growth
Net cash flow from operating activities	12.4	14.2	11.1	3.1
Net cash outflow from investing activities	(13.2)	(6.2)	(5.5)	(0.7)
Net cash outflow from financing activities	(2.9)	(1.9)	(0.1)	(1.8)
Net (decrease)/increase in cash & cash equivalents	(3.7)	6.1	5.5	0.6
Cash & cash equivalents at beginning of the year	20.0	14.1	8.8	5.3
Cash & cash equivalents at end of period	16.3	20.2	14.3	5.9
Less: Effect of foreign exchange rate changes	0.2	(0.2)	(0.2)	–
Net cash & cash equivalents at end of period	16.5	20.0	14.1	5.9



"Tribal has demonstrated throughout an extensive dialogue process and robust tender submission an understanding of the key issues that we face at Canterbury Christ Church."

Canterbury Christ Church University, UK

Cash and cash equivalents at 31 December 2019 were £16.5m (2018: £20.0m).

Operating cash inflow for the period was £12.4m (2018: £14.2m). The working capital movement decreased to £0.3m (2018: £3.1m), as a result of strong cash management including a significant reduction in trade debtors and trade payables.

Cash outflow from investing activities was £13.2m (2018: £6.2m). The Group has seen a decrease in capital expenditure primarily due to lower fit out costs in 2019, as well as ongoing spend on equipment costs (2019: £0.6m; 2018: £1.2m). Spend on product development increased to £6.3m (2018: £4.2m) in line with the Group's Edge strategy. The Group made a payment of £0.5m for deferred consideration (2018: £0.8m), this was the final payment in respect of the intellectual property acquired in 2017. The Group made a payment of £5.9m in respect of the acquisition of Crimson Consultants in May 2019.

Cash outflow from financing activities increased to £2.9m (2018: £1.9m). The Group continued the payment of dividends in the year with £2.1m returned to shareholders. Following the adoption of IFRS 16 effective from 1 January 2019, rent payments previously recognised in net operating profit from operating activities are now shown as payment of lease liabilities within net cash outflows from financing activities £1.0m. This is offset with the issue of shares (£0.2m) to satisfy exercises of share-based payment schemes.

Finance costs and funding arrangements

Net finance costs remained consistent to £0.1m in the year (2018: £0.1m). The Group had a £2m committed overdraft facility in the UK and a AUD$2m committed overdraft facility in Australia, both facilities are committed for a 12-month period ending September 2020 and October 2020 respectively. At 31 December 2019 both overdrafts were available but undrawn.

Shareholders returns and dividends

The Board has proposed a full year dividend of 1.2p per share (2018: 1.1p per share). Following the reinstatement of the dividend in 2017, paid by the Company in May 2018 and May 2019, the Board reaffirms its intention to continue a progressive dividend policy, with a single dividend payment each year following annual results.

Going concern

Tribal had cash and cash equivalents of £16.5m at the end of 2019 plus access to an undrawn UK and Australian overdraft of £2.0m and $AUD 2.0m respectively. On 21 January 2020 the Group entered into a 3 year £10m multicurrency revolving facility with HSBC with the option to extend by a further 2 years. The facility was put in place to cover general corporate and working capital requirements of the Group.

On 13 March 2020 the Group reached an agreement to settle the dispute with a platform provider for past royalties. This includes entering into a new 10 year VAR agreement, with effect from 1 January 2020 thus bringing this matter to a close. The expected net settlement, including legal fees totals £9.1m.

The Group benefits from strong annual recurring revenues and cash generation, it also has a significant pipeline of committed income. At this time we are unable to determine with any degree of certainty the impact Coronavirus will have on the Group. It is Managements expectation, based on current circumstances, that there will be a material reduction in Education Services revenue and License and Implementation revenues over the next 6 months as a result of the temporary closure of many education institutions globally. We do not expect Support and Maintenance and Cloud revenues to be affected. As part of this assessment, management have included various sensitivities to better understand the impact to the business, this includes but is not limited to, a decrease in revenue, a decrease in cash receipts and the impact of meeting our covenant requirements should we draw down on the available facility. Management would also introduce cost saving measures to mitigate the impact on profit and cash if necessary. We do though remain positive about the medium and longer term prospects for the Group.

The Directors, having considered the cash-flow forecast, and while noting the Group has net current liabilities, have performed a risk assessment of likely downside scenarios and associated mitigating actions. Based on this assessment they have a reasonable expectation that adequate financial resources will continue to be available for at least 12 months from the date of approval of the financial statements. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Taxation

The corporation tax on continuing operations was £2.5m (2018: £1.9m) and the adjusted effective tax rate was 22% (2018: 21%). This includes the impact of higher rates of taxation arising in overseas jurisdictions.

As the Group continues to operate in international jurisdictions with a higher rate of corporation tax, it is anticipated that the tax charges on profits in the near- to medium-term future is likely to be higher than the standard rate of UK corporation tax.

Financial review continued

Goodwill and Intangibles

Intangible assets arising on the acquisition of Tribal Dynamics are in respect of customer relationships and contracts £1.6m and software £2.7m. Goodwill of £5.9m arising on the acquisition of Tribal Dynamics is attributable to synergies, the assembled workforce, and potential future relationships, contracts and software. The Group assesses goodwill at least annually for impairment, with no factors being identified in the current year.

Right of Use asset and Lease Liability

The Group adopted IFRS 16 "Leases" with effect from 1 January 2019. This has resulted in the Group recognising right-of-use assets £4.1m and lease liabilities £4.2m. For leases previously classified as operating leases, under previous accounting requirements the Group did not recognise related assets or liabilities, and instead spread the lease payments on a straight-line basis over the lease term.

Share options and share capital

On 7 June 2019 and 16 September 2019, respectively 2,600,000 and 300,000 share options were granted to senior management, excluding Mark Pickett. On 7 June 2019, 760,563 nil-cost share options were granted to Mark Pickett as part of his ongoing remuneration. On 1 October 2019 the 2019 SAYE Scheme was launched in the UK, a total of 1,116,879 ordinary shares were granted to 176 employees who elected to participate.

As at 31 December 2019, there were 199,579,784 shares issued (2018: 196,051,181).

Related parties

Transactions with related parties during the period are set out in note 32.

Earnings per share (EPS)

Adjusted diluted earnings per share from continuing operations before other costs and intangible asset impairment charges and amortisation, which reflects the Group's underlying trading performance, increased by 7% to 4.6p (2018: 4.3p).

Statutory earnings per share (diluted) decreased by 175% to (1.5)p (2018: 2p) as a result of the statutory loss made in the year of £2.9m (2018: statutory profit £4.1m).

Pension obligations

At 31 December 2019, the Group operated two defined benefit pension schemes for the benefit of certain deferred employees of its subsidiaries in the UK. These schemes are administered by separate funds that are legally separated from the Company. The trustees of the pension funds are required by law to act in the interest of the funds and of all relevant stakeholders in the schemes. The trustees of the pension funds are responsible for the investment policy with regard to the assets of the funds.

Across the pensions schemes, the combined deficit calculated under IAS19 at the end of the year totalled £0.5m (2018: deficit of £1.0m), with gross assets of £7.7m and gross liabilities of £8.3m (2018: £6.8m and £7.8m respectively). Total actuarial gains recognised in the consolidated statement of comprehensive income are £0.5m (2018: £0.4m).

Section 172

Engaging, consulting and action on the needs of different stakeholders is critical for the development and delivery of a culture and strategy that achieves long-term success. Tribal undertakes meaningful engagement with its stakeholder groups to build trust and supports the ethos of Section 172 of the Companies Act 2006 which sets out that the Directors should have regard to stakeholder interest when discharging their duty to promote the success of the Company. The Board always strives to act in the best interest of the Group and to be fair and balanced in its approach to stakeholder management. The needs of different stakeholders are always considered as well as the consequences of any decision in the long term and the importance of our reputation for high standards of business conduct. Please refer to pages 56 and 57 for further information regarding Section 172.

Risks

Financial risks

The main financial risks the Group faces relate to the continued sales of our software, where a trading downturn puts a strain on the operating cash flow, credit risk arising from contractual delays or scope changes, fluctuations in interest rates, and foreign exchange risk.

Operating cash flow risk

The Group benefits from significant annually recurring revenue which is received throughout the year. A 12 month rolling cash flow forecast is updated on a monthly basis to help identify any risk in future operating cash flows.

Credit risk

The credit risk arising from contractual delays or scope changes is reviewed monthly by the PLC Board. The Group seeks to reduce the risk credit losses arising from non-payment by our customers. This risk is closely monitored by the Credit & Collections team, which form part of Group Finance. Tribal incurred no material credit losses during 2019.

> **“We are happy to be using Tribal technology. The addition of Digital Authentication will enable us to digitise our processes, reducing time and risk associated with audit trails.”**
>
> Instep UK Ltd, UK

Interest rate risk

At the end of 2019, Tribal had no bank loan indebtedness. However, the Group is exposed to interest rate risk because entities in the Group hold cash and cash equivalents at floating interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, and forward rate agreements and interest swaps may be used, where appropriate, to achieve the desired mix of fixed and floating rate debt. There are no open derivative financial instruments at the year end.

Foreign exchange risk

Tribal’s reporting currency is Sterling. A number of its subsidiaries have different functional currencies, so increases and decreases in the value of Sterling versus the currency used by the Group’s international operations will affect its reported results, and the value of assets and liabilities on the consolidated balance sheet. Tribal’s principal currency exchange exposure is to the Australian dollar although as at 31 December 2019, the Group was also exposed to movements in the rates between Sterling and the US dollar, United Arab Emirates Dirhams, South African Rand, and New Zealand dollar. See note 31 for further details.

The Group Finance team oversees the management of foreign exchange risk, and policies and procedures approved by the Board.

Effect of the UK exiting the European Union (Brexit)

We do not expect the process of the UK exiting the European Union (Brexit) to have an adverse impact in the short-term demand for student information systems. The longer term potential impact remains to be seen and is dependent upon the final exit terms agreed. The Group has seen fluctuations in exchange rates during the Brexit process and any strengthening in the value of Sterling would have an adverse impact on earnings. There are a small number of contracts with customers based in the European Union; however, the loss of these contracts would not have a material impact on the Group. The Group also employs a number of European Union nationals but they do not form a significant part of the workforce.

Paul Simpson
Acting Chief Financial Officer

Principal risks and uncertainties

The Group is exposed to a number of risks and uncertainties which could have a material impact on the future performance of the Group. The table below summarises the key risks that the Directors consider the business faces and how the Group seeks to mitigate them.

In addition to these, other risks of a financial nature are addressed in the Business & Financial Review.

Risk area	Cause and Effect	Mitigation
Reputation	Cause: Failure to deliver contractual commitments. Failure to meet investor expectations. Effect: Adverse publicity relating to contract and solution delivery with associated reputational damage and financial risk.	The Group maintains strong controls to ensure successful project delivery. The Board engages with investors on a regular basis.
Contract tendering	Cause: Poor commercial negotiation and documentation on major contracts with customers and suppliers. Failure to adapt to local legal framework on international projects. Penetration in new markets increases risk of omissions and mistakes. Effect: Contract delivery failure, risk of legal claims or onerous financial contract terms.	The Group maintains a formal Delegation of Authority matrix to ensure appropriate visibility and approval of all potential contracts.
Project delivery	Cause: Failure to meet project milestones and other contractual requirements, customer subject to own internal pressures. Effect: Non-payment or application of contractual penalty clauses by customers.	The Group reviews project progress on a monthly basis at Executive Management level with Board oversight.
Innovation and technology	Cause: Increasing emergence and demand for cloud-architected solutions for some legacy technology platforms and core products. Effect: Technically obsolete platform and products.	The Group is investing in a new Student Information Systems product strategy with a Cloud Operations (hosting) focus. This is continuing to move functionality from existing platforms to newer cloud-based applications.
Information security	Cause: Data loss or system security breach. Increasing regulatory data protection and information security requirements including health related controls over student management data. Effect: Losses of reputation with customers and in market. Risk of regulatory penalty.	The Group operates a Secure Data Centre and continues to roll out ISO 27001 certification across the business and invest in security software and training for all staff. In addition, the Group reviewed its obligations in readiness for GDPR compliance which came into effect in May 2018.
People	Cause: Key employees leave the Group. Effect: Detrimental effect on customer relationships and development pipeline.	The Group has incentive schemes designed to attract, motivate and retain key employees, whilst encouraging appropriate behaviours. We aim to provide competitive remuneration packages for all staff. No sole staff member is considered to be a single point of failure.

Case Study

Exciting pilot project using Student Insight

The University of Brighton recently worked with Tribal on an exciting pilot project using Student Insight, one of the solutions available on Tribal Edge. The pilot took 3 years of student data from the university and, using Tribal's new predictive analytics software, made predictions on the students most at risk and crucially helped to identify the factors that most indicated student success.

Katie Piatt, the eLearning Services Manager at the University of Brighton said "I would recommend Tribal's Student Insight tool because of its power to identify patterns and factors from years' worth of data. However good your in-house data analysis team is, they can't compare all the data you have seamlessly, whereas with Student Insight you can. It is really examining all the data you have and pulling up themes, patterns and relationships that you couldn't guess. It's an incredibly powerful way of understanding your data in new ways."

Corporate and social responsibility

Tribal empowers educators and we are proud to support an industry that changes people's lives and contributes so much to society. We believe in fairness, integrity, and 'doing the right thing'. This means we treat our people well, and that we expect to give something back to the communities where we work, through our charitable activities.

Our values

Tribal brings together highly talented people in a creative and collaborative environment. We are united through our well established values and continually reinforce and celebrate. We showcase our people demonstrating our values and in 2019 we rewarded 282 people globally who had gone above and beyond in demonstrating one of our values.

Our values are:

Trustworthy: We value honest discussion, we anticipate, listen and respond to requirements and we rely on each other

Pioneering: We welcome change, we strive to innovate and we aim to meet the needs of the ever-evolving education marketplace

Accountable: We take ownership, we keep our promises and are focused on delivering successful outcomes

Dedicated: We are committed to our customers; work to secure long-term partnerships and we collaborate to deliver optimum solutions

Our people

Tribal's capabilities are founded on the talent and expertise of our people. Our development, retention and recruitment strategies at all levels of the business have a strong emphasis on diversity.

Our success as a growing international business is a tribute to our people's energy, commitment and know-how. We invest in our people, providing them with the tools and training to support and enable them to realise their potential.

A key tool for Tribal's people is its bespoke competency framework, which underpins a range of Career Pathways. Our aim is to help our people to understand how they can develop in their current role as well as plan for their future growth and development. It is important to us that our people can envisage a long and successful career and therefore our investment in structures is as much about helping and empowering people to take ownership of their careers and to navigate a dynamic organisation.

We continue to build on our learning and development programmes and have only seen demand and investment increase in response. In 2019 we ran numerous courses in the UK and Australia, including business development programmes and two key strategic initiatives which have centred on the refresh and expansion of our Manager Academy, which broadens the skills and commercial awareness of our leaders and future leaders and the development of our Digital Learning strategy. All of our people globally now have access to a market leading online learning platform (e.g. Pluralsight, LinkedIn learning). In 2019, our people spent thousands of hours engaging in self-directed learning, allowing everyone the opportunity to develop new skills for their role, and also develop new capabilities for future opportunities.

As well as focusing on the performance, development and success of our existing people, a key part of our people strategy for 2019 involved investing in early talent programmes across the business; bringing in new recruits who learn and work in some of our key job families including Product Development and Customer Support. This included between 25 - 30 active or completed Apprentices who have secured formal qualifications whilst at the same time establishing a solid foundation of practical work experience from which to build their career with us and contribute to our ongoing success.

Engaging with people

Tribal operates from a range of offices in the UK and around the world. Communication among our people is crucial. We use a combination of Group-wide updates, including webinars, as well as running specific local communication sessions. We supplement these events by communicating on a number of channels (email, internal bulletin boards), our corporate social media and in our now established bi-monthly staff news update – Tribal Talk.

A major initiative continued in the year are the Wellbeing days at each and every Tribal office. On these days a variety of talks and activities were organised to promote physical and mental wellbeing, as well as being used to highlight numerous benefits open to Tribal employees, including the new investments in staff health cash plans. All events were enthusiastically received, and the days will continue through 2020. It is encouraging to see that our efforts in this area have translated in to positive outcomes in our 2019 staff engagement survey, with an overall uplift in employee engagement.

Gender Pay Equality

Tribal published its first Gender Pay Gap statutory report for our UK employees in March 2018, the 2019 report is not required to be reported on until 4 April 2020. Like the vast majority of UK companies, it highlighted that we do have a gender pay gap, primarily because there are more women than men in our lower paid roles, and fewer in higher paid ones.

Tribal continues to strive for equality across all groups. In our forthcoming Gender Pay Gap report to be published in April, we will describe the range of actions and initiatives we are taking to proactively work towards closing the gender pay gap.

Supporting Charities

In 2019 Tribal introduced a Volunteer's day where an employee is enabled to take an additional day's leave to support a charitable cause. In many cases, a team or even whole office, have taken a day to contribute to a local charity. Through the year, Tribal's teams have been engaged in an impressive array of charitable causes including: Animal Welfare Trust; Gatton Trust; Men's Health (through Movember); Children's Hospice and the Canal and River Trust.

The Strategic Report, comprising the 'Our business model', 'Our strategy', 'Principal risks and uncertainties', 'Business review', 'Financial review' and 'Corporate and social responsibility' sections, was approved by the Board of Directors on 18 March 2020 and signed on its behalf by:

Richard Last	Mark Pickett
Chairman	Chief Executive Officer

CAUTIONARY STATEMENT

This information has been prepared solely to provide information to shareholders to assess how the Directors have performed their duty to promote the success of the Group. The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, which underlie any such forward-looking statement.

Board of Directors

The Board, has a good blend of backgrounds pertinent to the challenges and opportunities Tribal faces. We appointed a new Non-Executive Director in early 2020.

Richard Last
Chairman

Appointed
Richard joined the Board in November 2015.

Experience
He is currently Chairman and Non-Executive Director of AIM listed Gamma Communications plc and Arcontech Group plc. In addition, Richard is Non-Executive Director of Corero Network Security plc and Non-Executive Chairman of fully listed ITE Group plc. Richard is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA).

Mark Pickett
Chief Executive Officer

Appointed
Mark joined Tribal and the Board in July 2016.

Experience
Previously he was Chief Financial Officer and Finance Director, UK of Computer Sciences Corp (CSC), a US based global leader in technology enabled business solutions and services. Mark also spent 18 years in a variety of senior finance roles with Oracle across a number of geographies, primarily in its software businesses.

Key to Committee Membership:

- Nomination Committee
- Audit Committee
- Remuneration Committee

Roger McDowell

Senior Independent Director

Appointed

Roger joined the Board in November 2015.

Experience

He is currently serving as Non-Executive Chairman of Avingtrans plc and Hargreaves Services plc, Non-Executive Director of Augean plc, Proteone Sciences plc, ThinkSmart plc, British Smaller Companies VCT 2 plc and Brand Architekts plc (formerly Swallowfield).

Nigel Halkes

Non-Executive Director

Appointed

Nigel joined the Board in January 2020.

Experience

Nigel is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA), he qualified with EY and had a successful career with EY retiring as Managing Partner UK and Ireland in 2013. Nigel has pursued a portfolio career since 2013 and was a Non-Executive Director at FreeAgent Holdings plc, a provider of Software-as-a-Service based accounting solutions, from its successful 2016 IPO to its acquisition by RBS in 2018. Nigel continues to take time to develop his non-executive leadership skills.

Executive Management Team

Mark Pickett

Chief Executive Officer

See biography on page 34

Paul Simpson

Acting Chief Financial Officer

Paul joined Tribal in December 2016 and was appointed as Acting Chief Financial Officer in March 2019. He has worked for a variety of listed companies in the UK and Australia. Paul supported Jelf Group plc though a number of acquisitions prior to its own acquisition and subsequent integration into Marsh & McLennan companies. Paul is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA).

Mike Cope

Chief Technology Officer

Mike joined Tribal in September 2019 as the Chief Technology Officer. Formerly Chief Information Officer at University College London (UCL), Mike is an experienced Board level leader, with success in leading businesses during periods of growth. Mike's previous roles saw the delivery of significant strategic change programmes within the IT sector as well as creating an improved customer product rating while reducing IT operation costs.

Mark Wilson

Chief Operating Officer

Mark joined Tribal in December 2016 as the Managing Director for the EMEA region. Mark is an experienced business leader having spent over 20 years in national and international roles in software and services businesses. In that time he has enjoyed great success driving transformation and helping his clients maximise the value to their organisations of deploying technology enabled solutions.

Chloe Payne

Director of HR

Chloe joined Tribal's HR team in 2007 and has been part of many notable aspects in Tribal's evolution, including the early days of our internationalisation. Chloe was appointed to lead the function globally in April 2017. Prior to Tribal, Chloe worked in the Health sector, supporting a large social care organisation through a period of sustained growth, and at Cambridge Assessment where she managed their recruitment function internationally.

Janet Tomlinson

Managing Director – Education Services

Janet joined Tribal at the end of 2009. Prior to this, Janet was Director of Education and Children's Services in Oxfordshire. Janet has chaired a range of regional partnership boards, including Children's Trusts, Safeguarding Boards, Education Action Zones and Creative Partnerships. She has also advised the Government on the educational impact of migration and on school inspection policy.

Mike Beech

Product Management and Marketing Director

Mike joined Tribal in March 2016 and heads up Tribal's global marketing team. Responsible for the strategic development of Tribal's marketing initiatives and driving awareness of the Group's portfolio of capabilities, Mike has the expertise, drive and enthusiasm needed to 'tell the Tribal story' world-wide.

Peter Croft

Managing Director – APAC Region

Peter joined Tribal in September 2017 to lead the Asia Pacific business with a focus on delivering growth and benefits-driven customer experiences. Peter has over 20 years' experience in successful leadership of IT enterprises in the APAC region, and has held directorships in Australian, UK, US and Malaysian technology companies.

Corporate Governance

Tribal is committed to high standards of corporate governance and maintaining sound business ethics.

The Directors acknowledge the importance of good corporate governance and formally adopted the principles of the Quoted Companies Alliance Code (QCA) on 28 September 2018, this was reviewed on 11 November 2019 and reapproved by the Board on 18 March 2020. Compliance with the code is shown on pages 44 to 49.

The PLC Board applies the principles of good governance and supports a culture of open debate and constructive challenge to enable Tribal to meet its objectives. In fulfilling their responsibilities, the Directors govern the Group in the best interest of the Company and its shareholders whilst having due regard to the interests of other stakeholders including customers, employees, suppliers and regulators.

The PLC Board

The PLC Board (the Board) is responsible for the Company's systems of corporate governance.

The Non-Executive Directors are Richard Last, Roger McDowell and Nigel Halkes, all are considered to be independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement. The Non-Executive Directors meet at least once a year without the Executive Directors present.

Nigel Halkes was appointed as Non-Executive Director with effect from 20 January 2020 and will become Chairman of the Audit Committee following the AGM in April 2020.

All Directors are required to submit to re-election each year at the Annual General Meeting (AGM) of the Company.

All the Directors have access to the advice and services of the Legal Counsel. Each Director is entitled, if necessary, to seek independent professional advice at the Company's expense.

The Board meets at least eight times each year with additional meetings when circumstances and urgent business dictate. At these meetings the Board reviews a schedule of reserved matters including trading performance, financial strength, strategy (including investment and acquisition opportunities), risk management, controls, compliance, reports to shareholders and succession management.

The Board plans to evaluate its performance and that of its Committees through a process of regular dialogue and periodic formal Board evaluations.

Delegated Authorities

All other matters not specifically reserved to the Board are delegated to management in accordance with a schedule of Delegated Authorities. These delegated authorities cover expenditure, agreements, financial matters, remuneration and agreements with third parties. Management is required to report to the Board concerning authority exercised and matters which come, or may come, within the scope of the Board.

Subsidiary Boards

The Group's subsidiary companies operate a Board of Directors that comprises at least one PLC Director and senior management of the subsidiary as appropriate.

Board Committees

The PLC Board has established three Committees to assist with its effective operation: the Audit Committee, the Remuneration Committee and the Nominations Committee. Each Committee has responsibility to the Board which are outlined in formal Terms of Reference that have been approved by the Board. The Terms of Reference, which are available on the Group's website www.tribalgroup.com, are subject to annual review to ensure the Committees continue to follow best practice. The Chairman of each Committee reports to the PLC Board after each Committee meeting and minutes are tabled at the next PLC Board meeting.

Membership of Board Committees and attendance at Board and Committee meetings during the 12 month period under review are as follows:

	PLC Board	Audit Committee	Remuneration Committee	Nominations Committee
Number of meetings in period	14	3	2	1
Meetings attended by members:				
Richard Last	14	3	2	1
Roger McDowell	14	3	2	1
Mark Pickett	14	3*	–	1

* By invitation.

Audit Committee

The Audit Committee is chaired by Roger McDowell and comprises Richard Last and Nigel Halkes. The Audit Committee will be chaired by Nigel Halkes following the AGM in April 2020. The Chief Executive Officer and representatives from finance and our external auditors participate in the meeting as non-voting observers. The Committee meets three times a year.

The Committee oversees the Group's financial reporting and internal controls, including their effectiveness and risk management processes, and the external audit process and has the following responsibilities:

- Considering reports from the auditors on the annual and half-yearly financial statements;
- Monitoring the integrity of the Group's financial statements and formal announcements relating to the Group's financial performance;
- Making recommendations to the Board on the appointment and remuneration of the external auditors;
- Reviewing the independence and objectivity of the external auditors and the effectiveness of the audit process;
- Considering reports on the effectiveness of the Group's risk-management procedures and internal controls.

The Committee advises the PLC Board on the appointment, independence and objectivity of the external auditors and on the remuneration for both audit and non-audit work. The Committee also discusses the nature, scope and results of the audit with the external auditors. The Audit Committee Chairman separately meets with the external auditors during the course of the year.

The auditors' report to the Audit Committee on matters including independence and non-audit fees on an annual basis. The specific audit partner changes every five years. The amount charged by the external auditors for the provision of services during the 12 month period under review is set out in Note 6 of the financial statements on page 88.

Corporate Governance continued

Remuneration Committee

The Remuneration Committee is chaired by Roger McDowell and includes Richard Last. The Committee meets at least once a year.

The Committee sets the remuneration of the Directors, including basic salary, bonuses and other incentive payments and awards. It also ratifies policy proposals in respect of remuneration of senior executives in the Group.

The Remuneration report which details the Directors' remuneration, pension entitlements and service contracts, including information on Directors' interests, is set out on pages 51 to 55.

Nominations Committee

The Nominations Committee is chaired by Richard Last and includes Roger McDowell and Mark Pickett, who provides Executive management insight. The Committee meets at least once a year.

The Committee deals with appointments to the PLC Board, monitors potential conflicts of interest and reviews the independence of the Non-Executive Directors.

The PLC Board also operates the following management Boards and committees:

Executive Board

The Executive Board is chaired by Mark Pickett. The members of the Executive Board are drawn from the heads of the business units and other operational areas. The Executive Board typically meets monthly but the members interact frequently in the normal course of their roles. The Executive Board oversees the Group's operational and financial performance and is responsible for day-to-day management decisions in line with the Group's strategy. It also considers succession planning and talent management. Further matters are outlined in the Delegated Authorities.

Global Governance Committee

The Integrated Governance Committee is chaired by the Chief Financial Officer and reports to the Chief Executive Officer. The Committee meets monthly and includes representatives from Finance, Information Services, Human Resources, Legal, Compliance, Property and Procurement. There are separate sub-committees for Health & Safety and Information Security which monitor relevant legislative and regulatory requirements.

Internal controls and risk management

The Board is responsible for establishing and monitoring internal control and risk management systems throughout the Group and assessing their effectiveness. The Board recognises that rigorous systems of internal control are critical to the Group's achievement of its business objectives and that those systems are designed to manage rather than eliminate risk of failure to achieve business objectives. The internal control and risk management systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

Tribal maintains a risk framework that contains the key risks faced by the Group. The framework includes the impact and likelihood of key risks and the controls and procedures implemented to mitigate them. Risk management is embedded within Tribal by:

- Setting strategic direction, including targets;
- Maintaining a clear authorisation framework;
- Reviewing and approving annual plans and budgets;
- Maintaining documented policies and procedures;
- Regularly reviewing and monitoring the Group's performance in relation to risk through monthly Board reports.

The Directors are also responsible for the Group's system of internal control and for reviewing its effectiveness.

The Audit Committee reviews the Group's internal financial controls and risk management systems and the Board reviews the effectiveness of all the Group's internal controls including operational and compliance controls and risk management systems in effect during the period.

To further manage risks faced by the Group, the Company attempts to ensure that employees fully understand the Group's business strategy and objectives. The Group's communication and consultation programme includes regular internal briefings by Directors to all employees throughout the year. Regular meetings are held with staff and managers, both to discuss specific issues and provide an exchange of information. Email communication and the Group's intranet site also provide information to employees.

The Group operates a comprehensive budgeting system whereby managers submit detailed budgets and forecasts, which are reviewed and, where appropriate, amended by Executive Directors prior to submission to the Board for approval. Each month, actual results are reported against budget and distributed to managers and are provided to the Board in advance of meetings.

Communication with shareholders

The Group reports formally to shareholders when its annual and half-yearly financial statements are published. At the same time, Executive Directors present the results to institutional investors, analysts and the media. Notification of the date of the AGM is sent to shareholders at least 21 working days in advance of the meeting. Details of the AGM are set out in the Notice of Meeting. The Directors are available at the AGM to answer questions, both during the course of the meeting, and informally afterwards. Contact with major shareholders is principally maintained by the Chief Executive Officer and the Chief Financial Officer, who ensure that their views are communicated to the Board as a whole.

The Chairman is also available to discuss governance and other matters directly with major shareholders. At every Board meeting, the Board is provided with the latest brokers' reports and a summary of the contents of any meetings with shareholders. The Board considers that the provision of these documents is a practical and efficient way for both the Chairman and Senior Independent Director to be informed of major shareholders' opinions on governance and strategy and to understand any shareholder issues and concerns.

Approved by the Board of Directors on 18 March 2020.

Richard Last
Chairman

Quoted Companies Alliance Code (QCA)

Tribal adheres to the Quoted Companies Alliance Corporate Governance Code (QCA Code), revised and published in April 2018. Compliance with the code and the activities we undertake to successfully manage the Tribal business are detailed below.

Tribal follows the QCA Code's 10 principles of corporate governance, these are detailed in the table below together with Tribal's practices against the principles.

Deliver Growth		
1	Establish a strategy and business model which promote long-term value for shareholders	Delivering growth is key to Tribal's success. Our strategy, business model, stakeholder engagement activities and risk management all help achieve this.
2	Seek to understand and meet shareholder needs and expectations	
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	

Maintain a Dynamic Management Framework		
5	Maintain the Board as a well-functioning, balanced team led by the Chair	Tribal maintains its own Dynamic Management Framework and has experienced Board members.
6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	
7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	
8	Promote a corporate culture that is based on ethical values and behaviours	
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	

Building Trust		
10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Building trust with all stakeholders is key to the successful functioning of our business.

Deliver Growth

Tribal's goal is to be the international, market-leading education software and services provider, valued by customers, employees and shareholders alike.

Overview

Tribal is a world-class, education focused company, providing the expertise, software and services needed by education and business organisations worldwide. Everything we do underpins the experience and success of our customers' students.

We operate internationally and serve hundreds of Higher Education, Further Education and Vocational institutions; thousands of schools; and many Government and State bodies, Training Providers and Employers; in over 55 countries. Tribal employs over 800 professionals with deep educational domain expertise, across our offices in the UK, Australia, New Zealand, Canada, US, Middle East, Philippines and Malaysia.

Vision & Mission

Our vision is simply: **to empower the world of education.**

Our mission is: **to provide the expertise, software and services required by education and business organisations worldwide to underpin student success.**

We strive to research, develop and deliver products, services and solutions needed by education institutes across the world that support the primary goals of educating students, providing optimum learning experiences and ultimately, delivering successful outcomes. Our solutions enable institutes to maintain their focus on the quality of learning and development offered to their students.

Our Key Strengths

- **Extensive and long-standing customer relationships** – we enjoy deep and long-term relationships with our customers across all education sectors.
- **Broad, complementary portfolio** – we offer a range of world-class software and education services: market leading Student Information Systems that underpin the student journey from recruitment to successful outcomes; a broad range of education services, covering quality assurance, peer review, improvement and inspections; and a student survey and analysis business, which provides the leading global benchmarks for student experience.
- **Educational expertise and focus** – our deep educational domain expertise has been developed through a long and successful history of working with, and focusing on, the education market. Our team includes many former education practitioners.
- **International delivery and insight** – our business operates globally, and actively collects and shares leading-practice and market insight with our worldwide customer base.

Our Direction

We are developing a new Student Information System, Tribal Edge. This combines our rich experience and expertise, with feedback from our customers as to what they require now and in the future. Tribal Edge will initially enhance and, in time, replace our existing student systems. Tribal Edge will provide richer functionality and a platform for our customers in Higher and Further Education to underpin their management and oversight of the student journey, from recruitment through to successful completion or graduation, and beyond.

Tribal Edge has been designed for the Cloud, and with our collaboration agreement with Microsoft, will be available on the Microsoft Azure cloud platform.

Business Model

Our business model is shown on pages 6 and 7.

Strategic Priorities

Our strategy is to focus globally on education sectors – Higher Education, Further Education and Vocational institutions, Schools, Government and State bodies, Training Providers, and Employers – to underpin student success through the provision of expertise, software and services. Our four strategic priorities are outlined on pages 8 and 9.

Shareholder Engagement

Tribal proactively engages with its shareholders and potential shareholders alike. This is through a series of mechanisms:

- **Formal announcements** – as a London Stock Exchange (LSE) AIM listed company, we make all statutory announcements through the LSE's regulatory news service (RNS). A full RNS feed is maintained on our investor area (see below). Tribal reports formally to shareholders by the publication of its annual and half-yearly financial statements.
- **Analyst and investor presentations** – the Executive Directors present the half-yearly and annual results to institutional investors, analysts and the media. The presentations are available on the investor section of the website. Institution investor and analyst presentations after half-yearly and annual results have been well received.

Quoted Companies Alliance Code (QCA) continued

Deliver Growth continued

Shareholder Engagement continued

- **AGM** – Notification of the date of the AGM is sent to shareholders at least 21 working days in advance of the meeting. Details are set out in the Notice of Meeting. The Directors (and the auditor) are available at the AGM to answer questions, both during the course of the meeting, and informally afterwards. All details, including previous AGM communications, can be found on the Investor Announcements and the Investor Documents pages.
- **News releases** – in addition to statutory announcements, we use RNS Reach to present regular business news and updates to shareholders. We also have a full news service available on the Tribal website.
- **Interactive sessions** – Tribal's Executive Directors arrange regular (six monthly) face to face sessions with any interested shareholders or potential shareholders, and are also available for updates at any point in the year. See contact details below.
- **Investor focused micro-site** – we maintain a full section on the main Tribal website for investors. This includes the Financial Calendar and real-time RNS announcements; the latest investor documents, presentations and reports; share information and share dealing interactive feeds; this corporate governance statement; a full list of investor related contacts.
- **LSE Profile** – we also maintain a profile on the London Stock Exchange Issuer services website.
- **Investor Email** – we also manage an investor email account for any direct queries – investors@tribalgroup.com.

Contact with major shareholders is principally maintained by the Executive Directors, who ensure that their views are communicated to the Board as a whole. The Chair is also available to discuss governance and other matters directly with major shareholders. At every Board meeting, the Board is provided with the latest brokers' reports and a summary of the contents of any meetings with shareholders. The Board considers that the provision of these documents is a practical and efficient way for both the Chair and Senior Independent Director to be informed of major shareholders' opinions on governance and strategy and to understand any shareholder issues and concerns.

If you would like to know more about Tribal as a shareholder, or potential shareholder, please contact us through our investors email address and we will put you in touch with one of our Executive Directors.

Wider Stakeholder and Social Responsibilities

As well as our shareholders, we regularly engage with the wider stakeholder group including employees, customers and regulators. Our engagement activities and ability to build trust, are described here.

In addition, we take our Corporate Social Responsibilities (CSR) seriously and encourage a proactive and positive attitude towards CSR across the Company.

Tribal empowers educators and we are proud to support an industry that changes people's lives and contributes so much to society. We believe in fairness, integrity, and 'doing the right thing'. This means we treat our people well, and that we expect to give something back to the communities where we work, through our charitable activities.

We run Give As You Earn (GAYE) schemes, including the option of Company matched contributions, to allow employees to contribute to their chosen charities, but we now also allow every member of staff to take a day's paid leave to support a charity of their choice. This has been actively promoted and team-wide participation has been encouraged. All such endeavours are then presented in the Company newsletter, Tribal Talk.

In addition, new charity teams are being established across the Company, representing the major regions we have staff based in, with the goal of annually selecting a charity to support financially, and with the employee charity days.

Risk Management

Our Risk Management Framework applies consistently across all Tribal offices and regions, and is managed at Operational and Corporate levels. Risk management activity is overseen by the Chief Executive Officer, with the support of the Executive Management Team and the Head of Governance Services.

Our framework enables us to remain vigilant to all known and emerging risks and opportunities. Effective risk management supports informed decision making; enables us to minimise impact from unforeseen internal or external events; and allows us to fully exploit emerging opportunities.

Our objectives for risk management are to:

- Identify, measure, control and report on business risk that may undermine the achievement of objectives, both strategically and operationally, through appropriate analysis and assessment criteria;
- Effectively allocate effort and resources for the management of key and emerging risks;
- Build an accurate picture at the highest level of the key risks facing our business, and use this information to drive business improvements in a considered and coordinated way;
- Support and develop our reputation as a well governed and trusted organisation;
- Minimise costs and drive efficiencies in the way that pervasive risk is controlled across the business;
- Identify weaknesses in, and opportunities to improve our business processes.

Risk Registers

At the Operational level, risks are recorded and managed within teams or projects as required and in line with the Risk Management Framework.

At the Corporate level, a risk register is held for every line of business, including central support functions. These registers record risks pertinent to the line of business. Above these, there is a single central risk register for Group Significant risks, which records the top risks to the business.

Risk registers are reviewed on a quarterly basis which supports the escalation of any risks with a high residual impact, or potentially pervasive risks, to a higher level risk register as appropriate. This process is overseen by the Head of Governance Services.

Risk Management Framework

Quoted Companies Alliance Code (QCA) continued

Deliver Growth continued

Risk Appetite continued

The Board determines the amount and type of risk that Tribal is willing to take on in pursuit of its strategic objectives. The Board's appetite for risk is influenced by various key factors including (but not limited to) the overall economic, regulatory and operational landscape in which we operate.

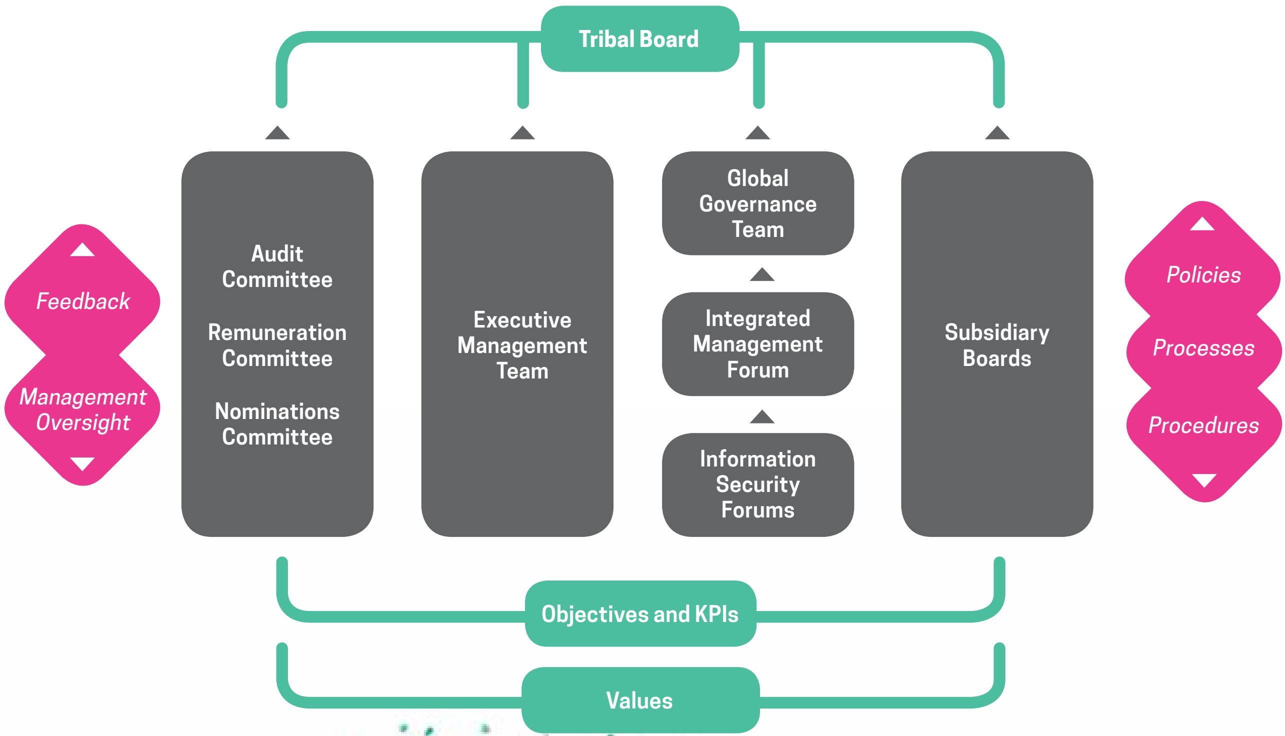
The Executive Management Team and Global Risk Manager monitor and advise the Board of these key influences which enables the Board to adjust the amount of risk that Tribal takes on. Risk tolerance may, by business choice, differ in different parts of the Company.

The Framework defines how risks should be handled depending on their severity level.

Review and Assurance

Risk registers are updated as and when required. A full review is undertaken quarterly. The highest rated risks are presented to the Board every quarter by the CEO. Every six months the Board is presented with the detailed risk registers for each line of business.

Dynamic Management Framework



Board composition, experience, and independence

The PLC Board (the Board) is responsible for the Company's corporate governance systems and processes that support good decision making.

The Non-Executive Directors, Richard Last (Chair)* and Roger McDowell are both considered independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement. Both own shares in Tribal, however this is not considered to alter their independent status.

* On the 1 July 2019, Richard Last returned to the position of Non-Executive Chairman following the appointment of Mark Pickett as Chief Executive Officer on 18 March 2019.

Director's Commitment to Tribal

Our Non-Executive Directors have committed in their letters of appointment to attend all reasonable Board and Committee meetings in addition to being reasonably available at other times for Tribal business. In his temporary role as Executive Chairman, Richard Last committed to making time available on a daily basis to work with the Executive Management Team in the day to day operations of the Company, which evidences a commitment to devote extra time to Tribal in the event of a crisis.

Our Executive Directors have entered into employment contracts which require them to attend all Board and Committee (of which they are a member) meetings.

The Non-Executive Directors meet at least once a year without the Executive Directors present. All Directors submit to re-election each year at the Annual General Meeting (AGM) of the Company.

The Board meets at least eight times each year with additional meetings when circumstances and urgent business dictate. At each meeting the Board reviews a schedule of reserved matters including trading performance, financial strength, strategy (including investment and acquisition opportunities), risk management, controls, compliance, reports to shareholders and succession management.

Board meetings are occasionally scheduled to take place at different Tribal office locations, to support active engagement with the business and ensure visibility to the Board of matters pertinent to each location.

A summary of Board and Committee meetings and attendance can be found in the Annual Report.

Board experience, skills and capabilities

The Board members and their expertise, the roles of the Chair and Chief Executive Officer, and the roles of the Committees are listed here.

Board Charter

The Board Charter has been approved by the Board and details:

- the overarching roles and responsibilities of the Board;
- all of the matters which are the ultimate responsibility of the Board;
- the Board's powers to establish Committees;
- Board membership, including guidance on Director independence;
- the role of the Chair;
- the role of the Chief Executive;
- the role of the Company Secretary;
- managing exceptional circumstances;
- obligation to annually review Board performance and the Board Charter.

All other matters not specifically reserved to the Board are delegated to management in accordance with a schedule of delegation of execution, financial and negotiation authority policy. These delegated authorities cover expenditure, agreements, financial matters, remuneration, and agreements with third parties. Management is required to report to the Board concerning authority exercised and defer to the Board any matters which come, or may come, within the scope of the Board.

External Advice

All the Directors have access to the advice and services of the Legal Counsel. Each Director is entitled, if necessary, to seek independent professional advice at the Company's expense.

The Board nor any Committee, have had cause to obtain external advice on any external matter.

External Board Advisers

The Board has a number of advisors used on a regular basis. Their details can be found on page 126.

Board Evaluation

The Tribal Board is reviewed annually, with the evaluation process tying in to our annual planning cycle. The evaluation is initiated by the Chair, who with the consensus of the Tribal Board, agrees the need and scope of the evaluation, as well as whether it is conducted in-house or with the help of an independent external expert.

Deliver Growth continued

Board Evaluation continued

The Board evaluation covers:

- Board Structure: its composition, constitution and diversity and that of its Committees, competencies of the members, Board and Committee charters, frequency of meetings, procedures;
- Dynamics and Functioning of the Board: annual Board calendar, information availability, interactions and communication with CEO and senior executives, Board agenda, cohesiveness and the quality of participation in Board meetings;
- Business Strategy Governance: Board's role in company strategy;
- Financial Reporting Process, Internal Audit and Internal Controls: The integrity and the robustness of the financial and other controls regarding abusive related party transactions, vigil mechanism and risk management;
- Monitoring Role: Monitoring of policies, strategy implementation and systems;
- Supporting and advisory roles;
- The role of the Chair.

Outcomes of the Board evaluation are documented and an action plan put in place as needed. The actions may be owned solely by members of the Board or may be distributed to Tribal's Executive Management team as appropriate. Progress of the action plan is then tracked within the regular Board meetings.

Corporate culture and ethics

The Executive Management Team sets strategic, quality management and information security objectives on an annual basis (overseen by the Board). These objectives are integrated into day to day business activity through:

- Translation into team and individual objectives;
- Policies, procedures and detailed business processes;
- Structured compliance training programme;
- Operational management structures for monitoring and reporting on performance of the governance framework;
- Integration into individual job descriptions, career competencies, and performance reviews.

Strategic Leadership Pyramid

We maintain an internal management framework which is in compliance with the ISO9001 Standard for Quality Management and ISO27001 Standard for Information Security.

Our Compliance Training Programme is compulsory for all new employees. Refresher training is also compulsory on a rolling basis over a two-year period. Training is updated and delivered following introduction of new or changes to applicable legislation or regulations.

Topics covered by Tribal's Compulsory Training Programme include:

- Anti-Bribery and Corruption;
- Equality and Diversity;
- GDPR Essentials;
- Cyber Security;
- Risk Assessment;
- Anti-Money Laundering;
- Health and Safety;
- Whistleblowing.

The Compliance Training Programme is actively supported by our senior management team, who personally undertake all modules. The landing page on the Compliance Training Programme site includes a statement personally drafted by our CEO, emphasising the importance of the training and Tribal's commitment to compliance.

All job descriptions define how employees are expected to uphold Tribal's Values and are mapped to our career competencies. Tribal has defined 40 competencies which, when combined, describe the behaviours which drive both our individual and collective success. Individual performance against both the relevant competencies and the corporate Values, and goal-setting in line with corporate objectives, is central to an employee's annual review cycle.

Our incentive structures are designed to encourage ethical conduct in line with our Values, and specifically reward cross-functional collaboration. We operate a spot reward scheme, 'Living the Values'; which explicitly recognises demonstration of the Values. Annual pay reviews are based on individual performance, achievement and behaviours.

Tribal operates a comprehensive budgeting system whereby managers submit detailed budgets and forecasts, which are reviewed and, where appropriate, amended by Executive Directors prior to submission to the Board for approval. Each month, actual results are reported against budget and distributed to managers and are provided to the Board in advance of meetings.

Building trust with all our stakeholders is key to our success.

Building trust

Supporting Section 172

Tribal undertakes meaningful engagement with its stakeholder groups to build trust and supports the ethos of Section 172 of the Companies Act which sets out that Directors should have regard to stakeholder interest when discharging their duty to promote the success of the Company.

With our people

Tribal's Values, the talent and expertise of our people, and gender pay equality are detailed on page 32.

Communication

Tribal has a number of offices in the UK and around the world. The locations are shown on page 3 and detailed on page 118. Communication among our people is crucial and is a fundamental platform of our success. We use a combination of Group-wide updates, including webinars, as well as running specific local communication sessions. We supplement these by communicating via a number of channels (email, internal bulletin boards), our corporate social media and in our now established bi-monthly staff news update – Tribal Talk. We also make extensive use of our Office 365 infrastructure with corporate news hubs for all main areas; active use of Microsoft Teams to cover any specific interest areas; and Group-wide use of Skype for Business for both calling and messaging.

We continue to listen to our people and have moved to completing regular company-wide engagement survey. The results of this gives us a baseline for planning further work in 2020 and beyond and has ensured we have an engaged and motivated team.

Our communication strategies, both internal and external, feed the key relationships upon which we rely to achieve our goals.

With our customers

We have a wide range of mechanisms to regularly engage our customers, both to inform and also to obtain their feedback and input. This includes:

- **Account management;**
- **Regular communications** – including email updates, newsletters, and a website that includes news and weekly blogs;
- **Customer conference** – we hold an annual conference, Empower, for all customers globally where over 50 sessions are run to update customers on all areas of product and services. We showcase our domain knowledge and expertise including our insights in the future direction of the market. It also provides opportunity for customers to comment, question and provide feedback directly to Tribal employees.

With our suppliers

We rely on our suppliers to ensure we continue to operate successfully. Tribal aims to build strong business relationships with suppliers so it can maximise cost efficiencies and enhance positive outcomes, this includes its contractors and associates.

- **User groups** – most product areas have their own user groups (our customers), either managed by the users themselves or supported by Tribal, where users can discuss products and any concerns or issues;
- **Customer Advisory Board (CAB)** – we have a formal, strategic advisory board for the Tribal Edge solution which engages customers globally and across education sectors, for review of the Tribal Edge plans and roadmap;
- **Additional customer engagements** – Tribal employees and senior managers regularly meet customers for two-way discussions on an as needs basis.

  Our stakeholders have a track record of providing genuine feedback on their use of our solutions via the above communication methods; most commonly from the User Groups and CAB. It is common for this feedback to be incorporated in our product roadmaps.

With our shareholders

Our activities to regularly engage shareholders is presented here. This ensures an ongoing dialogue between shareholders and Tribal.

Website

Tribal's compliance with the QCA code and the activities undertaken is published on our website at:

www.tribalgroup.com/investors/governance

Audit Committee report

The Audit Committee report details the key activities undertaken during the year.

Activities of the Committee during the year

The Committee's activities have focused on the accuracy of financial reporting and the related statutory audit; and the assessment of internal controls. During the year the Committee was involved in the reviewing and approving of the Annual Report and Accounts for 2018 and the Half Year Report and Accounts for 2019, overseeing the Group's adoption of new and revised accounting standards, in particular IFRS 16 'Leases', continued compliance with the General Data Protection Regulations (GDPR) and Corporate Criminal Offence Rules and overseeing the acquisition and subsequent integration of Tribal Dynamics Ltd following the acquisition on 10 May 2019. In addition, the Committee reviewed the position of the Group's independent external auditors and reappointed BDO LLP at the AGM on 27 April 2019.

Financial reporting and statutory audit

The Committee has reviewed with both management and the external auditors the half year and annual financial statements, focusing on:

- the overall truth and fairness of the results and financial position, including the clarity of disclosures shown in the statements and their compliance with statutory and best practice requirements;
- the appropriateness of the accounting policies and practices used in arriving at those results;
- the resolution of management's significant accounting judgements or of matters raised by the external auditors during the course of their half year review and annual statutory audit;
- the quality of the Annual Report taken as a whole, including disclosures on Governance, Strategy, Risks and Remuneration, and whether it gives a fair and balanced picture of the Group.

External audit

The Committee discussed, challenged and agreed with the auditors their detailed audit plans prepared in advance of the full year audit, which set out their assessment of key audit risks and materiality. The approach to their work on the half year results was also discussed and agreed.

Accounting policies, practices and judgements

The selection of appropriate accounting policies and practices is the responsibility of management, and the Committee discussed these with both management and the external auditors. Significant areas considered by the Committee in relation to the 2019 financial statements are set out below.

Going concern

The Group is required to assess its ability to trade as a going concern for at least 12 months from the signing of the annual financial statements. The Committee reviewed management's assessment and concluded that it remained appropriate to continue to adopt the going concern basis in preparing the financial statements.

Revenue recognition

The Group's operations include complex software delivery programmes and service activities that can require judgements to be made in relation to the timing of revenue recognition. The Committee reviewed the revenue recognition judgements taken and it was concluded that the judgements were appropriate.

Goodwill

The Group is required to test annually whether goodwill has suffered any impairment and consider whether the fixed assets used in the business are carried at an appropriate amount. The Committee reviewed management's impairment assessment and concluded that there was no impairment of goodwill or any of the fixed assets used in the business.

Capitalised product development costs

The Group's product development costs are capitalised where the expenditure meets the criteria of IAS38, and the recoverability assessed annually against expected future cashflows. The Committee reviewed management's capitalisation process and recoverability assessment and concluded the capitalisation was appropriate.

Assessment of internal financial control

Management is responsible for putting in place internal financial controls over financial reporting and to protect the business from identified material risks. The Committee continues to monitor these closely and they are happy they are appropriate for the business.

New accounting standards

The Committee has continued to be kept appraised of progress of the Group's implementation of IFRS 16 (Leases) which the Group has implemented effective from 1 January 2019.

Approved by the Audit Committee on 18 March 2020.

Roger McDowell
Chairman, Audit Committee

Remuneration report

The Remuneration report details the Group's remuneration policy and the arrangements currently in place for remuneration of both Executive and Non-Executive Directors.

Remuneration policy

The full Directors' remuneration policy is shown below for ease of reference, updated with minor changes. A shareholder vote on the remuneration policy is not required except as set out below. The original version of the policy is set out in the 2014 Annual Report, which is available on the Group's website (www.tribalgroup.com).

The table below details each element of pay and demonstrates how the remuneration policy is linked to overall Group strategy.

Element of Pay	Purpose and link to Strategy	Operation including maximum	Performance Criteria
Salary	To attract and retain high-quality individuals with the appropriate skills, experience and knowledge, while also recognising their on-going performance.	Salaries are reviewed annually or when an individual changes position or responsibility. Salaries for the current year are set out on page 53.	Assessment of personal and corporate performance.
Benefits	To provide a range of cost-effective benefits which are typical market practice.	The main benefits provided include private medical insurance, a death in service benefit of four times salary and private fuel.	None.
Pension	To provide cost-effective long-term retirement benefits which are aligned with market practice.	Contributions of 10% of salary are paid to Executive Directors. An equivalent cash supplement may be paid to an individual if the annual or lifetime allowance has been met or exceeded.	None.
Annual Bonus	To incentivise and reward for the achievement of in-year objectives, which are linked to the Group's Adjusted Operating Profit.	An annual cash bonus is payable up to a maximum of 125% of salary for the Chief Executive Officer, subject to the achievement of performance targets. In all cases, bonus payments are subject to the overriding discretion of the Remuneration Committee.	The Remuneration Committee reviews the performance measures.
Long-term Incentives	To incentivise and reward for the achievement of long-term performance, which is aligned to the generation of shareholder value.	An annual grant of nil-cost options, which vest after three years subject to continued service and the achievement of performance conditions. The plan limit for an award in any year is 200% of base salary. The normal policy will be to grant 100% of base salary to the Chief Executive Officer. Dividends which accrue on vested awards may be paid as cash, or treated as reinvested and paid in shares.	The Remuneration Committee reviews the performance measures and targets annually. The Remuneration Committee has determined that a target linked directly to the Group's adjusted operating profit margin is an appropriate measure for awards granted in 2019.
All employee plans	To encourage broad-based employee shareholding in the Group.	The recently implemented Save As You Earn Scheme provides all eligible employees with the opportunity to acquire shares at a discounted share price.	None.

The Remuneration Committee (the Committee) operates the annual bonus plan and long-term incentive plans according to their respective rules, the Listing Rules and HMRC rules where relevant.

Remuneration report continued

Director changes

Mark Pickett was appointed Chief Executive Officer on 18 March 2019 with Richard Last stepping down from his Executive role on 1 July 2019.

The use of performance measures

Annual bonus targets will include financial measures which reflect the performance of the business and are directly linked to the Group's Adjusted Operating Profit.

Long-term incentive performance measures are chosen to be aligned to long-term shareholder value creation by using a share price growth measure.

Directors' service contracts

Details of service agreements and notice periods are as follows:

Name	Director status	Effective date of contract	Expiry	Notice period for both parties
Mark Pickett	Executive	30 June 2016	Ongoing	6 months
Richard Last[1]	Non-Executive – Chairman	17 November 2015	2020 AGM	–
Richard Last[2]	Executive – Chairman	29 August 2018	1 July 2019	–
Roger McDowell	Non-Executive – Senior Independent Director	17 November 2015	2020 AGM	3 months
Nigel Halkes	Non-Executive	20 January 2020	2021 AGM	3 months

1. Richard Last has no notice period.
2. Richard Last was appointed Executive Chairman on 29 August 2018.

Copies of each Director's service agreement will be available for inspection at the AGM.

Under the terms of their appointment, the Non-Executive Directors have agreed to commit not less than 25 days per annum to their roles. If they are required to commit in excess of 25 days per annum, they may be entitled to an additional fee at a suitable pro rata rate per day.

Policy on payments for loss of office

The Committee aims to deal fairly with cases of termination, while attempting to limit compensation. Executives' service contracts provide the Committee with the discretion to make a payment in lieu of notice limited to base salary. The Committee also retains the discretion to pay an annual bonus on a departure in certain circumstances. The rules of the long-term incentive plan set out the treatment if a participant leaves employment prior to awards vesting. If the participant is considered a good leaver (through death, retirement, injury or disability, redundancy, employment being transferred outside the Group, or any other reason the Committee decides) then awards would normally vest on the normal vesting date. In the event of a change of control, an award may vest early subject to the extent the performance conditions have been achieved and scaled back pro rata for service, although the Committee has the discretion to disapply time pro-rating.

Non-Executive Directors have a defined notice period and no compensation or other benefits are payable other than the potential share-based incentives in respect of Richard Last and Roger McDowell.

Risk

The Committee is cognisant of the need for the remuneration policy to operate within an effective risk management system. The Committee reviews the various elements of remuneration on an annual basis, to ensure that they do not encourage any undue risk-taking by Executive Directors or senior management. When setting performance targets for variable components of remuneration, the Committee remains mindful of environmental, social and governance (ESG) issues. The Committee does not believe that the current remuneration structure will encourage dysfunctional behaviours or would reward despite a negative ESG event.

Shareholders' Views

The Committee considers shareholder feedback received at the AGM and during meetings with investors throughout the year, and uses these views to help formulate the overall remuneration policy.

External Board Appointments

It is recognised that external non-executive directorships may be beneficial for both the Company and Executive. At the discretion of the Board, Executive Directors are permitted to retain fees received in respect of any such non-executive directorship.

Non-Executive Director Fees

The fees for the year ending 31 December 2019, which took effect from 1 January 2019 are as follows. These exclude any expenses which the Non-Executive Directors may incur in relation to their duties.

	From 1 January 2020	From 1 January 2019	Increase / (decrease)
Executive Chairman	–	£200,000	(200,000)
Non-Executive Chairman	£110,000	£110,000	Nil
Basic Fee	£55,100	£40,800	£14,300
Senior Independent Director Fee	–	£4,100	£(4,100)
Committee Chairman Fee*	–	£5,100	£(5,100)

* In 2019 the Committee chair fees are in addition, and applies to Audit and Remuneration Committee Chairman only.

INFORMATION SUBJECT TO AUDIT

Remuneration payable for the financial year ending 31 December 2019

Director	Salary	Benefits[1]	Bonus[2]	SBP[3]	Pension	Total 2019	Total 2018
Ian Bowles	–	–	–	–	–	–	1,231,510
Mark Pickett	270,000	2,225	337,500	251,799	12,490	874,014	673,331
Richard Last	160,000	–	85,150	24,409	–	269,559	401,093
Roger McDowell	55,100	–	85,150	24,409	–	164,659	321,193

1. Benefits include private medical insurance and private fuel.
2. The cost reported in remuneration for the matching shares is equivalent to the nominal value paid to participants as a bonus (see note 7).
3. The cost reported in remuneration is equivalent to the share-based payment accounting charge incurred in the year including dividends accruing on LTIPs and matching shares (see note 7).

Long Term Incentives Plan (LTIP) awards

On 7 June 2019 the Remuneration Committee approved LTIP awards to Mark Pickett.

	Type	Number of Shares	Face Value[1]	Performance Condition	Performance Period	% Vesting at threshold
Mark Pickett	Nil-Cost Option	760,563	£200,000 (100% of salary)	Adjusted operating profit	Measured over 3 years to 21 May 2022	80%

1. Face value calculated based on share price on 7 June 2019 (71p).

Share Matching Plan

The Share Matching Plan was approved by shareholders in 2017. The terms of the Share Matching Plan proposed that, on the basis that Richard Last and Roger McDowell subscribed for their Non-Executive Director (NED) Subscription Shares, they were offered rights to acquire additional Share Matching Plan Shares on the terms of the Share Matching Plan.

On 3 May 2016, the date of the Group's listing on AIM, Richard Last and Roger McDowell each subscribed for 2,272,727 NED Subscription Shares at 22p each and each was granted nil cost share options over 1,702,998 Matching Plan Shares. The Matching Plan Shares are not subject to any performance conditions and will vest in three equal tranches on 1 January 2017, 2018 and 2019. In December 2018 the exercise date of the first tranche was extended by 12 months to 1 January 2020, in line with the exercise date for the second tranche. The Matching Plan Shares will not vest unless the relevant Director remains a Director and has not given notice to terminate his Directorship on the applicable vesting date.

All of these Matching Plan Shares have now vested and both Richard Last and Roger McDowell exercised 1,702,998 shares each on 18 December 2019.

Share Award Interests

The interests in share options were as follows:

	At 1 January 2019	Granted	Lapsed	Exercised	At 31 December 2019	Exercise Price	Price on date of grant	Date from which exercisable	Expiry Date
Mark Pickett									
LTIP – 30 June 2016	611,620	–	–	–	611,620	Nil	32.7p	June 2017	June 2026
LTIP – 30 June 2016	611,621	–	–	–	611,621	Nil	32.7p	June 2019	June 2026
LTIP – 30 June 2017	247,678	–	–	–	247,678	Nil	83.8p	June 2020	June 2027
LTIP – 22 May 2018	251,256	–	–	–	251,256	Nil	79.6p	May 2021	May 2028
LTIP – 7 June 2019	–	760,563	–	–	760,563	Nil	71.0p	June 2022	June 2029

The closing share price at 31 December 2019 was 62.0p and during the year ranged from 57.5p to 79.9p. There have been no variations to the terms and conditions or performance criteria for share awards during the financial year.

INFORMATION NOT AUDITED

Directors' Shareholdings

The table below sets out the Directors' current shareholdings as at 31 December 2019. The shareholding guideline for the Chief Executive Officer is to hold shares to the value of his base salary within no more than five years of appointment.

Director	Beneficially Owned	% of Salary/ Fee held	LTIP Options	Share Matching Plan Option
Mark Pickett	–	–	2,482,738	–
Richard Last	2,272,727	8.81%	–	1,702,998
Roger McDowell	2,272,727	2.557%	–	1,702,998

Note: % of salary/fees held is calculated by reference to the value of the individual's shareholding in Tribal valued at the share price on the close of business on 31 December 2019.

All-Employee Plans

The Committee believes wider employee share ownership can act as an additional retention and motivation vehicle, and therefore encouraged participation in the new Save As You Earn (SAYE) Scheme. During the year, eligible employees, including the Executive Director, were invited to subscribe for options in the SAYE. The Committee regularly monitors the participation level in the all-employee arrangements.

Position against dilution limit

The share incentive plans operate in line with the ABI principle, which requires that all commitments must not exceed 10% of the issued share capital in any rolling 10 year period. Given the Company's issued share capital, the number of employees and the level of participation in the LTIP, the Committee believe that operating a single 10% in 10 year limit for all share plans remains appropriate. The Group's position against the dilution limit at 31 December 2019 was 6.1%.

Executive Directors external appointments

Executive Directors are permitted to accept an external non-executive position with the Board's approval. Any fees received in respect of these appointments may be retained by the Executive. No such fees were received by the Executive Directors during the year.

Approved by the Remuneration Committee on 18 March 2020.

Roger McDowell
Chairman, Remuneration Committee

Directors' report

The Directors present their report and audited consolidated financial statements for the year ended 31 December 2019.

Principal activities

Tribal Group plc is incorporated as a public limited company, and is registered in England and Wales with registered number 4128850. Its registered office is at Kings Orchard, One Queen Street, Bristol BS2 0HQ.

The Company acts as a holding company with a number of trading subsidiaries that provide education related systems, solutions and consultancy services. There was no significant change in this activity during the year. The subsidiary undertakings of the Company are listed in note 34.

Results and dividends

The loss for the year, after taxation, amounted to £2,866,000 (2018: profit of £4,147,000). The Directors have declared a full year dividend of 1.2p per share for 2019 (2018: 1.1p per share), pending approval at the AGM on 27 April 2020.

Long-term financing

The Group has a £2.0m committed overdraft facility in the UK and a $2.0m committed overdraft facility in Australia. The UK overdraft is committed for a 12 month period ending September 2020 and the Australian overdraft committed for a 12 month period ending October 2020. At the end of 2019 none of the overdraft facility was drawn down. Following a review of the Group's forecasts and projections, the Directors consider the Group is well placed to meet its funding requirements for the foreseeable future. Information about the use of financial instruments by the Group is given in note 31 of the financial statements. On 21 January 2020 the Group entered into a 3 year £10m multicurrency revolving facility with HSBC with the option to extend up to a further 2 years. The facility was put in place to cover general corporate and working capital requirements of the Group.

Acquisition

On 10 May 2019, Tribal Group plc acquired Crimson Consultants. The initial cash consideration was £6m with a further £4m contingent consideration based on meeting an annual recurring revenue target. The acquisition was financed through existing cash resources and the integration has been successful since acquisition.

Section 172

Long-term focus

In order to ensure the continued relevance of Tribal's strategy, discussions on the long-term have formed part of every Board meeting. The Extended Leadership Team have quarterly strategy sessions to ensure any decisions made support the wider strategy of Tribal. The Executive Team present annually to the Board a strategic update to ensure wider business decisions are in line with Tribal's long-term strategy.

Stakeholder engagement

Decision-making does not occur in isolation. Constructive, transparent and open engagement with all our stakeholders outside of the Boardroom forms a critical aspect of Board-level activity and is a social responsibility. We continue to provide details throughout the Directors' Report of the stakeholder matters that are considered in our decision-making.

We engage with our key stakeholders in many ways and the following sections outline how we are interacting with them and how they inform strategic decision making:

- Shareholders – see pages 41, 43 to 44
- Customers – see page 49
- Employees – see pages 32, 49 and 57
- Suppliers – see page 49

Board effectiveness

In respect of our operations as a Board, we continue to reflect upon our collective skills and experience and our ability to effectively lead Tribal. Through the dedicated work of the Nomination Committee, I am very pleased to have welcomed Nigel Halkes to the Board, who joined us as non-Executive Director during from 20 January 2020. A key mechanism to inform our future development plans is the annual Board evaluation. We concluded that whilst we continue to operate effectively, we continue to recognise areas for improvement.

Dividend

Meeting shareholder dividend expectations is a high priority as it supports our overall strategy. Our longer-term plan indicates that our progressive dividend policy can be met whilst making the investments we need to bring our Tribal Edge product to market. This underpins our commitment to a dividend that remunerates shareholders over the long-term whilst insuring we have adequate financing to meet other stakeholder commitments.

Environment

The credibility and longevity of any business goes beyond pure financial gain; a principle long-embodied and supported by Tribal's strong values-based culture and approach to environmental, social and governance issues.

Tribal is part of the Government initiative, Energy Savings Opportunity Scheme (ESOS) and completed its Phase 2 assessment in November 2019. This reviewed Tribal's energy consumption across its UK offices and Tribal is implementing a number of energy saving opportunities as identified throughout its Global offices. In addition, Tribal undertook a Travel Energy Use assessment to identify ways by which to reduce its carbon footprint, this includes initiatives such as promotion and monitoring of video and teleconference meetings and the use of public transport and car sharing options wherever possible.

Risks and uncertainties

The Group's principal risks and uncertainties are explained in the Strategic Report on page 30. Risks of a financial nature are addressed in the Business & Financial Review on page 28 and 29, and note 31 of the financial statements.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors, which remain in force at the date of this report and throughout the year. Directors' and officers' liability insurance is provided for all Directors of the Company.

Directors retiring

The names of the Directors who served during the year and up to the date of signing the financial statements are set out on page 39. All Directors are required to submit to re-election each year and will be proposed for re-election at the forthcoming AGM.

The appointment and replacement of Directors is governed by the Company's Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislations. The Articles themselves may be amended by special resolution of the shareholders.

Directors' interests in the Company and share capital information, including share options, are detailed in the Remuneration report on page 54 and 55.

Political and Charitable contributions

During the year, the Group made charitable contributions through the Tribal Group Foundation totalling £nil (2018 £43,000). These contributions were made to a variety of causes and to both local and national charities. The Tribal Group Foundation has now been closed. There were no political donations.

Share capital

Details of the authorised and issued share capital are shown in note 24 to the financial statements. The Company has one class of ordinary shares, which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. During the year, the Company issued 3,528,603 shares (2018: nil ordinary shares of 5p).

Branches

The Group has overseas branches in Australia, New Zealand, South Africa, Abu Dhabi, and Hungary.

Employees

Tribal is a business which is highly dependent on its people. We seek to attract, develop and retain high-calibre staff and, as a consequence, our customers can be assured that the service they receive is among the best available. The Group's commitment to its people is discussed in the Corporate responsibility section on page 32.

The Board takes its responsibilities to employee engagement and interests very seriously and ensures any decisions made take into consideration the impact on the Groups employees. Employees have the opportunity to ask questions regarding all aspects of the business during our regular Group-wide update meetings with the Group's Executive Management team. The Group recognises the value of its employees and where possible seeks to promote internally within the business and aims to empower, where appropriate, employees to aid with decision making within the Group. Employee interests are considered in full when the Board are making key decisions regarding changes to the business, such as restructuring, acquisitions and streamlining of operating segments, i.e. Education Services. Decisions impacting employees interest are communicated in a timely manner.

The Group is an equal opportunities employer and bases all decisions on individual ability, regardless of race, religion, gender, sexual orientation, age or disability. Applications for employment by disabled persons will always be fully considered, having regard to their particular aptitudes and abilities. Should any employee become disabled, every practical effort is made to provide continued employment. Depending on their skills and abilities, they enjoy the same career prospects and scope for realising their potential as other employees. Appropriate training is arranged for disabled employees, including retraining for alternative work for those who become disabled, to promote their career development within the organisation.

The Board has considered the recommendations made in the Davies Report, published in February 2011, entitled 'Women on Boards' and considers this in all appointments however appointments will continue to be made based upon merit.

Research and development

The Group continues to invest in research and development of software products, as set out in notes 6 and 15 of the financial statements. The investment is predominantly in the Group's next generation cloud-based Student information System, Tribal Edge and in a number of new modules to existing software products in our APAC region which we expect to contribute to the growth of our business. Total research and development expenditure increased to £12.3m (2018: £11.2m) of which £6.1m (2018: £4.1m) was capitalised.

Post balance sheet events

The Group has signed an agreement to settle the dispute with a platform provider for past royalties and a new 10 year agreement for royalties due on future sales and renewals. A provision for 100% of the settlement, including legal fees has been included as at 31 December 2019.

On 21 January 2020 the Group entered into a 3 year £10m multicurrency revolving facility with HSBC with the option to extend by a further 2 years. The facility was put in place to cover general corporate and working capital requirements of the Group.

There have been no other significant events since the balance sheet date.

Future development

An indication of likely future developments in the business of the Group is included in the Strategic Report.

Annual General Meeting

The Company's AGM will be held on 27 April 2020. The notice convening the AGM and an explanation of the business to be put to the meeting are contained in a separate circular to shareholders.

Directors' report continued

Independent auditors

BDO LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be put to the AGM.

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors of the ultimate parent Company are responsible for the maintenance and integrity of the of the ultimate parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Directors' responsibility statement confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

Corporate Governance

The Company's statement on corporate governance compliance can be found in the Corporate Governance report on pages 38 to 41 of the Annual Report and Accounts. The Corporate Governance report forms part of this Directors' report and is incorporated by reference.

Statement of disclosure of information to auditors

In accordance with Section 418, Directors' reports shall include a statement, in the case of each Director in office at the date the Directors' report is approved, that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware;
- He has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board of Directors and signed on its behalf by;

Mark Pickett
Chief Executive Officer

Kings Orchard
1 Queen Street
Bristol
BS2 0HQ

Registered number 4128850

18 March 2020

Case Study

Financial Benchmarking

The University of Nottingham has used Tribal's Financial Benchmarking for the last three years, and recently combined these results with their i-graduate student barometer and staff survey results. This gave them a full overview of where they're different to the sector in terms of financial costs and income, as well as what their students and staff think about certain services.

Margaret Monckton – Chief Financial Officer, University of Nottingham said:

"I always say that universities are not here to make money. They're here to grow and transfer knowledge across the world and so we do need to make sure that every pound goes as far as it possibly can. We need to make sure that we're investing our money and not wasting any money."

"These exercises have enabled us to say, this looks like we should be using our space better, or do we really need seven libraries? It has initiated the conversation which has then enabled us to start to make changes."

Independent Auditor's Report to the Members of Tribal Group plc

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Tribal Group Plc (the 'Parent Company) and its subsidiaries (the 'Group) for the year ended 31 December 2019 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and parent company balance sheet, consolidated and parent company statement of changes in equity, consolidated cash flow statement and notes to the financial statements and company balance sheet, including summaries of significant accounting policies applicable to the consolidated and company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 101 Reduced Disclosures Framework (United Kingdom Generally Accepted Accounting Practice).

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 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit responded to the risk
Revenue recognition Judgements are involved in determining the appropriate timing of revenue recognition for the license revenue stream as highlighted in note 2 of the financial statements. Judgement is also required in the associated risk of recoverability of any associated receivables and contract assets where invoicing and/or payment is subject to certain future milestones. In view of the judgements required to be made by management in this area and the complexities of the accounting standard IFRS 15, we have determined that revenue recognition is considered to be a key audit matter in the audit.	Our audit procedures included assessing the judgements made by management in determining the appropriate revenue recognition for performance obligations satisfied over time. We performed detailed testing, on a sample basis, of sales transactions across the year for each revenue stream by agreeing to underlying contracts, calculations and sales orders to provide evidence of the recorded transactions and to assess whether revenue recognised was in line with contractual terms, the group's recognition policy and the provisions of IFRS 15. We held meetings with project managers and project directors on the material projects with multiple performance obligations to support management's assessment of the timing of revenue recognition. For any contracts tested spanning the year end, the accrued and deferred revenue elements of the contracts were recalculated. Contracts which include set-up fees were reviewed to ensure that the revenue has been appropriately recognised. Recoverability of associated receivables and contract assets was also assessed and performed detailed testing by tracing contract assets to invoices billed and paid post year end. We further performed detailed cut off procedures to test transactions around the year end and agreed to contracts or sales orders to provide evidence that the transactions were recorded in the correct period. We reviewed the disclosures required by the accounting standard in the financial statements in note 4. **Key Observation** We did not identify any material misstatements regarding revenue recognition. We reported a disclosure weakness to those charged with governance and an immaterial error in relation to an implementation contract.

Independent Auditor's Report to the Members of Tribal Group plc continued

Key audit matter	How our audit responded to the risk
Going concern As detailed in note 1 of the financial statements, the going concern assumption requires management judgement to ensure the group will meet its financial commitments over the next 12 months and has the necessary cash flows and finance available to support their assessment and enable management to prepare the financial statements on the going concern basis. As the group is in a net current liability position, we determined that the group's ability to continue as a going concern was considered to be a key audit matter in the audit.	We obtained managements going concern assessment and agreed this to third party documentation including signed banking facilities and agreements for deferred consideration and the detailed cash flow forecasts up to March 2021 to identify any constraints on the group's ability to settle its short term liabilities. We inspected the group's signed revolving facility agreements with HSBC (note 1) to ensure the group has sufficient funds to settle the platform dispute which is provided for at £8.2m (note 21) as well as deferred consideration due of £1.6m (note 19) for Tribal Dynamics while at the same time maintaining enough working capital to continue daily operations as normal. We further performed a test to ensure that banking covenants would not be in breach if the drawn down of all facilities were to occur. We further performed sensitivity analyses by assessing the cash flow position after including the effects of adverse movements in revenue, the gross margin and an increase in expenditure on the cash flow forecasts to stress test the availability of cash resources to ensure short term liabilities can be settled as they fall due over the next 12 months. We assessed management's assumptions in the going concern forecast including revenue growth, profit margin, Coronavirus risk assessment and funding headroom available. We assessed the effect of contract liabilities on the net current liability position by assessing the costs to deliver the products and services, as well as deferred costs in order to realise revenue held as a contract liability. We reviewed the disclosures in the financial statements regarding going concern in note 1 as well as disclosures in the strategic report. **Key Observation** We have not identified any material uncertainty relating to the going concern assumption, nor did we identify any adverse disclosures in the financial statements relating to the going concern assumption applied in preparing the financial statements.

Key audit matter	How our audit responded to the risk
IFRS 16 Implementation As disclosed in note 1 and note 26, the group implemented the new lease standard IFRS 16 during the year. Management exercises judgement in determining lease periods including extension and termination options and the incremental borrowing rate in order to discount the lease liabilities and recognise the right of use assets on the balance sheet. Management performed the transition to IFRS 16 using the modified retrospective approach and this required management to reassess their historic leases in light of the change in accounting standards. Further management's initial recognition of the cost of the right of use assets included provisions for dilapidations. In view of the judgements required to be made by management in this area and the new accounting standard IFRS 16, we have determined that this is considered to be a key audit matter in the audit.	We reviewed managements calculations used to measure the lease liability and right of use (ROU) asset and referred back to all material lease agreements to determine whether the new leases entered into during the year met the definition of a lease under IFRS 16. We obtained assistance from our valuation specialists to assess the appropriateness of the incremental borrowing rate used by management in determining the lease liability and ROU asset on the balance sheet. We performed a recalculation of the lease liabilities and ROU assets for all leases recognised according to the modified retrospective approach applied by management. We performed an assessment of all the provisions for dilapidations included within the cost of the ROU asset to assess the expected future cost of restoration and determine whether the use of the specific leased assets created an obligation for restoration, by reference to the terms of the lease agreements which we inspected. We corroborated management's assessment with senior finance team members and our own assessment. We reviewed the disclosures of the transition for the new lease standard.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole as follows:

Group materiality	£580,000 (2018: £540,000)
Basis for materiality	5% group Adjusted operating profit (2018: 5%)

Rationale for the benchmark adopted: The group use adjusted operating profit as their main measure of performance internally and to the market. Adjusted operating profit is calculated excluding the other items as disclosed in note 7 to the financial statements.

Parent company materiality	£387,000 (2018: £512,700)
Basis of materiality	3% of net assets capped; at 70% of group materiality (2018: 3% net assets capped at 95% of group materiality)

Rationale for benchmark adopted: The parent company does not recognise any external revenue therefore a net asset value measure is considered appropriate as the company holds the investments in subsidiaries and does not trade.

Independent Auditor's Report to the Members of Tribal Group plc continued

In considering individual account balances and classes of transactions we apply a lower level of materiality (performance materiality) in order to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. In setting the level of performance materiality we considered a number of factors including the areas of estimation with the financial statements and the type of audit testing to be completed. Group performance materiality was set at £406,000, and the Parent company performance materiality was set at £270,900 representing 70% of materiality.

For each significant component in the group we allocated a planning materiality lower than our overall group planning materiality in the range of £165,200 to £553,000 with a similar restriction of 70% for performance materiality. The materiality level was calculated by reference to a proportion of group materiality appropriate to the relative scale of the component concerned, based on revenue.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the audit in excess of £11,600 for group purposes and £5 800 for the parent company only. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our group audit was scoped by obtaining and 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 at the group level.

In determining the scope of our audit we considered the size and nature of each component within the group to determine the level of work to be performed at each in order to ensure sufficient assurance was gained to allow us to express an opinion on the financial statements as a whole. The components identified as significant were the components Tribal Education Ltd and Tribal Group PTY, which were subject to a full scope audit by BDO LLP and the BDO network member firm in Australia. The group company acts as a shared service centre. The group audit team performed the work for the component auditors, thus the group audit team tested and reviewed the work performed for the component audit teams and were involved throughout the audit process. Significant components comprises 100% revenue and 100% of adjusted operating profit. There are 16 other components around the world that were not considered to be significant components of the group on the basis that their results do not make up a significant proportion of the group as a whole. For these companies an analytical review was performed on their year end results by the group audit team.

We obtained an understanding of the internal control environment related to the financial reporting process and assessed the appropriateness, completeness and accuracy of the group journals and other adjustments performed on consolidation.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 57 and 58, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website : www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

BDO LLP

Sarah Joannidi (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Bristol
18 March 2020

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

Financial Statements

Company information

Consolidated Income Statement

For the year ended 31 December 2019

	Note	Adjusted £'000	Other items (see note 7) £'000	Year ended 31 December 2019 Total £'000	Adjusted £'000	Other items (see note 7) £'000	Year ended 31 December 2018 Total £'000
Continuing operations							
Revenue	4	78,210	–	78,210	80,062	–	80,062
Cost of sales		(39,028)	–	(39,028)	(40,837)	–	(40,837)
Gross profit		39,182	–	39,182	39,225	–	39,225
Total administrative expenses		(27,530)	(14,098)	(41,628)	(28,430)	(6,212)	(34,642)
Operating profit/(loss)	5,6	11,652	(14,098)	(2,446)	10,795	(6,212)	4,583
Investment income	9	59	–	59	46	–	46
Finance (costs)/income	7,10	(162)	(344)	(506)	(54)	274	220
Profit/(loss) before tax		11,549	(14,442)	(2,893)	10,787	(5,938)	4,849
Tax (charge)/credit	7,11	(2,518)	2,448	(70)	(1,873)	1,171	(702)
Profit/(loss) attributable to the owners of the parent		9,031	(11,994)	(2,963)	8,914	(4,767)	4,147
Earnings per share							
Basic	13	4.6p	(6.1)p	(1.5)p	4.6p	(2.5)p	2.1p
Diluted	13	4.4p	(5.9)p	(1.5)p	4.3p	(2.3)p	2.0p

All activities are from continuing operations.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
(Loss)/profit for the year		(2,963)	4,147
Other comprehensive (expense)/income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension schemes	27	490	430
Deferred tax on measurement of defined benefit pension schemes	22	(83)	(73)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(627)	(792)
Other comprehensive expense for the year net of tax		(220)	(435)
Total comprehensive (expense)/income for the year attributable to equity holders of the parent		(3,183)	3,712

Consolidated Balance Sheet

As at 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Goodwill	14	25,879	20,517
Other intangible assets	15	19,469	12,718
Property, plant and equipment	16	1,438	1,762
Right-of-use assets	26	4,110	–
Net investment in lease	26	220	–
Deferred tax assets	22	4,462	4,004
Contract assets		129	77
		55,707	39,078
Current assets			
Trade and other receivables	17	10,791	12,840
Net investment in lease	26	46	–
Contract assets		3,864	3,750
Current tax assets		2	73
Cash and cash equivalents	18	16,463	19,974
		31,166	36,637
Total assets		86,873	75,715
Current liabilities			
Trade and other payables	19	(7,027)	(6,755)
Accruals		(14,437)	(7,941)
Contract liabilities		(22,940)	(20,872)
Current tax liabilities		(1,864)	(1,097)
Lease liabilities	26	(933)	–
Provisions	21	(450)	(879)
		(47,651)	(37,544)
Net current liabilities		(16,485)	(907)
Non-current liabilities			
Other payables	19	(1,970)	(62)
Deferred tax liabilities	22	(1,093)	(713)
Contract liabilities		(78)	(707)
Retirement benefit obligations	27	(540)	(1,002)
Lease liabilities	26	(3,286)	–
Provisions	21	(936)	(213)
		(7,903)	(2,697)
Total liabilities		(55,554)	(40,241)
Net assets		31,319	35,474

Consolidated Balance Sheet continued

As at 31 December 2019

	Note	2019 £'000	2018 £'000
Equity			
Share capital	24	9,979	9,803
Share premium		15,539	15,539
Other reserves	25	26,029	25,020
Accumulated losses		(20,228)	(14,888)
Total equity attributable to equity holders of the parent		31,319	35,474

Notes 1 to 35 form part of these financial statements. The Company's registered number is 04128850.

The financial statements on pages 68 to 127 were approved by the Board of Directors and authorised for issue on 18 March 2020 and were signed on its behalf by:

Richard Last
Director

Mark Pickett
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
Balance as at 31 December 2017 restated		9,803	15,539	22,783	(16,819)	31,306
Profit for the year		–	–	–	4,147	4,147
Other comprehensive expense for the year		–	–	–	(435)	(435)
Total comprehensive income for the year		–	–	–	3,712	3,712
Equity dividend paid	12	–	–	–	(1,952)	(1,952)
Charge to equity for share-based payments	23	–	–	2,265	–	2,265
Foreign exchange difference on share-based payments	23	–	–	(28)	–	(28)
Tax credit on charge to equity for share-based payments	22	–	–	–	171	171
Contributions by and distributions to owners		–	–	2,237	(1,781)	456
Balance at 31 December 2018 as previously reported		9,803	15,539	25,020	(14,888)	35,474
Effect of IFRS 16	3	–	–	–	(85)	(85)
Tax effect of IFRS 16		–	–	–	(9)	(9)
Total Effect of IFRS 16		–	–	–	(94)	(94)
Balance as at 31 December 2018 restated		9,803	15,539	25,020	(14,982)	35,380
Loss for the year		–	–	–	(2,963)	(2,963)
Other comprehensive expense for the year		–	–	–	(220)	(220)
Total comprehensive expense for the year		–	–	–	(3,183)	(3,183)
Issue of equity share capital	24	176	–	–	–	176
Equity dividend paid	12	–	–	–	(2,147)	(2,147)
Charge to equity for share-based payments	23	–	–	1,042	–	1,042
Foreign exchange difference on share-based payments	23	–	–	(33)	–	(33)
Tax credit on charge to equity for share-based payments	22	–	–	–	84	84
Contributions by and distributions to owners		176	–	1,009	(2,063)	(878)
At 31 December 2019		9,979	15,539	26,029	(20,228)	31,319

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Net cash from operating activities	28	12,359	14,241
Investing activities			
Interest received		51	46
Purchases of property, plant and equipment	16	(577)	(1,203)
Expenditure on intangible assets	15	(6,300)	(4,217)
Payment of deferred consideration for acquisitions		(485)	(826)
Acquisition of investments in subsidiaries - cash consideration	33	(5,904)	–
Acquisition of investments in subsidiaries - cash acquired	33	34	–
Net cash outflow from investing activities		(13,181)	(6,200)
Financing activities			
Interest paid		(119)	(1)
Proceeds on issue of shares	24	176	–
Payment of lease liabilities	26	(865)	–
Proceeds from sub-leases	26	52	–
Equity dividend paid	12	(2,147)	(1,952)
Net cash used in financing activities		(2,903)	(1,953)
Net (decrease)/increase in cash and cash equivalents		(3,725)	6,088
Cash and cash equivalents at beginning of year		19,974	14,082
Effect of foreign exchange rate changes		214	(196)
Cash and cash equivalents at end of year	18	16,463	19,974

Notes to the Financial Statements

1. Accounting policies

General information

Tribal Group plc (the Company) is a company incorporated, registered and domiciled in England and Wales in the United Kingdom under the Companies Act. The Company is a public limited company which is listed on the Alternative Investment Market (AIM). The address of the registered office is given on page 128. The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in note 5 and in the Strategic Report on pages 6 to 33. The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out below. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements on pages 68 to 128 have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) as adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation and the Companies Act 2006 applicable to Companies reporting under IFRS. The financial information has been prepared on the historical cost basis, except for contingent consideration and share based payments which are recognised at fair value.

The preparation of financial statements in conforming with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Adoption of new and revised standards

In the current financial year, the Group has applied amendments to IFRS and new interpretations by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019 including IFRS 16 'Leases' and IFRIC 23 'Uncertainty over income tax treatments" which have been adopted for the first time in 2019. The impact of the adoption of IFRS 16 is detailed in note 3. There was no impact of adopting IFRIC 23.

At the date of the authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not been adopted by the EU):

IFRS 17	Insurance contracts
IFRS 9 (amendments)	Financial Instruments (Prepayment features with negative compensation)
IAS 28 (amendments)	Long-term Interests in Associates and Joint Ventures
IAS 19 (amendments)	Employee Benefits (Plan amendment, curtailment or settlement)
IFRS 3 (amendments)	Business Combinations: Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Amendments to IFRS 9, IAS 37, IFRS 7	Interest rate benchmark reform
Amendments to IAS 1	Classification of liabilities as current or non-current

Amendments to references to the Conceptual Framework in IFRS Standards

Annual Improvements 2015–2017 Cycles

None of the above standards will have a material impact on the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company:

- has the power over the investee;
- is exposed, or has the rights, to variable returns from its involvement with the investee; and,
- has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra group transactions, balances, income and expenses are eliminated on consolidation.

Adoption of the going concern basis

Tribal had cash and cash equivalents of £16.5m at the end of 2019 plus access to an undrawn UK and Australian overdraft of £2.0m and $AUD 2.0m respectively. On 21 January 2020 the Group entered into a 3 year £10m multicurrency revolving facility with HSBC with the option to extend by a further 2 years. The facility was put in place to cover general corporate and working capital requirements of the Group.

On 10 May 2019, Tribal Group plc acquired Crimson Consultants. The initial cash consideration was £6m with a further £4m contingent consideration based on meeting annual recurring revenue targets at the end of 2019 and 2020. The contingent consideration shall be satisfied in the period from March 2020 to March 2021. The acquisition was financed through existing cash resources and the integration has been successful since acquisition.

The Company has guaranteed the year-end liabilities of it's UK subsidiaries (see note 33).

The Group's software products benefit from a significant installed customer base, whilst its other activities are typically delivered under the framework of long-term contracts. Collectively, the Group has a range of customers across different geographic areas, good levels of committed income and a pipeline of new opportunities. While the Group's net current liability position has increased to £16.5m from £0.9m in 2018, this is driven by the significant Platform dispute provision of £8.2m, the recognition of IFRS 16 lease liabilities as current liabilities of £1m, the deferred consideration recognised relating to the Tribal Dynamics Ltd acquisition of £1.7m and net current contract liabilities of £19.0m relating to deferred customer revenue recognised in accordance with IFRS 15.

On 13 March 2020 the Group reached an agreement to settle the dispute with a platform provider for past royalties. This includes entering into a new 10 year VAR agreement, with effect from 1 January 2020 thus bringing this matter to a close. The expected net settlement, including legal fees totals £9.1m.

The Group benefits from strong annual recurring revenues and cash generation, it also has a significant pipeline of committed income. At this time we are unable to determine with any degree of certainty the impact Coronavirus will have on the Group. It is Managements expectation, based on current circumstances, that there will be a material reduction in Education Services revenue and License and Implementation revenues over the next 6 months as a result of the temporary closure of many education institutions globally. We do not expect Support and Maintenance and Cloud revenues to be affected. As part of this assessment, management have included various sensitivities to better understand the impact to the business, this includes but is not limited to, a decrease in revenue, a decrease in cash receipts and the impact of meeting our covenant requirements should we draw down on the available facility. Management would also introduce cost saving measures to mitigate the impact on profit and cash if necessary. We do though remain positive about the medium and longer term prospects for the Group.

The Directors, having considered the cash-flow forecast, and while noting the Group has net current liabilities, have performed a risk assessment of likely downside scenarios and associated mitigating actions. Based on this assessment they have a reasonable expectation that adequate financial resources will continue to be available for at least 12 months from the date of approval of the financial statements. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration receivable from the provision of goods and services to third party customers in the normal course of business. Revenue is stated excluding sales tax and trade discounts. The particular recognition policies applied in respect of the various potential elements of short-term or repeat service contracts are as set out below. Analysis has been provided by revenue stream:

Student Information Systems:

- Revenue on perpetual software licenses is recognised on the commencement of software implementation and related consultancy. Revenue will be recognised over the duration of the project implementation period on a percentage complete basis being the number of days complete compared to the number of days expected for the project based on timesheet records. Performance obligations are considered to be met when the installation of software is complete. Revenue is recognised over time as the conditions as set out in IFRS 15.35 are met;
- Where there is a short implementation, as with most Further Education and Work-based Learning sales, there will be little, if any, impact. For the larger deals, which may typically have implementation periods of two years or more, this has the effect of spreading the recognition of License revenue over an extended period, rather than immediate, upfront recognition;
- Revenue from term software licenses is spread over the period of the license;
- Revenue from contracts for software maintenance and support is recognised on a pro rata basis over the contract period, reflecting the Group's obligation to support the relevant software products and update their content over the contract period;
- Other services that are purchased for a specific term are recognised on a pro rata basis over the contract period. This includes services such as hosting and managed IT services;
- Revenue from software implementation, consultancy and other services that involve the purchase of a number of days is recognised as the service is provided.

Notes to the Financial Statements continued

1. Accounting policies continued

Revenue recognition continued

Education Services:

Revenue from the sale of services is recognised upon transfer of control to the customer and assessment of performance obligations. This is generally when services are performed for customers. The method by which the Group measures the service being performed varies depending on the nature of the contract, but will typically be driven by either time incurred or deliverables delivered as appropriate to the particular arrangement with the customer. Performance obligations are considered complete upon the transfer of deliverables as defined in the contract.

Interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

For multi-element contracts that include more than one separable revenue stream, the fair values of the component parts are established and revenue recognised for each separable element in line with the relevant policy above. Where legally separate contracts are entered into at or near the same time, with the same entity and were negotiated as a package, they are treated as a single arrangement for accounting purposes. Performance obligations are met in the same way they are for each relevant stream as noted above.

In addition to this, the Group has long-term contracts for the provision of more complex, project-based services including arrangements that involve significant production, modification, or customisation of software. Where the outcome of such long-term project-based contracts can be measured reliably, revenue and costs are recognised by reference to the stage of completion of the project at the balance sheet date. This is measured by the proportion that development time incurred for work performed to date bears to the estimated total development time required. Variations in contract work and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a long-term project-based contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs that it is probable will be recovered. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense within administrative expenses immediately.

The transaction price of contracted goods and services is shown separately in the contract with customers. The contracted prices of each component of a product sale are expected to provide a robust and appropriate starting point in seeking to allocate the total transaction price to the identified performance obligations. The time value of money is not expected to be significant as contracts where cash is disconnected from revenue by greater than one year are likely to be rare. There are limited variables outside the contracted price which impact the transaction price allocated to performance obligations.

Balances arise on contract assets and liabilities arise when cumulative payments received from customers at the balance sheet date do not necessarily equal the amount of revenue recognised on contracts. Customers are on standard payment terms which may result in settlement of invoices prior to recognition of associated revenue.

Deferred contingent consideration

The Group has a deferred contingent consideration obligation arising from the acquisition of Tribal Dynamics Holdings Limited. This acquisition is still inside the measurement period for fair value acquisition accounting.

The deferred non-contingent consideration obligation from a previous acquisition has been fully paid during 2019.

The accounting for changes in the fair value of deferred contingent and non-contingent consideration, that do not qualify as measurement period adjustments, and for which consideration is classified as an asset or liability, are remeasured at subsequent reporting dates at fair value with the corresponding gain or loss being recognised in profit or loss.

Any equity based consideration is recognised in equity at the date it is agreed and would not be remeasured at subsequent reporting dates, with subsequent settlement accounted for within equity.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the income statement as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU (or groups of CGUs) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGUs (or group of CGUs) and then to the other assets of the CGU (or groups of CGUs) pro rata on the basis of the carrying amount of each asset. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a division, the attributable amount of goodwill is included in the determination of the profit and loss on disposal. Goodwill arising on acquisition before the date of transition to IFRS has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date.

Merger reserve

The merger reserve comprises the non-statutory premium arising on shares issued as consideration for acquisitions of subsidiaries where merger relief under the relevant section of the Companies Act applies. To the extent that the creation of goodwill originally gave rise to a merger reserve, upon impairment an appropriate amount is transferred from the merger reserve to the profit and loss reserve.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Tangible and Intangible assets are amortised over their estimated useful lives (see notes 15 and 16).

The recoverable amount is the higher of fair value less costs to sell and the value in use. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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. A reversal of an impairment loss is recognised as income immediately.

Business systems

The Group's business systems are treated as an intangible asset where the probable future economic benefits arising from the investment can be assessed with reasonable certainty at the time the costs are incurred. Costs included are those directly attributable to the design, construction and testing of new systems (including major enhancements) from the point of inception to the point of satisfactory completion. Maintenance and minor modifications are expensed against the income statement as incurred. These assets are amortised by equal instalments over an average of 3 to 10 years.

Internally generated intangible assets – research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's product development is recognised only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and,
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Notes to the Financial Statements continued

1. Accounting policies continued

Internally generated intangible assets – research and development costs continued

Internally generated intangible assets are amortised on a straight-line basis over their useful economic lives of 2 to 7 years. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Acquired Intangibles

Acquired intangibles are stated at cost, net of amortisation and any recognised impairment loss. These assets are amortised on a straight-line basis over their useful economic lives of 15 years. Management have changed the UEL of this asset from 5 to 15 years in accordance with IAS 8.36. This has been treated as a change in accounting estimate from 1 January 2019 and therefore prior periods have not been adjusted (see note 15).

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost of each asset, other than properties in the course of construction, by equal instalments over their estimated useful economic lives as follows:

- Leasehold buildings – life of the lease; and
- Fixtures, fittings and other equipment – 3 to 7 years.

Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is measured by reference to the measurement of the lease liability on that date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present values of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of buildings that have a lease term of 12 months or less and leases of low-value items including office equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

In the comparative period, assets held under leases were classified as operating leases and were not recognised in the Consolidated Balance Sheet. Operating lease rentals were charged against income on a straight-line basis over the period of the lease. Benefits received and receivable as an incentive to enter into an operating lease were spread on a straight-line basis over the lease term.

Sub-leases

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification as a sub-lease with reference to the right-of-use-asset arising from the head lease, not with reference to the underlying asset.

Other items

IAS 1, 'Presentation of Financial Statements', provides no definitive guidance as to the format of the income statement, but states key lines which should be disclosed. It also encourages the disclosure of additional line items and the reordering of items presented on the face of the income statement when appropriate for a proper understanding of the entity's financial performance.

The Group has adopted a policy of disclosing separately on the face of its Group income statement the effect of any components of financial performance considered by the Directors to be not directly related to the trading business or regarded as exceptional, or for which separate disclosure would assist in a better understanding of the financial performance achieved.

Both materiality and the nature and function of the components of income and expense are considered in deciding upon such presentation. Such items may include, inter alia, impairment and amortisation charges relating to goodwill and other intangible assets, the financial effect of major restructuring and integration activity, gains or losses associated with acquisitions (including the costs of such acquisitions, movements in deferred contingent consideration and the associated unwind of any discount thereon), profits or losses arising on business disposals, share based payments and other items where separate disclosure is considered appropriate by the Directors, including the taxation impact of the aforementioned items.

Retirement benefit costs

The Group operates two defined contribution pension schemes that are established in accordance with employment terms set by the employing companies. The assets of these schemes are held separately from those of the Group in independently administered funds. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes, where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme. For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the Statement of Comprehensive Income in the period in which they occur. Remeasurement recorded in the Statement of Comprehensive Income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurement.

The Group presents the first component of defined benefit costs within cost of sales and administrative expenses in the consolidated income statement. Curtailment gains and losses are accounted for as past-service cost. Net interest expense or income is recognised within finance costs. The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the Group's defined benefit pension schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

A property related provision is recognised and measured as a provision when the Group has a present obligation arising under a property related contract. This includes dilapidation costs arising from exiting a leasehold property where the costs are not all expected to be incurred during the next year. For a business that is closed or to be discontinued the provision reflects the costs associated with exiting the property leased by the discontinued or closed business.

An onerous contracts provision is recognised and measured as a provision when the Group has a present obligation arising under an onerous contract. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A legal claims provision is recognised and measured as a provision when the Group has a present obligation arising under a legal claim. This includes anticipated costs to resolve any contractual disputes and any anticipated costs in respect of disputes arising on previously disposed of businesses.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Foreign currencies

Transactions in currencies other than the local functional currency are recorded at the rates of exchange on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date, with differences recognised in profit or loss in the period in which they arise.

Notes to the Financial Statements continued

1. Accounting policies continued

Foreign currencies continued

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. These are considered to be approximate rates for the transaction dates. Exchange differences arising, if any, are recognised directly within equity within other comprehensive income. Such translation differences are recognised as income or expense in the period in which the operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. This is expensed on a straight-line basis over the vesting periods of the instruments. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of the particular vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserves in equity.

Fair value is measured by use of an adjusted Black-Scholes model for the 2016 matching shares, 2017, 2018 and 2019 LTIPs (including the CSOP) and the 2019 SAYE, and a Monte-Carlo model for the LTIPs awarded in 2016, as these will vest dependent on market conditions.

Tax

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Research and development tax credits are recognised in other revenue in the consolidated income statement.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying values of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax in the income statement is charged or credited, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

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 they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'amortised cost'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group does not currently hold any assets at fair value through profit or loss.

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables) and cash and cash equivalents. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment of financial assets

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of credit losses. During this process the probability of the non-payment of the trade receivable is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the expected credit loss for the trade receivables. Provisions are recorded net in a separate provision account with the loss being recognised in the consolidated income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of provision is based on whether there has been a significant increase in credit risk since the initial recognition of the asset.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents.

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand which have a right of offset against cash balances. These instruments are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'amortised cost'. The only financial liabilities held 'at FVTPL' by the Group is deferred contingent consideration.

Dividends

Dividends are recognised when they become legally payable. In the case of final dividends, this is when approved by the shareholders at the AGM.

Contingent liabilities

Contingent liabilities are disclosed when cashflows are not probable.

2. Critical accounting judgements and sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 1, the Board has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Goodwill and other intangible assets

The carrying value of goodwill at the year-end is £25.9m (2018: £20.5m). An annual impairment review is required under IAS 36 'Impairment of assets' involving judgement of the future cash flows and discount rates for cash-generating units. The Group prepares such cash flow forecasts derived from the most recent budgets approved by the Board of Directors. Further details of the other assumptions used are given in note 14.

Other intangible assets

The carrying value of other intangible assets is £19.5m (2018: £12.7m). Judgement is required to assess whether costs meet the criteria for capitalisation set out in IAS 38, the useful life of those assets, and subsequently the consideration of the potential need for impairment of these assets, in particular in relation to their expected ability to generate future revenue. Further details of the other assumptions used are given in note 15.

2. Critical accounting judgements and sources of estimation uncertainty continued

Revenue recognition

The Group's revenue recognition policies are disclosed in note 1. In some cases, particularly in relation to software delivery programmes on which we are engaged in a number of international settings, judgement is required to determine the most appropriate measure of the fair value and the timing of the revenue and profit recognition related to the service and products that have been delivered to customers at the balance sheet date. In particular before any license revenue can be recognised, the license must have been delivered and installed at the customers premises and be available to use by the customer in the environment on which installation will take place. Judgement is also required in the associated risk of recoverability of any associated receivables and contract assets where invoicing and/or payment is subject to certain future milestones. Programme delivery requirements, software specification and customer expectations may evolve during the course of these major projects. This may result in developments to ongoing commercial arrangements that could materially impact the basis of financial judgements made at period end. Therefore, the potential impact of these evolving obligations and the overall customer project status must be considered carefully and where appropriate reflected in accounting judgements.

Acquisition accounting

The Group acquired Tribal Dynamics Holdings Limited (formerly Crimson Consultants Limited) on 10 May 2019 with an element of the consideration being deferred and contingent on the future annual recurring revenue (ARR) growth of the acquired business. Judgement is required to estimate the recurring revenue which determines the level of provision for deferred contingent consideration that is required. As part of the accounting for the acquisition of Tribal Dynamics Holdings Limited judgement has been used to identify the fair value of intangible assets totalling £4.3m, relating to software, and customer contracts and relationships (see note 33).

3. Effect of new accounting standards

The Group adopted IFRS16 "Leases" with effect from 1 January 2019. This has resulted in the Group recognising right-of-use assets and lease liabilities. For leases previously classified as operating leases, under previous accounting requirements the Group did not recognise related assets or liabilities, and instead spread the lease payments on a straight-line basis over the lease term. The Group has applied the modified retrospective approach and has only recognised leases on the balance sheet as at 1 January 2019. Comparative amounts for the year prior to the first adoption have not been restated. In addition, it has been decided to measure right-of-use assets by reference to the measurement of the lease liability on that date as if the new standard had always been applied in line with transitional provisions. Future dilapidation costs have been added as part of the cost of the right-of-use asset. The lease liability on 1 January 2019 has been measured at the present value of the remaining lease payments discounted using the incremental borrowing rate at that date.

The key assumptions used in this assessment are as follows: Straight line amortisation of the right-of-use assets; amortisation period being equivalent to the length of the lease; and implicit rate used in the calculations being 1.8% + LIBOR (0.85%).

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 2.65%.

The effects of adopting IFRS 16 as at 1 January 2019 are as follows:

	Carrying amount 31 Dec 2018 £'000	Effect of IFRS16 £'000	IFRS 16 carrying amount as 1 January 2019 £'000
Right-of-use assets	–	4,176	4,176
Net investment in lease	–	313	313
Trade and other payables (rent incentives)	(6,755)	308	(6,447)
Lease liabilities	–	(4,882)	(4,882)
Accumulated losses	(14,888)	85	(14,803)

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) to the lease liabilities recognised at 1 January 2019.

	£'000
Balance at 31 December 2018	5,394
Leases with remaining lease term of less than 12 months and low value leases	(73)
Lease liabilities before discounting	5,321
Discounted using incremental borrowing rate	(439)
Balance at 1 January 2019 recognised under IFRS 16	4,882

4. Revenue for contracts with customers

The Group has split revenue into various categories which is intended to enable users to understand the relationship with revenue segment information.

31 December 2019	UK £000	Australia £000	Other APAC £000	North America and rest of the world £000	Total £000
License and development fees	5,992	152	149	80	6,373
Implementation services	8,591	2,610	1,135	417	12,753
Support & maintenance	14,869	15,656	1,254	843	32,622
Cloud services	5,154	752	26	111	6,043
Other services	804	20	–	–	824
Schools inspections & other related services (QAS)	11,689	–	1,054	5,095	17,838
i-graduate survey & data analytics	327	333	403	694	1,757
	47,426	19,523	4,021	7,240	78,210

31 December 2018	UK £000	Australia £000	Other APAC £000	North America and rest of the world £000	Total £000
License and development fees	5,977	110	424	(21)	6,490
Implementation services	6,534	4,107	2,436	479	13,556
Support & maintenance	13,613	16,179	1,314	624	31,730
Cloud services	4,347	715	25	87	5,174
Other services	1,237	229	1	(787)	680
Schools inspections & other related services (QAS)	9,870	–	1,084	8,901	19,855
i-graduate survey & data analytics	976	894	245	462	2,577
	42,554	22,234	5,529	9,745	80,062

Notes to the Financial Statements continued

4. Revenue for contracts with customers continued

Net contract liabilities

	Contract Asset/ (Liability) 2019 £000	Contract Asset/ (Liability) 2018 £000
Opening contract balance post IFRS 15	(17,752)	(14,750)
Of which released to income statement	17,112	14,416
New billings and cash in excess of revenue recognised	(18,385)	(17,418)
Closing contract balance	(19,025)	(17,752)

Of the £18,385,000 new billings and cash in excess of revenue recognised, £535,000 related to Tribal Dynamics Limited. This amount is also included in the closing contract balance.

Balances arise on contract assets and liabilities when cumulative payments received from customers at the balance sheet date do not necessarily equal the amount of revenue recognised on contracts. Customers are on standard payment terms, which may result in settlement of invoices prior to the recognition of associated revenue.

License revenue is recognised over the duration of the project implementation period on a percentage completion basis based on timesheet data of actual days delivered versus number of expected days for the project.

Contract assets inherently have some contractual risks associated with them related to the specific and ongoing risks in each individual contract with a customer. The impairment of contract assets/(liabilities) reflects provisions recognised against contract assets in relation to these risks. See note 31.

The amount of incremental costs to obtain a contract which extends over a period of more than 12 months has been recognised as an asset in prepayments totalling £0.2m (2018: £0.2m) and will be released in line with the total contract revenue. No amount has been impaired at 31 December 2019 or 2018.

Remaining performance obligations

License revenue is recognised over the duration of the project implementation period on a percentage completion basis. For large deals, which may typically have an implementation period of two years or more, the recognition of License revenue is spread over an extended period, rather than immediate upfront recognition.

The amount of revenue that will be recognised in future periods on these contracts when those remaining performance obligations will be satisfied is analysed as follows:

At 31 December 2019

	2020 £000	2021 £000	2022 £000	Thereafter £000	Total £000
License and development fees	4,364	2,826	1,439	36	8,665
Implementation services	7,680	703	208	–	8,591
Support & maintenance	32,894	29,362	11,012	293	73,561
Cloud services	5,629	4,888	2,048	146	12,711
Other services	300	174	23	–	497
Schools inspections & other related services (QAS)	13,875	7,633	3,862	2,850	28,220
i-graduate survey & data analytics	696	278	281	70	1,325
	65,438	45,864	18,873	3,395	133,570

At 31 December 2018

	2019 £000	2020 £000	2021 £000	Thereafter £000	Total £000
License and development fees	3,887	1,658	482	26	6,053
Implementation services	6,955	2,465	170	55	9,645
Support & maintenance	32,448	29,201	17,558	1,007	80,214
Cloud services	5,278	4,071	2,199	497	12,045
Other services	166	157	158	–	481
Schools inspections & other related services (QAS)	10,540	1,613	311	–	12,464
i-graduate survey & data analytics	622	15	14	–	651
	59,897	39,180	20,892	1,585	121,554

An analysis of the Group's revenue is as follows:

	2019 £'000	2018 £'000
Continuing operations		
Sales of services	78,210	80,062
Total revenue	78,210	80,062

Sales of services are defined as education related systems or solutions and consultancy services. Further details of the nature of the services provided are disclosed in note 5. Sales of goods are not material and are therefore not shown separately. Included in sales of services is £0.6m (2018: £0.8m) related to software license revenues recognised as a result of a periodic review of our license entitlement resulting from changes in our customers' enrolled student numbers.

There is no revenue in respect of discontinued operations.

Notes to the Financial Statements continued

5. Business segments

Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance is focused on the nature of each type of activity. The Group's reportable segments and principal activities under IFRS 8 are detailed below:

- Student Information Systems (SIS) represents the delivery of software and subsequent maintenance and support services and the activities through which we deploy and configure our software for our customers; and
- Education Services (ES) representing inspection and review services which support the assessment of educational delivery, previously Quality Assurance Solutions (QAS), and a portfolio of performance improvement tools and services, including analytics, software solutions, facilities and asset management, previously i-graduate.

Tribal previously identified and reported under 3 operating segments namely Student Management Systems (SMS), i-graduate and Other (IGRAD) and Quality Assurance Services (QAS). The operating segments were changed at the beginning of the year and now consist of Student Information Systems (SIS) and Education Services (ES). The change is primarily due to restructuring in i-graduate whereby IGRAD and QAS are amalgamated into one operating segment – ES.

In accordance with IFRS 8 'Operating Segments', information on segment assets is not shown, as this is not provided to the chief operating decision-maker, being the Chief Executive. Inter-segment sales are charged at prevailing market prices.

	Revenue		Adjusted Segment Operating Profit	
	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Student Information Systems	58,615	57,630	17,937	16,911
Education Services	19,595	22,432	4,014	4,570
Total	78,210	80,062	21,951	21,481
Unallocated corporate expenses			(10,299)	(10,686)
Adjusted operating profit			11,652	10,795
Amortisation of software and customer contracts & relationships (see note 7)			(1,331)	(1,787)
Other items (see note 7)			(12,767)	(4,425)
Operating (loss)/profit			(2,446)	4,583
Investment income			59	46
Finance (costs)/income			(506)	220
(Loss)/profit before tax			(2,893)	4,849
Tax charge			(70)	(702)
(Loss)/profit after tax			(2,963)	4,147

Depreciation and amortisation is allocated to segment profits and is included in adjusted segment operating profit as above. The amount included in SIS is £1.8m (2018: £2.0m) and within Education Services £0.1m (2018: £0.2m).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the profit earned by each segment, without allocation of central administration costs, including Directors' salaries, finance costs and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

Within Education Services revenues of approximately 4% (2018: 5%) have arisen from the Segments largest customer; within SIS revenues of approximately 7% (2018: 6%) have arisen from the Segments largest customer.

Geographical information

Revenue from external customers, based on location of the customer, are shown below:

	2019 £'000	2018 £'000
UK	47,426	42,554
Australia	19,523	22,234
Other Asia Pacific	4,021	5,529
North America	3,127	2,666
Rest of the world	4,113	7,079
	78,210	80,062

Non-current assets (excluding deferred tax)

	2019 £'000	2018 £'000
UK	34,440	17,884
Australia	15,607	16,940
Other Asia Pacific	892	248
North America	64	2
Rest of the world	25	–
	51,028	35,074

6. Operating (loss)/profit for the year

	Note	2019 £'000	2018 £'000
Operating (loss)/profit for the year is stated after charging/(crediting):			
Staff costs (excluding amounts capitalised)	8	41,965	44,919
Depreciation and other amounts written off property, plant and equipment	16	879	995
Depreciation of right-of-use assets	26	1,043	–
Platform dispute	7	9,133	–
Amortisation of software and customer contracts & relationships	15	1,331	1,787
Amortisation of software licenses	15	60	85
Amortisation of business systems	15	223	487
Amortisation of development costs and acquired Intellectual Property	15	1,510	1,757
Impairment of development costs	15	–	983
Write off of business systems	15	646	–
Net impairment loss/(gain) on trade receivables	17	304	(1,576)
Research and development expenditure		6,161	7,094
Lease expenses		–	1,017
Net foreign exchange losses		181	27

Notes to the Financial Statements continued

6. Operating (loss)/profit for the year continued

The analysis of auditors' remuneration is as follows:

	2019 £'000	2018 £'000
Fees payable to the Company's current auditors for the audit of the Company's annual report	176	86
Fees payable to the Company's current auditors and its associates for other services to the Group:		
– the audit of the Company's subsidiaries pursuant to legislation	119	109
Total audit fees	295	195
– audit related assurance services	10	35
– non-audit related assurance services	17	30
Total non-audit fees	27	65
Total auditor's remuneration	322	260

Non-audit fees in 2019 (£10,000) arose as a result of the half year review and as a result of corporate activity (£17,000).

Non-audit fees in 2018 (£35,000) arose as a result of the half year review performed by the Company's previous auditors and as a result of corporate activity by the current auditors (£30,000).

Fees payable to BDO LLP and the previous auditors and its associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

7. Other items

	2019 £'000	2018 £'000
Acquisition related costs	(237)	(62)
Platform dispute	(9,133)	–
Employee related share option charges (including employer related taxes)	(1,717)	(2,329)
– Impairment of development costs	–	(983)
– Write off of business systems	(646)	–
– Legacy defined benefit schemes	(90)	(73)
– Other legal costs	(150)	–
– Property related	–	7
– Restructuring and associated costs	(794)	(985)
Other items	(1,680)	(2,034)
Amortisation of software and customer contracts & relationships	(1,331)	(1,787)
Total administrative expenses	(14,098)	(6,212)
Other financing costs	(344)	(106)
Other financing income	–	380
Total other items before tax	(14,442)	(5,938)
Tax on other items	2,448	1,171
Total other items after tax	(11,994)	(4,767)

The Group has adopted a policy of disclosing separately on the face of its Group income statement the effect of any components of financial performance considered by the Directors to be not directly related to the trading business or regarded as exceptional, or for which separate disclosure would assist in a better understanding of the financial performance achieved. Both materiality and the nature and function of the components of income and expense are considered in deciding upon such presentation. As such, 'other items' are not part of the Group's underlying trading activities and include the following:

Acquisition related costs: Amounts relating to the legal and due diligence costs acquisition of Tribal Dynamics Holdings Limited in the period total £237,000 (2018: £62,000), (see note 33). Under IFRS3 these amounts have been expensed as are not eligible for capitalisation. These are considered to be one off costs in the year.

Platform dispute: Amounts relating to the Platform dispute and the agreement to settle the dispute for past royalties and associated legal costs in the period total £9,133,000 (2018: £nil). An accrual of £8,200,000 has been made at the year end to settle all historic liabilities and outstanding legal costs.

Employee related share option charges. The numbers above include:

- share based payments (see note 23) plus foreign exchange £33,000 (2018: £28,000);
- the movement in associated employers taxes accrual (2019: £(52,000): 2018: £17,000);
- the cash paid on dividends on share options that have met performance conditions (2019: £155,000: 2018: £47,000). When the Company declares a cash dividend, some option holders are entitled to a 'dividend equivalent'. This is a payment in cash and/or additional shares with a value determined by reference to the dividends that would have been paid on the vested shares in respect of dividend record dates occurring during the period between the grant of the Award and the date on which it becomes exercisable; and
- a nominal value paid to employees as a bonus (2019: £572,000: 2018: £nil). Under Companies Act 2006 rules a nominal value must be paid to issue new shares, however under the rules of the LTIP and Matching Shares Schemes the Company will pay the nominal value to the participants as a bonus.

Other items are detailed below:

- during the year the Group upgraded its accounting system to Microsoft Dynamics D365 to allow the Group's finance team to access new functionalities and thus providing operating efficiencies. After the successful upgrade the remaining life of AX 2012 was reviewed and management concluded that this asset should be fully impaired in line with IAS 36 paragraph 12(e) due to the obsolescence of the asset (2019: £646,000: 2018: £nil) (see note 15);
- legacy defined benefit schemes relate to the Prudential Platinum and Federated Pension Funds to which no current Tribal employee is a member. Costs arising relate to administration charges;
- legal costs associated with the data breach in Tribal Campus, an Australian subsidiary of the Group, announced on 12 August 2019, amounted to £150,000 (2018: £nil). The amounts expensed are the excess not covered by the Group's Insurance policy; and
- restructuring and associated costs relate to the restructuring of the Group's operations. At the end of 2018 the Group announced the restructure of the management of its i-graduate business in the UK and the SchoolEdge development team in Asia Pacific with costs arising in 2019 mainly due to redundancies (2019: £794,000: 2018: £985,000).

Amortisation of software and customer contracts and relationships: Amortisation arising on the fair value of intangible assets acquired is separately disclosed. (2019: £1,331,000: 2018: £1,787,000).

Other financing charges: Consistent with the treatment of movements in deferred consideration, the unwind of the discount on deferred consideration is separately presented as other financing costs in the income statement (2019: £344,000: 2018: £106,000).

Other financing income: Amounts relating to settlement gains on defined benefit schemes (2019: £nil: 2018: £380,000).

Taxation: The tax credit arising on the above items is presented on a consistent basis with the underlying cost or credit to which it relates and therefore is also presented separately on the face of the income statement.

Notes to the Financial Statements continued

8. Staff numbers and costs

The average monthly number of persons employed under contracts of service by the Group (including Executive Directors) during the year was as follows:

	2019 number	2018 number
Selling, operations and marketing	782	783
Finance and administration	97	100
	879	883

The aggregate payroll costs of these persons were as follows:

	2019 £'000	2018 £'000
Wages and salaries	40,012	40,296
Social security costs	3,363	3,389
Other pension costs	1,889	1,941
Restructuring costs	817	985
Share option charge*	1,197	2,312
	47,278	48,923

The total payroll costs above include £5,313,000 (2018: £4,004,000) capitalised as development costs.

Net interest expense relating to pension schemes of £27,000 (2018: £41,000) and administrative expenses of £44,000 (2018: £22,000) are reported elsewhere and are therefore excluded from the figures above.

* Includes £155,000 (2018: £47,000) cash paid on dividends on share options that have met performance conditions.

9. Investment income

	2019 £'000	2018 £'000
Other interest receivable	51	46
Interest receivable on leased assets	8	–
Total investment income	59	46

10. Finance costs/(income)

	2019 £'000	2018 £'000
Interest on bank overdrafts and loans	4	1
Amortisation and write off of loan arrangement fees	–	12
Net interest payable on retirement benefit obligations	27	41
Interest expense on lease liabilities	131	–
Adjusted finance costs	162	54
Unwinding of discounts	344	106
Other finance costs	344	106
Total finance costs	506	160
Settlement gain on defined benefit schemes	–	(380)
Total finance costs/(income)	506	(220)

11. Tax

	2019 £'000	2018 £'000
Current tax		
UK corporation tax	–	114
Overseas tax	1,299	702
Adjustments in respect of prior years	(406)	(179)
	893	637
Deferred tax		
Current year	(1,143)	79
Adjustments in respect of prior years	320	(14)
	(823)	65
Tax charge on profits	70	702

See note 22 for further analysis of movements in the deferred tax position. The continuing tax charge can be reconciled to the profit from continuing operations per the income statement as follows:

	2019 £'000	2018 £'000
(Loss)/profit before tax on continuing operations	(2,893)	4,849
Tax (credit)/charge at standard UK rate of 19% (2018: 19%)	(550)	921
Effects of:		
Overseas tax rates	349	(56)
Expenses not deductible for tax purposes	268	156
Adjustments in respect of prior years	(86)	(193)
Additional deduction for R&D expenditure	8	18
Movement in transfer pricing tax provision	–	(64)
Utilisation of unrecognised tax losses	(7)	9
Effect of changes in tax rates	88	(89)
Tax expense for the year	70	702

In addition to the amount charged to the income statement a current tax credit of £nil (2018: £nil) and a deferred tax credit of £84,000 (2018: £171,000) has been recognised directly in equity during the year in relation to share schemes. A deferred tax charge of £83,000 (2018: £73,000) has been recognised in the Consolidated Statement of Comprehensive Income in relation to Defined Benefit pension schemes.

The Group continues to hold an appropriate corporation tax provision in relation to the Group relief claimed from Care UK for the year ended 31 March 2007, together with other appropriate Group provisions. There has been no progress in the Care UK case in the year to 31 December 2019. Under IFRIC 23 management have reviewed this uncertain tax provision and in line with the new standard do not consider it appropriate to make any adjustments due to the lack of progression in the year.

The income tax expense for the year is based on the UK statutory rate of corporation tax for the period of 19% (2018: 19%). Tax for other jurisdictions is calculated at the prevailing rates prevailing in the respective jurisdictions.

A further reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future tax charge accordingly. The deferred tax balances at 31 December 2019 have been calculated based on these rates.

Notes to the Financial Statements continued

12. Dividends

	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended for the year ended 31 December 2018 of 1.1 pence (year ended 31 December 2017: 1.0 pence) per share	2,147	1,952
Proposed final dividend:		
Proposed final dividend for the year ended 31 December 2019 of 1.2 pence (year ended 31 December 2018: 1.1 pence) per share	2,451	2,147

The Board regularly review the available distributable reserves of Tribal Group plc to ensure they are protected for future dividend payments.

The proposed dividend per share has been calculated on the number of shares expected to be in issue at the date of payment. This includes allotments of shares since the year end.

13. Earnings per share

Earnings per share and diluted earnings per share are calculated by reference to a weighted average number of ordinary shares calculated as follows:

	2019 thousands	2018 thousands
Weighted average number of shares outstanding:		
Basic weighted average number of shares in issue	196,626	195,224
Weighted average number of employee share options	7,241	10,546
Weighted average number of shares outstanding for dilution calculations	203,867	205,770

Diluted earnings per share only reflects the dilutive effect of share options for which vesting criteria have been met.

The maximum number of potentially dilutive shares, based on options that have been granted but have not yet met vesting criteria, is 5,281,859 (2018: 7,140,064) This includes 1,116,879 options in the 2019 SAYE Scheme. In addition there are a further 3,405,996 (2018: 3,405,996) potentially dilutive matching share options that have been granted but have not yet met vesting criteria as at 31 December 2019. These Matching share options were exercised on 18 December 2019, however the shares were not allotted until early January 2020.

The adjusted basic and diluted earnings per share figures shown on the consolidated income statement on page 68 are included as the Directors believe that they provide a better understanding of the underlying trading performance of the Group. A reconciliation of how these figures are calculated is set out below:

	2019 £'000	2018 £'000
Net (Loss)/profit	(2,963)	4,147
Earnings per share		
Basic	(1.5)p	2.1p
Diluted	(1.5)p	2.0p
Adjusted Net Profit	9,031	8,914
Adjusted earnings per share		
Basic	4.6p	4.6p
Diluted	4.4p	4.3p

	(Loss)/profit for the year		Earnings per share	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
(Loss)/profit for the year attributable to equity shareholders	(2,963)	4,147	(1.5)p	2.1p
Add back:				
Amortisation of IFRS intangibles (net of tax)	1,003	1,271		
Share based payments	1,009	2,237		
Unwinding of discounts	344	106		
Platform dispute	9,133	–		
Other items (net of tax)	505	1,153		
Total adjusting items (net of tax)	11,994	4,767	6.1p	2.5p
Adjusted earnings	9,031	8,914	4.6p	4.6p

14. Goodwill

	2019 £'000	2018 £'000
Cost		
At beginning of year	101,748	102,344
Additions (note 33)	5,870	–
Exchange differences	(508)	(596)
At end of year	107,110	101,748
Accumulated impairment losses		
At beginning of year	81,231	81,231
At end of year	81,231	81,231
Net book value		
At end of year	25,879	20,517
At beginning of year	20,517	21,113

Goodwill acquired in a business is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from the business combination. The carrying amount of goodwill has been allocated as follows:

	2019 £'000	2018 £'000
Student Information Systems (SIS)	22,345	16,983
Education Services (ES)	3,534	3,534
	25,879	20,517

Goodwill is reviewed at least annually for impairment by comparing the recoverable amount of each cash generating unit (CGU) with the goodwill, intangible assets and property, plant and equipment allocated to that CGU.

From 1 January 2019 the i-graduate business was combined with QAS under one new CGU 'Education Services' (ES) and is led by Janet Tomlinson. The change is primarily due to restructuring in i-graduate whereby IGRAD and QAS are amalgamated into one operating segment – ES.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use risk adjusted cash flow projections based on the financial budget approved by management for the period to 31 December 2020. The budget was prepared based on past experience, strategic plans and management's expectation for the markets in which they operate including adjustments for known contract ends, contract related inflationary increases and planned cost savings. The budget was extrapolated over an five-year period in line with previous calculations and to give greater clarity on future cashflows. The growth assumption is 2% per annum for SIS (2018; 2%) and 2% for ES (2018: 4%). Cash flows beyond the budget and extrapolation period were calculated into perpetuity using the same growth rates. These growth rates are in line with the expected average UK economy long-term growth rate.

Notes to the Financial Statements continued

14. Goodwill continued

The cash flows projections are discounted at a pre-tax discount rate of 9.3% (2018: 10.4%). The single discount rate, which is consistently applied for both CGUs, is determined with reference to internal measures and available industry information and reflects specific risks relevant to the Group.

Impairment testing inherently involves a number of judgemental areas, including the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the Group and the estimation of the future revenue and expenditure of each CGU. Accordingly, management undertook stress testing to understand the key sensitivities and concluded as follows:

A rise in discount rate to 32% and 100% would trigger an impairment in SIS and ES respectively. A decline in growth rate to (24%) in SIS and (91%) in ES would result in an impairment . Management does not consider these changes possible but considers a slight increase in discount rate to 10% and zero growth may be possible as a result of the current economic environment. As a result of the analysis, there is headroom of £79.8 million and £26.8 million in SIS and ES respectively.

As a result, management does not believe a reasonably possible change in the key assumptions may cause impairment.

15. Other intangible assets

	Software £'000	Customer contracts & relationships £'000	Acquired Intellectual Property £'000	Development costs £'000	Business systems £'000	Software licenses £'000	Total £'000
Cost							
At 1 January 2018	7,767	7,096	1,873	26,535	6,374	1,469	51,114
Additions	–	–	–	4,145	46	26	4,217
Disposals	–	–	–	–	–	(7)	(7)
Exchange differences	(353)	(151)	–	(173)	(5)	(2)	(684)
At 31 December 2018 and 1 January 2019	7,414	6,945	1,873	30,507	6,415	1,486	54,640
Acquisitions	2,718	1,607	–	–	–	–	4,325
Additions	–	–	–	6,141	156	3	6,300
Disposals	–	–	–	–	(1,480)	–	(1,480)
Exchange differences	(301)	(128)	–	(135)	(8)	–	(572)
At 31 December 2019	9,831	8,424	1,873	36,513	5,083	1,489	63,213
Amortisation							
At 1 January 2018	5,475	4,936	187	20,281	5,025	1,347	37,251
Charge for the year	1,358	429	374	1,383	487	85	4,116
Impairment	–	–	–	983	–	–	983
Disposals	–	–	–	–	–	(7)	(7)
Exchange differences	(270)	(78)	–	(70)	(3)	–	(421)
At 31 December 2018 and 1 January 2019	6,563	5,287	561	22,577	5,509	1,425	41,922
Charge for the year	861	470	98	1,412	223	60	3,124
Disposals	–	–	–	–	(834)	–	(834)
Exchange differences	(287)	(80)	–	(96)	(5)	–	(468)
At 31 December 2019	7,137	5,677	659	23,893	4,893	1,485	43,744
Carrying amount							
At 31 December 2019	2,694	2,747	1,214	12,620	190	4	19,469
At 31 December 2018	851	1,658	1,312	7,930	906	61	12,718

Software and customer contracts and relationships have arisen from acquisitions and are amortised over their estimated useful lives, which are 3 to 8 years and 3 to 12 years respectively. The additions in the period relate to the acquisition of Tribal Dynamics Limited (see note 33). The amortisation period for development costs incurred on the Group's product development is 5 to 15 years, based on the expected life-cycle of the product. Amortisation and impairment of development costs, amortisation for software, customer contracts and relationships, business systems and software licenses are all included within administrative expenses.

Included within Business Systems are finance systems with a carrying value of £0.2m (2018: £0.9m). During 2019 management took the decision to write off the AX finance system (£0.6m) following a successful implementation of the new D365 system which has now been capitalised. This system is being amortised over a period of ten years and has nine years left.

The Group is required to test annually if there are any indicators of impairment. The recoverable amount is determined based on value in use calculations of identified CGU's. The use of this method requires the estimation of future cashflows and the determination of a discount rate in order to calculate the present value of the cashflows.

The impairment testing allocates all assets relating to specific CGUs, including goodwill, other intangibles, property, plant and equipment and net current assets and liabilities.

Towards the end of 2018 management identified some challenges in the APAC school's business. To mitigate some of the challenge it was decided to reduce investment in the sector and halt future software development where it is not supported by committed sales. The decision to stop work on modules 3 was taken at the end of the year and in line with the Group's policy, work undertaken throughout that year was capitalised as the view at the time was that the capitalised value was supportable. Management concluded that as at 31 December 2018 there was an impairment in Development Costs, being the whole of modules 3 in SchoolEdge totalling £1m, being the software sold into schools in Australia only. This asset belongs to the SIS segment and has been booked through 'other items, administrative expenses' (see note 7) in the financial statements and is consistent with the treatment of other 'non-trading' adjustments.

On 5 June 2017 the Group acquired Intellectual property from Wambiz Limited. The initial cash consideration was £1,250,000. Further consideration of £289,000 was paid in 2018 and £485,000 paid in 2019. All consideration has now been paid. An intangible asset of £1,873,000 has been recorded under Acquired intellectual property. The Wambiz code has been incorporated within the new app/Engage platform of Tribal Edge, the amortisation time frame of this is expected to be fifteen years in line with the rest of Tribal Edge. Subsequently, management have changed the UEL of this asset from 5 to 15 years in accordance with IAS 8.36. This has been treated as a change in accounting estimate from 1 January 2019 and therefore prior periods have not been adjusted. The net impact of this change in accounting estimate is a reduction in the amortisaton charge of £277,000.

Notes to the Financial Statements continued

16. Property, plant and equipment

	Leasehold improvements £'000	Fixtures, fittings and other equipment £'000	Total £'000
Cost			
At 1 January 2018	2,800	4,830	7,630
Additions	333	870	1,203
Disposals	–	(39)	(39)
Exchange differences	(31)	(82)	(113)
At 31 December 2018 and 1 January 2019	3,102	5,579	8,681
Additions	228	349	577
Disposals	(196)	(59)	(255)
Exchange differences	(31)	(81)	(112)
At 31 December 2019	3,103	5,788	8,891
Accumulated depreciation and impairment			
At 1 January 2018	2,384	3,669	6,053
Charge for the year	290	705	995
Disposals	–	(39)	(39)
Exchange differences	(31)	(59)	(90)
At 31 December 2018 and 1 January 2019	2,643	4,276	6,919
Charge for the year	253	626	879
Disposals	(196)	(59)	(255)
Exchange differences	(23)	(67)	(90)
At 31 December 2019	2,677	4,776	7,453
Net book value			
At 31 December 2019	426	1,012	1,438
At 31 December 2018	459	1,303	1,762

There are £7.6m (2018: £6.3m) worth of assets that are fully depreciated within property, plant and equipment.

17. Trade and other receivables

	2019 £'000	2018 £'000
Amounts receivable for the sale of services	8,070	9,452
Less: loss allowance	(441)	(137)
	7,629	9,315
Other receivables	330	375
Prepayments	2,832	3,150
	10,791	12,840

The Group's principal financial assets are cash and cash equivalents and trade and other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's credit risk is primarily related to its trade receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

All receivables are due within one year in both current and prior years.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables

Trade receivables are measured at amortised cost. The average credit terms on sales is 30 days (2018: 30 days). The Group sells the majority of its services to the public sector or related bodies and institutions, and as such there is a low incidence of default experience.

Of the total trade receivables balance at the end of the year, one customer (2018: two) held balances outstanding of more than 5%, being £0.4m (2018: £0.5m and £0.5m). The average age of receivables is 38 days (2018: 37 days).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss allowance for trade receivables and accrued income. To measure expected credit losses on a collective basis, trade receivables and accrued income are grouped based on similar credit risk and ageing. See note 31.

At 31 December 2019 the lifetime expected loss allowance for trade receivables is as follows:

	Expected loss rate	Gross carrying amount £'000	Loss provision £'000
Current	0%	6,035	25
30–60 days	4%	1,253	126
60–90 days	17%	332	76
90–180 days	14%	190	66
180+ days	10%	260	148
Total		8,070	441

17. Trade and other receivables continued

Movement in the impairment allowance for trade receivables are as follows:

	2019 £'000	2018 £'000
Balance at the beginning of the year	137	1,713
IFRS 9 expected credit loss adjustment	326	(144)
Provision for receivables impaired	–	27
Amounts written off during the year	(28)	(590)
Unused amounts reversed	6	(869)
Balance at the end of the year	441	137

Contract assets

Contract assets are measured at amortised cost. Contract assets inherently have some contractual risks associated with them related to the specific and ongoing risks in each individual contract with a customer. These are subject to the expected credit loss impairment under IFRS9.

Impairments recognised in the income statement in respect of contract assets amount to £nil (2018: £0.1m).

18. Cash and cash equivalents

Cash and cash equivalents of £16.5m (2018: £20.0m) comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Of the above balance, £nil (2018: £nil) represents funds restricted in use by the relevant commercial terms of certain trading contracts. These terms have been complied with.

The credit quality of cash at bank can be assessed by reference to external credit ratings. The Group has not changed its risk appetite during the year, however one of the Group's main banks has been downgraded in the period. The following table has been sourced from Moodys credit ratings.

	2019 £'000	2018 £'000
Aa1	13	1,571
Aa3	5,885	11,169
A1	9,393	4,730
A3	1,120	2,345
Baa2	52	159
	16,463	19,974

Cash and cash equivalents include the following for the purposes of the statement of cashflows:

	2019 £'000	2018 £'000
Cash and cash equivalents	16,463	19,974
	16,463	19,974

19. Trade and other payables

	2019 £'000	2018 £'000
Current		
Trade payables	800	1,461
Other taxation and social security	3,156	3,028
Other payables	1,378	1,793
Deferred contingent consideration	1,693	–
Deferred non-contingent consideration	–	473
	7,027	6,755
Non-current		
Deferred contingent consideration	1,939	–
Other payables	31	62
	1,970	62
Total	8,997	6,817

The average credit period taken for trade purchases is 10 days (2018: 30 days). For most suppliers, no interest is charged on the trade payables for the first 30 days from the date of invoice. Thereafter, in some cases, interest may be charged on the outstanding balances due to certain suppliers at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within a reasonable time frame. The Directors consider that the carrying amount of trade and other payables approximates their fair value.

Other payables are split as follows:

	2019 £'000	2018 £'000
Goods received not invoiced	538	685
Other creditors	840	1,108
	1,378	1,793

Deferred contingent consideration reflects amounts in respect of the acquisition of Tribal Dynamics Limited, payable over a period of 2 years. The amounts are contingent upon the performance with the amounts provided reflecting management's best estimate of the future annual recurring revenue (ARR) of this entity and the resultant payments due under the Sale and Purchase Agreement. The amounts above have been discounted at a rate of 11.69%. The undiscounted value of the deferred consideration is £4,000,000 (2018: £nil) versus a discounted value of £3,632,000 (2018: £nil).

20. Borrowings

As at 31 December 2019 the Group has the following committed borrowing facilities: a £2.0m committed overdraft facility in the UK and a $AUD 2.0m committed overdraft facility in Australia. The UK overdraft is committed for a 12 month period ending September 2020, and the Australian overdraft committed for a 12 month period ending October 2020. As at 31 December 2019, the Group had cash and cash equivalents of £16.5m (2018: of £20.0m). The Directors estimate that the book values of the Group's borrowings reflect the fair values thereof.

At the year-end there was £2.0m available but undrawn in respect of the UK overdraft facility and $AUD 2.0m available but undrawn in respect of the Australian overdraft facility.

On 21 January 2020 the Group entered into a new 3 year £10m multi-currency revolving facility with HSBC with the option to extend to a further 2 years. The facility was put in place to cover general corporate and working capital requirements of the Group.

Notes to the Financial Statements continued

21. Provisions

	Property related £'000	Other £'000	Legal claims £'000	Restructuring £'000	Total £'000
At 1 January 2019	440	–	–	652	1,092
Increase/(release) in provision	701	156	149	–	1,006
Utilisation of provision	(115)	–	(33)	(652)	(800)
On acquisition of subsidiary	51	–	–	–	51
Transfer from accruals	–	–	44	–	44
Exchange rate movement	–	–	(7)	–	(7)
At 31 December 2019	1,077	156	153	–	1,386

The provisions are split as follows:

	Property related £'000	Other £'000	Legal claims £'000	Restructuring £'000	Total £'000
2019					
Within one year	141	156	153	–	450
After more than one year	936	–	–	–	936
Total	1,077	156	153	–	1,386
2018					
Within one year	227	–	–	652	879
After more than one year	213	–	–	–	213
Total	440	–	–	652	1,092

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Property related provision relates to the dilapidation costs arising from exiting leasehold properties, under IAS 37.

Legal claims provision relates to the data breach in Australia.

Restructuring provision represents amounts provided in respect of the Group's restructuring and reorganisation and principally reflects redundancy costs.

Other provision relates to the recoverability of input VAT in the Philippines.

22. Deferred tax

The amounts provided for deferred tax and the amounts for which credit has been taken are set out below:

	2019 £'000	2018 £'000
Deferred tax assets		
Depreciation in excess of capital allowances	434	557
Other timing differences	766	1,020
Share-based payments	754	1,257
Tax losses	2,417	1,000
Retirement benefit schemes	91	170
	4,462	4,004
Deferred tax liabilities		
Intangible assets	(1,093)	(713)
	(1,093)	(713)
	3,369	3,291

The Directors are of the opinion, based on currently available forecasts, that these timing differences will reverse in the near future and when they do there will be sufficient taxable profits to recognise the impact of this in the income statement. Accordingly, the Directors believe that it is more likely than not that the deferred tax assets will be recoverable.

The Group has recognised a deferred tax asset of £2,417,000 (2018: £1,000,000) on tax losses carried forward in the UK of £14,512,000 (2018: £5,882,000).

The Group and Company have no further unrecognised deferred tax assets or liabilities.

The movement in deferred tax assets and liabilities during the year and prior year was as follows:

	Temporary differences on non-current assets £'000	Retirement defined benefit schemes £'000	Other temporary differences £'000	Total £'000
At 1 January 2018	661	292	2,046	2,999
Adjustments to opening balances – IFRS 15	–	–	265	265
Foreign exchange differences	333	–	(339)	(6)
(Charge)/credit to income statement	(437)	(49)	421	(65)
Items taken directly to equity	–	–	171	171
Charge recognised in consolidated statement of comprehensive income	–	(73)	–	(73)
At 31 December 2018 and 1 January 2019	557	170	2,564	3,291
Adjustments to opening balances - IFRS 16	–	–	(9)	(9)
Acquisitions	–	–	(735)	(735)
Foreign exchange differences	8	–	(10)	(2)
(Charge)/credit to income statement	(131)	4	950	823
Items taken directly to equity	–	–	84	84
Charge recognised in consolidated statement of comprehensive income	–	(83)	–	(83)
At 31 December 2019	434	91	2,844	3,369

Notes to the Financial Statements continued

22. Deferred tax continued

Included in other temporary differences are deferred tax assets of £2,417,000 (2018: £1,000,000) relating to tax losses carried forward and other timing differences of £,1,520,000 (2018: £2,277,000). The balance also includes a deferred tax liability, in relation to intangible assets of £1,093,000 (2018: £713,000).

The (charge)/credit taken to the income statement for items in 'other temporary differences' is split as follows: Tax losses £(1,102,000) (2018: £631,000); Intangible assets £(336,000) (2018 £(516,000)); Share schemes £271,000 (2018: £(314,000)); and other timing differences £217,000 (2018: £(222,000)).

There are no unrecognised deferred tax liabilities.

The deferred tax assets are expected to be settled as follows: £240,000 less than 12 months from 31 December 2019 and £4,222,000 greater than 12 months from 31 December 2019.

The impact of changes in tax rates on deferred tax balances of £227,000 (2018: £89,000) has been charged to the income statement and is included within the total credit to the income statement of £823,000 (2018: charge of £65,000) disclosed above.

23. Share-based payments

The Group recognised the following charges related to equity-settled share-based payment transactions:

	2019 £'000	2018 £'000
2019 SAYE	10	–
LTIPs (incorporating the CSOP) awarded in 2019	127	–
LTIPs (incorporating the CSOP) awarded in 2018	434	529
LTIPs (incorporating the CSOP) awarded in 2017	389	648
LTIPs awarded in 2016	49	551
Matching	–	509
Total	1,009	2,237

Awards made to eligible employees under the LTIP schemes are nil cost options with an award period of three years.

2019 SAYE

The 2019 SAYE Scheme was launched during the year. The scheme is open to all UK employees, giving them the opportunity to participate in the future growth of the Company via share option arrangements.

Eligible employees were invited to subscribe for options over Ordinary Shares of 5p of the Company with an exercise price of 58.2 pence, a 10% discount to the closing average market price of the Ordinary Shares from 3 September 2019 to 5 September 2019. The options have a contract start date of 1 November 2019 and are exercisable between 1 November 2022 and 30 April 2023.

A total of 176 employees elected to participate, and pursuant to these elections a total of 1,116,879 options over Ordinary Shares were issued on 24 September 2019 equating to 0.6% of the current issued share capital.

LTIPs awarded in 2019 (including the CSOP)

New awards in 2019 to Mark Pickett (760,563) will vest equally over the next 3 years. These awards were granted subject to performance conditions based on the Group's Adjusted Operating Profit for the years ended 31 December 2019, 2020 and 2021.

Eligible employees received awards under the CSOP scheme on 7 June 2019 and on 16 September 2019. Those granted in June 2019 can only be exercised after a three year period if the share price is above 71p and for those granted in September 2019, the exercise price is 61.5p.

LTIPs awarded in 2018 (including the CSOP)

Awards in 2018 were made to Ian Bowles (339,196) and Mark Pickett (251,256). In the normal course of business these options will vest on 22 May 2021, however those awarded to Ian Bowles vested on his death in 2018. These awards were granted subject to performance conditions based on the Group's Adjusted Operating Profit for the year ended 31 December 2018. During the year the Board approved the exercise of Ian Bowles's awards. They were exercised on 1 August 2019.

Eligible employees received awards under the CSOP scheme on 26 March 2018. These can only be exercised after a three year period if the share price is above 79.6p.

LTIPs awarded in 2017 (including the CSOP)

Awards in 2017 were made to Ian Bowles (348,387) and Mark Pickett (247,678). In the normal course of business these options will vest on 29 June 2020, however those awarded to Ian Bowles vested on his death in 2018. The options awarded to Mark Pickett are subject to a time-limit condition and continued employment. During the year the Board approved the exercise of Ian Bowles's awards. They were exercised on 1 August 2019.

Awards in 2017 under the new CSOP scheme (as part of the 2010 LTIP Plan) can only be exercised after a three year period if the share price is above 80p. The options may not be exercised before 25 March 2021.

LTIPs awarded in 2016

Awards in 2016, to eligible employees, vest according to a target share price. The amount of awards that will vest will range between 0% and 100% of those granted based on a target share price between 60p and 80p. These awards have now vested. During the year 2,841,020 options were exercised, including 2,454,546 for Ian Bowles.

Matching shares

The matching shares are only subject to a time-limit conditions. The matching share options vest equally over three years and may be exercised at any time during the period of two years from the applicable vesting dates (1 January 2017, 1 January 2018 and 1 January 2019), but not sold during that period. In December 2018 the exercise date of the first tranche was extended by 12 months to 1 January 2020, in line with the exercise date for the second tranche. 100% of these options have now fully vested and were exercised on 18 December 2019.

Options outstanding during the year are as follows:

	Matching		LTIP – nil cost		LTIP (inc CSOP)		SAYE	
	Number of options thousands	Weighted average exercise price*	Number of options thousands	Weighted average exercise price*	Number of options thousands	Weighted average exercise price	Number of options thousands	Weighted average exercise price
Outstanding at 1 January 2019	3,406	£0.05	7,140	£0.05	6,538	£0.80	–	–
Exercised during the year	(3,406)	£0.05	(3,529)	£0.05	–	–	–	–
Granted during the year	–	–	761	£0.05	2,900	£0.70	1,117	£0.58
Lapsed during the year	–	–	–		(1,319)	£0.77	–	–
Outstanding at 31 December 2019	–	£0.05	4,372	£0.05	8,119	£0.77	1,117	£0.58
Exercisable at 31 December 2019	–	£0.05	1,773	£0.05	–	–	–	–
Weighted average remaining contractual life (years)	–	–	7.4	–	8.7	–	3.3	–
Weighted average share price at date of exercise	–	£0.74	–	£0.74	–	–	–	–

Share options outstanding at the year-end have the following exercise prices: LTIP: £0.05, CSOP £0.80, £0.71 and £0.615 and SAYE £0.582.

* Under Companies Act 2006 rules a nominal value must be paid to issue new shares, however under the rules of the LTIP and Matching share schemes the Company will pay the nominal value to the participants as a bonus.

Notes to the Financial Statements continued

23. Share-based payments continued

The Group has used a Monte-Carlo valuation model for the LTIPs awarded in 2016 and an adjusted Black-Scholes valuation model for the pre 2016 LTIP awards, Matching shares, 2017, 2018 and 2019 LTIP awards (including the new CSOP plan) and 2019 SAYE in order to incorporate discount factors into the fair value to reflect the performance conditions of the LTIP grants and Matching shares. The following table sets out the information about how the fair value of the grants are calculated:

Date of grant	19 April 2016	28 June 2016	30 June 2016	30 June 2016*	30 June 2017*	2 July 2017
Type of grant	Matching	LTIPs	LTIPs	LTIPs	LTIPs	LTIPs (inc CSOP)
Share price	£0.44875	£0.505	£0.505	£0.5075	£0.838	£0.78
Exercise price	£0.05	£0.05	£0.05	£0.05	£0.05	£0.80
Expected dividend yield	0%	0%	0%	0%	0%	0%
Risk-free interest rate	1.17%	0.14%	0.14%	0.14%	0.14%	0.14%
Expected volatility	75%	68%	68%	68%	61%	61%
Term (years)	3.0	3.0	3.0	3.0	3.0	5.0
Option fair value	£0.449	£0.316	£0.318	£0.508	£0.79	£0.407
Expiry date	01 Jan 2021	27 June 2026	29 June 2026	29 June 2026	30 June 2027	2 July 2027
No of options issued	3,405,996	3,591,020	611,621	611,620	1,935,351	3,535,000
No of options outstanding	–	550,000	611,621	611,620	1,586,964	2,786,575

Date of grant	26 March 2018	22 May 2018	7 June 2019	7 June 2019	16 Sept 2019	1 October 2019
Type of grant	LTIPs (Inc CSOP)	LTIPs	LTIPs	LTIPs (inc CSOP)	LTIPs (Inc CSOP)	SAYE
Share price	£0.796	£0.78	£0.71	£0.71	£0.615	£0.647
Exercise price	£0.796	£0.05	£0.05	£0.71	£0.615	£0.582
Expected dividend yield	1%	1%	1.57%	1.57%	1.79%	1.79%
Risk-free interest rate	0.14%	0.14%	1.04%	1.04%	1.04%	1.04%
Expected volatility	61%	74%	26%	26%	26%	24%
Term (years)	5.0	5.0	5.0	5.0	5.0	3.0
Option fair value	£0.374	£0.664	£0.61	£0.32	£0.28	£0.108
Expiry date	26 March 2028	22 May 2028	06 June 2029	06 June 2029	15 Sept 2029	30 April 2023
No of options issued	3,975,000	590,452	760,563	2,600,000	300,000	1,116,879
No of options outstanding	2,957,352	251,256	760,563	2,075,342	300,000	1,116,879

* These awards have no market based performance conditions.

The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Expected volatility was determined by calculating the historical volatility of the Group's share price over the term commensurate with the expected term immediately prior to the date of grant.

There are 1,339,286 options over shares that have not been recognised in accordance with IFRS 2. These options were issued to the vendors of Sky Software Pty in 2017 as part of the deferred consideration payable. These options are subject to a performance condition measured over a maximum 3 year period ending 31 March 2020.

24. Share capital

	2019 number	2019 £'000	2018 number	2018 £'000
Allotted, called up and fully paid				
At beginning of the year	196,051,181	9,803	196,051,181	9,803
Issued during the year	3,528,603	176	–	–
At end of the year	199,579,784	9,979	196,051,181	9,803

The Company has one class of ordinary shares of 5p each which carry no right to fixed income.

The shares issued during the year were in order to satisfy exercises of share-based payment schemes. 3,142,129 shares were issued on 1 August 2019 and 386,474 were issued on 3 October 2019. The exercise costs of 5p per share for the LTIPs resulted in cash receipts of £0.2m.

25. Other reserves

	Capital reserve £'000	Merger reserve £'000	Own share reserve £'000	Share-based payment reserve £'000	Total £'000
At 1 January 2018	9,545	11,304	(856)	2,790	22,783
Movement in relation to share-based payment (net)	–	–	–	2,237	2,237
At 31 December 2018 and 1 January 2019	9,545	11,304	(856)	5,027	25,020
Movement in relation to share-based payment (net)	–	–	–	1,009	1,009
At 31 December 2019	9,545	11,304	(856)	6,036	26,029

The capital reserve of £9.5m (2018: £9.5m) resulted from a share exchange when Tribal Group plc was listed in February 2001.

The merger reserve of £11.3m (2018: £11.3m) relates to the premium arising on shares issued subject to the provisions of section 612 of the Companies Act 2006 (previously section 131 of the Companies Act 1985), net of cumulative goodwill impairment of £58.7m (2018: £58.7m) in respect of related acquisitions deemed to be impaired.

The own share reserve of £(0.9)m (2018: £(0.9)m) represents the cost of 827,692 shares (2018: 827,692) in Tribal Group plc held by the Employee Share Ownership Trust to satisfy certain options under the Group's share option schemes.

The share-based payment reserve represents the reserve arising from the application of IFRS 2.

Notes to the Financial Statements continued

26. Leases

As a lessee

The Group's leases represent land & buildings. Information about leases for which the Group is a lessee is presented below:

Right-of-use assets

	2019 £'000
Balance at 1 January	4,176
Additions to right-of-use assets	1,083
Depreciation charge for year	(1,043)
Disposals during the year	(54)
Exchange differences	(52)
Balance at 31 December	4,110

Lease liabilities

Maturity analysis	2019 £'000
Less than one year	1,034
One to five years	2,959
More than five years	524
Total undiscounted lease liabilities at 31 December	4,517
Current	933
Non-current	3,286
Lease liabilities included in the Consolidated Balance Sheet at 31 December	4,219

	2019 £'000
Amounts recognised in the Consolidated Income Statement	
Interest on lease liabilities	131
Depreciation on right-of-use assets	1,043
Expenses relating to short term leases	130
Expenses relating to leases of low-value assets	52
	1,356
Amounts recognised in the Consolidated Cashflow Statement	
Interest	115
Principal	865
Total cash outflow for leases	980

The Group has lease contracts for office properties in various countries that the Group operates in. Leases of office properties generally have lease terms between 2 and 10 years. The Group's obligations under its leases are secured by the lessor's title to the leasehold properties. The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised. As at 31 December 2019, management does not intend to exercise termination options (i.e., break clauses) in the existing leases. Total lease payments of £139,000 are potentially avoidable were the group to exercise break clauses at the earliest opportunity.

The Group also has certain leases of office properties with lease terms of 12 months or less and leases of vehicles and office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Lease payments for some property leases are subject to annual fixed increase. The total lease payments subject to annual fixed increase in 2019 are £325,000 compared to total lease payments of £980,000.

As a lessor

Lease income from lease contracts in which the Group acts as a lessor is as below:

	2019 £'000
Finance income on the net investment in the lease	52

The Group has sub-leased an office building and has classified the sub-lease as a finance lease, as the sub-lease is for majority of the remaining term of the head lease.

Maturity analysis	**2019 £'000**
Less than one year	52
One to five years	234
Total undiscounted lease payments receivable at 31 December	286
Current	46
Non-current	220
Net investment in the lease at 31 December	266

27. Retirement benefit schemes

The Group operates a number of defined contribution and defined benefit pension schemes within individual subsidiaries and contributes to certain employees' personal pension plans. The pension charge for the year ended 31 December 2019 was £1.9m (2018: £1.9m), of which £1.9m (2018: £1.9m) related to defined contribution schemes and £nil (2018: £nil) to defined benefit schemes.

Contributions amounting to £0.2m (2018: £0.2m) were payable to the funds at the year end and are included in current liabilities.

Defined benefit schemes

At 31 December 2019, the Group operated two defined benefit pension schemes for the benefit of certain deferred employees of its subsidiaries in the UK. These schemes are administered by separate funds that are legally separated from the Company. The trustees of the pension funds are required by law to act in the interest of the funds and of all relevant stakeholders in the schemes. The trustees of the pension funds are responsible for the investment policy with regard to the assets of the funds.

Scheme 1 – the Prudential Platinum Pension Fund

Tribal Education Limited, a Group subsidiary, participates in the Prudential Platinum Pension Fund (PPP), which is a defined benefit arrangement. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 31 December 2018.

The Tribal Education section of the Prudential Platinum Pension Fund had 5 deferred members at the year-end. The weighted average duration of the Defined Benefit Obligation is 33 years (2018: 34 years). Employer contributions amounting to £43,000 were paid in the year ended 31 December 2019 (2018: £21,000). The accounting figures have been calculated using the valuation as at 31 December 2018, updated on an approximate basis to 31 December 2019 by a qualified independent actuary.

Scheme 2 – the Federated Pension Plan

Tribal Education Limited, a Group subsidiary, participates in the Federated Pension Plan (FPP), which is a defined benefit arrangement. The Ofsted employees were transferred back to Ofsted in March 2017 and the plan closed to future accrual. All of the active members at 31 March 2017 were transferred to the deferred section of the plan. On 11 September 2018 there was a bulk transfer of 45 deferred members into a government scheme and a settlement gain of £380,000 crystallised. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 5 April 2018.

The Tribal Education section of the Federated Pension Plan had 88 deferred members and 74 pensioners/dependents at the year-end. The weighted average duration of the Defined Benefit Obligation is 23 years (2018: 23 years). Employer contributions amounting to £nil were paid in the year ended 31 December 2019 (2018: £nil). The accounting figures have been calculated using the valuation as at 5 April 2018, updated on an approximate basis to 31 December 2019 by a qualified independent actuary.

Notes to the Financial Statements continued

27. Retirement benefit schemes continued

The schemes are exposed to a number of risks, including:

- Investment risk: movement of discount rate used against the return from plans
- Interest rate risk: decreases/increases in the discount rate used will increase/decrease the defined benefit obligation
- Longevity risk: changes in the estimation of the mortality rates of current and former employees

The assets of the funds have been taken at market value and the actuarial assumptions used to calculate scheme liabilities under IAS 19 'Employee Benefits' for both schemes are:

	2019 % per annum	2018 % per annum
Inflation	2.50–3.30	2.50–3.50
Salary increases	nil	nil
Rate of discount	1.9	2.7
Pension in payment increases	2.50–3.30	2.50–3.50

The salary increase assumption is nil as both the FPP and PPP only have deferred members.

The mortality assumptions adopted at 31 December 2019 imply the following life expectations:

	Males	Females
Aged 60 in 2019	86.7	88.7
Aged 60 in 2039	88.2	90.3

The mortality assumptions adopted at 31 December 2018 imply the following life expectations:

	Males	Females
Aged 60 in 2018	86.6	88.6
Aged 60 in 2038	88.1	90.2

The analysis of the schemes' assets at the balance sheet date was as follows:

	2019 £'000	2018 £'000
Equities	4,930	4,357
Corporate Bonds	2,605	2,296
Gilts	135	127
Cash	75	66
Total fair value of scheme assets	7,745	6,846

All equities and corporate bonds are quoted on active markets.

The sensitivities regarding the principal assumptions used to measure the schemes' liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0.5%	Decrease by 11%
Rate of inflation	Increase by 0.5%	Increase by 8%
Rate of mortality	Increase by one year	Increase by 2%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The amount included in the balance sheet arising from the Group's obligation in respect of its defined benefit schemes is as follows:

	2019 £'000	2018 £'000
Present value of defined benefit obligations	(8,285)	(7,848)
Fair value of scheme assets	7,745	6,846
Deficit in schemes	(540)	(1,002)
Liability recognised in the balance sheet	(540)	(1,002)

Reconciliation of opening and closing balances of the fair value of scheme assets:

	2019 £'000	2018 £'000
Fair value of scheme assets at beginning of year	6,846	11,013
Expected return on assets	184	261
Actuarial gains/(losses) due to investment returns different from the return implied by the discount rate	812	(593)
Contributions by employer	43	21
Benefits paid	(96)	(219)
Settlements	–	(3,615)
Administration expenses	(44)	(22)
Fair value of scheme assets at end of year	7,745	6,846

Reconciliation of opening and closing balances of the present value of the defined benefit obligations:

	2019 £'000	2018 £'000
Defined benefit obligation at beginning of year	7,848	12,731
Current service cost	–	52
Interest cost	211	302
Actuarial (gain)/loss – experience	(780)	(98)
Actuarial loss/(gain) – demographic assumptions	17	(391)
Actuarial loss/(gain) – financial assumptions	1,085	(534)
Benefits paid	(96)	(219)
Settlements	–	(3,995)
Defined benefit obligation at end of year	8,285	7,848

The Group's contribution rate for 2019 was 0% (2018: 0%) for the Prudential Platinum Fund and 0% (2018: 0%) for the Federated Pension Plan.

The Group expects to make contributions of £21,000 to the defined benefit schemes during the next financial year.

Notes to the Financial Statements continued

27. Retirement benefit schemes continued

Analysis of amounts recognised in the consolidated income statement for the defined benefit schemes is as follows:

	2019 £'000	2018 £'000
Current service cost	–	52
Administration expenses	44	22
Recognised in arriving at operating profit	44	74
Other finance (income)costs		
Settlement gain	–	(380)
Interest on pension scheme liabilities	211	302
Expected return on pension scheme assets	(184)	(261)
Net finance expense/(credit)	27	(339)
Total charge/(credit) to income statement	71	(265)

Analysis of actuarial gains and losses in the consolidated statement of comprehensive income:

	2019 £'000	2018 £'000
Actual return less expected return on pension scheme assets	812	(593)
Experience gains and losses arising on the scheme liabilities	780	98
Changes in assumptions underlying the present value of scheme liabilities	(1,102)	925
Total actuarial gains recognised in the consolidated statement of comprehensive income	490	430

Cumulative actuarial losses recognised in the consolidated statement of comprehensive income since 1 April 2004 are £455,000 (2018: losses of £945,000).

The history of experience adjustments is as follows:

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Present value of defined benefit obligations	(8,285)	(7,848)	(12,731)	(11,917)	(8,604)
Fair value of scheme assets	7,745	6,846	11,013	10,192	8,692
(Deficit)/surplus in the scheme	(540)	(1,002)	(1,718)	(1,725)	88
Experience adjustments arising on scheme assets:					
Amount	812	(593)	484	863	(166)
Percentage of the scheme assets	10%	(9%)	4%	8%	(2%)
Experience adjustments arising on scheme liabilities:					
Amount	780	98	118	789	77
Percentage of the present value of the scheme liabilities	9%	1%	1%	7%	1%

No assets are invested in the Group's own financial instruments, properties or other assets used by the Group.

28. Notes to the cash flow statement

	2019 £'000	2018 £'000
Operating (loss)/profit from continuing operations	(2,446)	4,583
Depreciation of property, plant and equipment	879	995
Depreciation of right-of-use assets	1,043	–
Amortisation and impairment of other intangible assets	3,770	5,099
Share based payments	1,042	2,265
Research and development tax credit	(176)	(325)
Net pension charge	3	54
Other non-cash items	(428)	55
Operating cash flows before movements in working capital	3,687	12,726
Decrease in receivables	2,248	2,034
Increase in payables	6,245	1,086
Net cash from operating activities before tax	12,180	15,846
Tax received/(paid)	179	(1,605)
Net cash from operating activities	12,359	14,241

Net cash from operating activities before tax can be analysed as follows:

	2019 £'000	2018 £'000
Continuing operations (excluding restricted cash)	12,180	15,885
Decrease in restricted cash	–	(39)
	12,180	15,846

29. Analysis of net cash

	2019 £'000	2018 £'000
Cash and cash equivalents (note 18)	16,463	19,974
Net cash	16,463	19,974

Analysis of changes in net cash	2019 £'000	2018 £'000
Opening net cash	19,974	14,082
Net (decrease)/increase in cash and cash equivalents	(3,725)	6,088
Effect of foreign exchange rate changes	214	(196)
Closing net cash	16,463	19,974

Notes to the Financial Statements continued

30. Contingent liabilities

From time to time the Group is subject to potential and actual litigation claims. On the basis of legal advice, claims are being robustly contested as to both liability and quantum. A provision of £0.1m (2018: £nil) has been made for defending and settling these claims, where appropriate (see note 21).

The Company and its subsidiaries have provided performance guarantees issued by its banks on its behalf, in the ordinary course of business, totalling £1.6m (2018: £1.0m). These are not expected to result in any material financial loss.

As disclosed in note 34, Tribal Holdings Limited, Tribal Dynamics Limited , Tribal Dynamics Holdings Limited and International Graduate Insight Group Limited have taken advantage of the exemption available under Section 394A/479A of the Companies Act 2006 in respect of the requirements for audit. As a condition of the exemption, the Company has guaranteed the year-end liabilities of these subsidiaries until they are settled in full. The liabilities of the subsidiaries at the year-end was £35,683,000 (2018: £25,967,000). These are inclusive of intercompany liabilities.

31. Financial instruments

Capital risk management

The Group manages its capital to ensure the entities in the Group will be able to continue as going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash and cash equivalents (see note 18) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Consolidated Statement of Changes in Equity and notes 24 and 25.

Gearing ratio

The Gearing ratio at the year-end is as follows:

	2019 £'000	2018 £'000
Net cash	16,463	19,974
Equity	31,319	35,474
Net cash to equity ratio	52.5%	56.3%

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Categories of financial instruments

The Directors consider that the book value of the financial assets and liabilities is equal to their fair value.

31 December 2019	Financial assets measured at amortised cost £'000	Financial Liabilities measured at amortised cost £'000	Financial Liabilities measured at FVTPL £'000	Total £'000
Financial assets				
Cash and cash equivalents	16,463	–	–	16,463
Trade receivables and other receivables*	7,960	–	–	7,960
	24,423	–	–	24,423
Financial liabilities				
Trade payables and other payables**	–	2,209	–	2,209
Accruals	–	14,437	–	14,437
Deferred contingent consideration	–	–	3,632	3,632
	–	16,646	3,632	20,278

31 December 2018	Financial assets measured at amortised cost £'000	Financial Liabilities measured at amortised cost £'000	Financial Liabilities measured at FVTPL £'000	Total £'000
Financial assets				
Cash and cash equivalents	19,974	–	–	19,974
Trade receivables and other receivables*	9,690	–	–	9,690
	29,664	–	–	29,664
Financial liabilities				
Trade payables and other payables**	–	3,316	–	3,316
Accruals	–	7,941	–	7,941
Deferred non-contingent consideration	–	473	–	473
	–	11,730	–	11,730

* Excluding amounts that relate to non-financial instruments of tax, prepayments and contract assets.

** Excluding amounts that relate to non-financial instruments of tax and contingent deferred consideration.

The above tables have been stated at undiscounted values with the exception of contingent and non-contingent deferred consideration. The undiscounted value of the non-contingent deferred consideration is £nil (2018: £485,000), versus a discounted value of £nil as at 31 December 2019 (2018: £473,000). The undiscounted value of the contingent deferred consideration is £4,000,000 (2018: £nil) versus a discounted value of £3,632,000 (2018: £nil).

There are no financial assets held at fair value (2018: £nil).

Notes to the Financial Statements continued

31. Financial instruments continued

Financial risk management objectives

Treasury management is led by the Group finance team, which is responsible for managing the Group's exposure to financial risk. It operates within a defined set of policies and procedures reviewed and approved by the Board. This includes both foreign exchange risk and interest rate risk. The Group's exposure to interest rate fluctuations on its interest-bearing assets and liabilities is selectively managed, using interest rate swaps where appropriate. This is an ongoing risk and the Board will continue with this policy. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. No interest rate swaps were in place at 31 December 2019 (2018: none).

Market risk

As the Group's international activities grow, its exposure to overseas markets also increases in non-core territories outside of the UK and Australasia. There have been no other significant changes to the Group's exposure to market risk, or the manner in which it manages and measures the risk.

Foreign currency risk management

The Group undertakes an increasing number of transactions denominated in foreign currencies. Here, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters and the Group enters into forward foreign exchange contracts where appropriate. No forward contracts were in place at 31 December 2019 (2018: none).

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	31 December 2019 £'000	31 December 2018 £'000	31 December 2019 £'000	31 December 2018 £'000
Euros	105	792	23	159
Australian Dollar	6,789	3,725	18	–
United States Dollar	874	354	27	45
Saudi Arabian Riyal	78	94	–	–
South African Rand	107	192	–	–
New Zealand Dollar	1,620	1,233	12	–
Canadian Dollar	399	407	–	–
Philippine Peso	133	158	1	–
United Arab Emirates Dirham	1,082	2,316	–	–
Malaysian Ringgit	1,558	1,961	–	–
Bahraini Dinar	38	56	19	–
Other	32	70	–	–
	12,815	11,358	100	204

Foreign currency sensitivity analysis

The Group is primarily exposed to the following currencies: US Dollar, Euro, Australian Dollar, New Zealand Dollar, Canadian Dollar, United Arab Emirates Dirham, Philippine Peso, Bahraini Dinar and Malaysian Ringgit.

If Sterling were to strengthen or weaken by 10% against the relevant foreign currencies, the balances in the table above would give rise to an increase/reduction in profit of £1,285,000 (2018: £1,144,000). This sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period-end for a 10% change in foreign currency rates.

10% represents management's assessment of the reasonably possible change in foreign exchange rates.

Interest rate risk management

The Group is exposed to interest rate risk because entities hold cash deposits. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied. There are no hedges in place as at 31 December 2019 (2018: nil).

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Credit risk management

The Group's principal financial assets are cash and cash equivalents and trade and other receivables. The Group's credit risk is relatively low because a high proportion of trade and other receivables have a sovereign or close to sovereign rating. Of the total trade receivables balance at the end of the year, £0.4m is due from one customer (2018: £1.0m from two customers).

Trade receivables and contract assets.

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables. In the absence of any seasonality to the business, 2% increase in defaults was considered appropriate and supportable as the risk of credit losses is relatively low.

Before applying the expected loss rate percentage to each respective ageing category of trade receivables an assessment of specific customers has occurred and these amounts have been excluded from the general loss allowance. The expected credit loss for these customers is separately assessed (using the same logic as above) and relates to customers where the probability of default is higher.

On that basis, the loss allowance as at 31 December 2019 and 1 January 2019 was determined as follows for both trade receivables and contract assets:

31 December 2019 £'000	Current	30–60	61–90	91–180	180+	Total
Expected loss rate	0%	4%	17%	14%	10%	
Trade receivables	6,035	1,253	332	190	260	8,070
Contract assets	3,993	–	–	–	–	3,993
General loss allowance	25	126	76	66	47	340
Case by case loss allowance	–	–	–	–	101	101

1 January 2019 £'000	Current	30–60	61–90	91–180	180+	Total
Expected loss rate	3%	7%	8%	9%	7%	
Trade receivables	7,395	635	619	549	254	9,452
Contract assets	3,826	–	–	–	–	3,826
General loss allowance	71	9	14	11	32	137

The expected credit losses on trade receivables and contract assets have been calculated using the simplified approach. A reconciliation of closing loss allowances for trade receivables and contract assets as at 31 December 2019 to the opening loss allowances is in note 17.

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 financial assets at amortised cost

Other financial assets at amortised cost include, loans to related parties and key management personnel and other receivables. The loss allowance for other financial assets at amortised cost as at 31 December 2019 was £nil (2018: £nil).

Notes to the Financial Statements continued

31. Financial instruments continued

Contract risk management

Contract assets inherently have some contractual risks associated with them related to the specific and ongoing risks in each individual contract with a customer.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate cash reserves and banking facilities, and by continuously monitoring forecast and actual cash flows. The Group has access to committed financing facilities; being a short-term UK overdraft facility of £2.0m and a short-term AUS overdraft facility of $2.0m. The total unused amount was £2.0m and $2.0m at the balance sheet date and no interest is being incurred on this balance (2018: £nil). The Group expects to meet its obligations from operating cash flows. The Group also had cash balances at 31 December 2019 of £16.5m (2018: £20.0m) as detailed in note 18. Interest is received on this at applicable bank rates.

On 21 January 2020 the Group entered into a new 3 year £10m multi-currency revolving facility with HSBC with the option to extend to a further 2 years. The facility was put in place to cover general corporate and working capital requirements of the Group.

32. Related party disclosures

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

On 7 June 2019, Tribal Group plc (the Company) granted nil-cost options over a total of 760,563 ordinary shares (representing approximately 0.40% of the Company's issued shares) to Mark Pickett under the terms of its 2010 Long Term Incentive Plan. This award has been granted subject to performance conditions based on the Group's Adjusted Operating Profit for the years ending 31 December 2019, 2020 and 2021. The options may not be exercised before 6 June 2022.

On 7 June 2019, Tribal Group plc (the Company) granted company share options over a total of 2,900,000 ordinary shares (representing approximately 1.5% of the Company's issued shares) to members of the senior management team under the Company share option plan. All of the Options are exercisable at 71p per Ordinary Share. The Options may not be exercised before 6 June 2022.

On 16 September 2019, Tribal Group plc (the Company) granted company share options over a total of 300,000 ordinary shares (representing approximately 0.2% of the Company's issued shares) to members of the senior management team under the Company share option plan. All of the Options are exercisable at 61.5p per Ordinary Share. The Options may not be exercised before 15 September 2022.

On 1 November 2019, Tribal Group plc (the Company) granted company share options over a total of 92,778 ordinary shares (representing approximately 0.05% of the Company's issued shares) to Mark Pickett and members of the senior management team under the Company SAYE plan. All of the Options are exercisable at 58.2p per Ordinary Share. The Options are exercisable between 1 November 2022 and 30 April 2023.

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. The members of the Group Board and the Group's Executive Board are considered to be the key management personnel of the Group.

Remuneration of key management personnel

	2019 £'000	2018 £'000
Salaries and short-term employee benefits	3,711	3,674
Termination benefits	318	291
Share-based payments	814	2,164
	4,843	6,129

Included within Directors' salaries and short-term employee benefits are pension costs of £12,000 (2018: £37,000) in respect of accruals and payments made to one (2018: two) Directors' individual defined contribution pension schemes. Included within share-based payments are amounts paid on dividends on share options that have met performance conditions. Disclosures on Directors' remuneration, share options, long-term incentive schemes, and pension contributions are contained in the Directors' remuneration section within the audited part of the Remuneration report on pages 51 to 55 and form part of these audited financial statements. Arrangements with the Group's pension schemes are set out in note 27.

33. Acquisition of subsidiary

On 10 May 2019, the Group acquired 100% of the issued share capital of Tribal Dynamics Holdings Limited (formerly Crimson Holdings Limited) and its subsidiary Tribal Dynamics Limited (Dynamics) (formerly Crimson Consultants Limited), a company incorporated in the UK that is a leading provider of customer relationship management (CRM) based solutions to the education market.

This technology acquired provides valuable, additional functionality to Tribal Edge. It will accelerate its speed to market and reduces Tribal's requirement to develop this functionality. Additionally, Dynamics brings with it a broad existing customer base and strong relationships with Higher Education universities and Further Education colleges.

This transaction has been accounted for by the purchase method of accounting. This comprises an initial cash consideration of £5.9m and a deferred contingent consideration of £4.0m (the discounted figure at acquisition being £3.3m) which is payable on the annual recurring revenue (ARR) growth of the acquired business calculated at the end of each financial year (2019 and 2020). Deferred contingent consideration that becomes due shall be satisfied in the period from March 2020 to March 2021. For every 5% of the target ARR hurdle missed undiscounted contingent consideration reduces by £100,000. As at the date of this report, the ARR for the year ended 31 December 2019 is yet to be agreed with the vendors.

The provisional carrying amount of each class of Crimson Consultants Limited's assets before combination is set out below:

	Book value £'000	Fair value adjustments £'000	Acquisition adjustments £'000	Provisional fair value £'000
Intangible assets	–	–	4,325	4,325
Tangible assets	15	(15)	–	–
Trade and other receivables	310	–	–	310
Contract assets	331	–	–	331
Cash and cash equivalents	34	–	–	34
Trade and other payables	(394)	(51)	–	(445)
Contract liabilities	(486)	–	–	(486)
Deferred tax liabilities	–	–	(735)	(735)
Net (liabilities)/assets acquired	(190)	(66)	3,590	3,334
Goodwill arising on acquisition				5,870
Consideration - Satisfied by:				
Initial cash consideration				5,904
Deferred contingent consideration				3,300
				9,204

The initial cash consideration paid to Dynamics was satisfied through existing cash balances. The acquisition led to a net cash out-flow, taking into account the cash acquired, of £5,870,000.

Intangible assets arising on acquisition are in respect of customer relationships and contracts (£1.6m) and software (£2.7m).

The goodwill arising on acquisition is attributable to synergies, the assembled workforce, and potential future relationships, contracts and software.

Trade and other receivables are held at fair value and as at the date of acquisition 100% of these trade receivables are expected to be collected.

Tribal Dynamics Limited contributed revenue of £1.8m and operating profit of £0.2m to the Group for the period between the date of acquisition and the balance sheet date. Acquisition related costs amounted to £0.2m (2018: £0.1m) and are included in administrative expenses in the Consolidated Income Statement and in the operational cashflows in the Consolidated Cashflow Statement.

Had the acquisition occurred on 1 January 2019, the Group's revenue for the year to December 2019 would have increased by £2.7m and its operating profit increased by £0.2m.

Notes to the Financial Statements continued

34. Subsidiaries

The Group consists of a parent company (limited by shares) Tribal Group plc, incorporated and domiciled in England and Wales and a number of subsidiaries held directly and indirectly by Tribal Group plc, which operate and are incorporated around the world. Tribal Education Limited also operates branches in New Zealand, South Africa, Hungary, and Abu Dhabi.

Tribal Group plc has guaranteed the liabilities of Tribal Holdings Limited, Tribal Dynamics Limited, Tribal Dynamics Holdings Limited and International Graduate Insight Group Limited in order that they qualify for the exemption from audit under Section 394A/479A of the Companies Act 2006 in respect of the year ended 31 December 2019.

Information about the composition of the Group at the end of the reporting period is as follows:

Name of Entity	Address of the registered office	Nature of Business	Proportion of ordinary shares held directly by parent (%)	Proportion of ordinary shares held by the Group (%)
Tribal Education Limited	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Education related systems and solutions	100%	100%
Tribal Holdings Limited	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	IP holding Company	100%	100%
International Graduate Insight Group Limited	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Educational consultancy services	–	100%
Tribal Dynamics Limited (formerly Crimson Consultants Limited)	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Education related systems and solutions	–	100%
Tribal Dynamics Holdings Limited (formerly Crimson Consultants Holdings Limited)	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Dormant Company	100%	100%
Human Edge Software Corporation PTY Limited	West 7–8 Federal Mills Park, 3–35 Mackey Street, Geelong, North Victoria, 3215, Australia	Education related systems and solutions	–	100%
Tribal Campus PTY Limited	West 7–8 Federal Mills Park, 3–35 Mackey Street, Geelong, North Victoria, 3215, Australia	Education related systems and solutions	–	100%
Tribal Group PTY Limited	West 7–8 Federal Mills Park, 3–35 Mackey Street, Geelong, North Victoria, 3215, Australia	Education related systems and solutions	–	100%
Callista Software Services PTY Limited	West 7–8 Federal Mills Park, 3–35 Mackey Street, Geelong, North Victoria, 3215, Australia	Education related systems and solutions	–	100%
Tribal Middle East SPC Limited	81, 1901 Road 1704, Manama, Alhoora, Kingdom of Bahrain	Education related systems and solutions	100%	100%
Tribal Group (Malaysia) SDN	12th floor, Menara Symphony, No 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia	Education related systems and solutions	–	100%
Tribal Group South Africa (PTY) Limited*	2 Alexandra Avenue, Unit 8, Craighall. Gauteng, 2196, South Africa	Education related systems and solutions	–	100%
Tribal Systems Canada Limited	1100 One Bentall Centre, 505 Burrard Street, Box 11, Vancouver, BC V7X 1M5, Canada	Education related systems and solutions	–	100%
Human Edge Software Philippines INC	Units 1001,1005,1006, 10th floor Cyberpod One, Eton Centris, Barangay Pinahan, Quezon City, Philippines 1100	Education related systems and solutions	–	100%
i-graduate USA LLC	1007 N Orange Street, 9th Floor, Wilmington, Delaware, 19801, USA	Educational consultancy services	–	100%
Class Measures INC	100 Tower Park Drive, Suite A, Woburn MA 01801, USA	Education related systems and solutions	–	100%
Class Measures Limited	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Dormant Company	–	100%
Tribal Group Asset Co Pty Limited	West 7–8 Federal Mills Park, 3–35 Mackey Street, Geelong, North Victoria, 3215, Australia	Dormant Company	–	100%

* This company is in the process of being struck off.

35. Post balance sheet events

The Group has signed an agreement to settle the dispute with a platform provider for past royalties, and a new 10 year agreement for royalties due on future sales and renewals. An accrual for 100% of the settlement, including legal fees has been included as at 31 December 2019. Royalties payable on future sales and renewals will be recognised when related sales and renewals are recorded.

On 21 January 2020 the Group entered into a 3 year £10m multicurrency revolving facility with HSBC with the option to extend by a further 2 years. The facility was put in place to cover general corporate and working capital requirements of the Group.

Company only Balance Sheet

As at 31 December 2019

	Note	2019 £'000	2018 £'000
Investments	38	76,930	66,758
Current assets			
Debtors	39	6,085	5,952
Deferred tax assets	40	855	927
Cash at bank and in hand		57	1
Total current assets		6,997	6,880
Total assets		83,927	73,638
Creditors: amounts falling due within one year	41	(30,841)	(20,032)
Net current liabilities		(23,844)	(13,152)
Total assets less current liabilities		53,086	53,606
Creditors: amounts falling due after one year	41	(1,939)	–
Net assets		51,147	53,606
Capital and reserves			
Called up share capital	42	9,979	9,803
Share premium	43	15,539	15,539
Merger reserve	43	11,304	11,304
Own share reserve	43	(856)	(856)
Share-based payment reserve	43	6,036	5,027
Retained earnings:			
At 1 January	43	12,789	4,662
(Loss)/profit for the year attributable to the owners	43	(1,458)	10,019
Equity dividend paid	43	(2,147)	(1,952)
Other changes in retained earnings	43	(39)	60
At 31 December	43	9,145	12,789
Equity shareholders' funds		51,147	53,606

Notes 36 to 46 form part of these financial statements.

The financial statements on pages 120 to 127 of Tribal Group plc (registered number 04128850) were approved by the Board of Directors and authorised for issue on 18 March 2020. They were signed on its behalf by:

Richard Last
Director

Mark Pickett
Director

Company only Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Called up Share capital £'000	Share premium £'000	Merger reserve £'000	Own share reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018		9,803	15,539	11,304	(856)	2,790	4,662	43,242
Profit and total comprehensive income for the year		–	–	–	–	–	10,019	10,019
Equity dividend paid	12	–	–	–	–	–	(1,952)	(1,952)
Charge to equity for share-based payments	23	–	–	–	–	2,265	–	2,265
Foreign exchange differences on share-based payments	23	–	–	–	–	(28)	–	(28)
Tax credit on charge to equity for share-based payments	40	–	–	–	–	–	60	60
Contributions by and distributions to owners		–	–	–	–	2,237	(1,892)	345
At 31 December 2018 and 1 January 2019		9,803	15,539	11,304	(856)	5,027	12,789	53,606
Loss and total comprehensive expense for the year		–	–	–	–	–	(1,458)	(1,458)
Issue of share capital	24	176	–	–	–	–	–	176
Equity dividend paid	12	–	–	–	–	–	(2,147)	(2,147)
Charge to equity for share-based payments	23	–	–	–	–	1,042	–	1,042
Foreign exchange differences on share-based payments	23	–	–	–	–	(33)	–	(33)
Tax on charge to equity for share-based payments	40	–	–	–	–	–	(39)	(39)
Contributions by and distributions to owners		176	–	–	–	1,009	(2,186)	(1,001)
At 31 December 2019		9,979	15,539	11,304	(856)	6,036	9,145	51,147

Notes to the Company Balance Sheet

36. Significant accounting policies

Tribal Group plc is a public limited company incorporated and domiciled in England and Wales.

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial information has been prepared on the going concern and historical cost basis. The principal accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

37. (Loss)/profit for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The loss for the Company (before dividends paid) amounted to £1.5m (2018: profit of £10.0m). Dividends paid amounted to £2,147,000 (2018: £1,952,000). The independent auditors' remuneration for audit services to the Company was £140,000 (2018: £122,000).

38. Investments

	Shares in subsidiary undertakings £'000	Long-term loans £'000	Total £'000
Cost			
At 1 January 2018	11,745	54,248	65,993
Capital contribution relating to share-based payments	765	–	765
At 31 December 2018 and at 1 January 2019	12,510	54,248	66,758
Capital contribution relating to share-based payments	732	–	732
Acquisition of subsidiary (note 33)	9,440	–	9,440
At 31 December 2019	22,682	54,248	76,930

Long-term loans are treated as investments as they are non repayable.

As Tribal Group plc grants share options to employees in subsidiary companies, a notional capital contribution is created in the books of the relevant subsidiary undertaking. This is treated as an investment by Tribal Group plc.

The Directors have considered the value of the above investments and are satisfied that the aggregate value of each investment is not less than its carrying value. The investments in subsidiaries are all stated at cost less provision.

Details of the Companies subsidiaries are given in note 34 to the consolidated financial statements.

39. Debtors

	2019 £'000	2018 £'000
Amounts owed by Group undertakings	5,924	5,795
Other debtors	161	157
	6,085	5,952

All amounts owed by group undertakings are unsecured and have no fixed repayment date. No interest is charged and amounts are repayable on demand. All debtors fall due within one year.

The Company has applied the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for Group receivables. The parent company has guarantees in place for its UK subsidiaries, and management have assessed each entity's ability to repay amounts owed. As a result, no expected credit loss has been recognised.

40. Deferred tax asset

	2019 £'000	2018 £'000
Deferred taxation		
At start of year	927	949
Charge to income statement	(33)	(82)
Items taken directly to equity	(39)	60
At end of year	855	927

The deferred tax asset is analysed as follows:

	2019 £'000	2018 £'000
Share schemes	185	927
Other timing differences	670	–
	855	927

Deferred tax assets are all non-current assets.

41. Creditors

Amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed to group undertakings	28,160	18,215
Trade and other creditors	674	527
Current tax	–	406
Accruals	314	884
Contingent deferred consideration	1,693	–
	30,841	20,032

All amounts owed to group undertakings are unsecured and have no fixed repayment date. No interest is charged and amounts are repayable on demand.

Notes to the Company Balance Sheet continued

41. Creditors continued

Amounts falling due after one year

	2019 £'000	2018 £'000
Contingent deferred consideration	1,939	–

42. Called up share capital

	2019 number	2019 £'000	2018 number	2018 £'000
Allotted, called up and fully paid				
At beginning of the year	196,051,181	9,803	196,051,181	9,803
Issued during the year	3,528,603	176	–	–
At end of the year	199,579,784	9,979	196,051,181	9,803

The shares issued during the year were in order to satisfy exercises of share-based payment schemes. 3,142,129 shares were issued on 1 August 2019 and 386,474 were issued on 3 October 2019. The exercise costs of 5p per share for the LTIPs resulted,in cash receipts of £0.2m.

Details of options in respect of shares outstanding at 31 December 2019 are as follows:

Employee share option schemes:	Number outstanding '000	Exercise price payable	Date from which exercisable
2016 LTIP	1,162	£0.05	June 2019
2016 LTIP	611	£0.05	June 2017
2017 LTIP	1,587	£0.05	June 2020
2018 LTIP	251	£0.05	July 2021
2019 LTIP	761	£0.05	June 2022
	4,372		
2017 LTIP (inc CSOP)	2,787	£0.80	July 2020
2018 LTIP (inc CSOP)	2,957	£0.796	March 2021
2019 LTIP (inc CSOP)	2,075	£0.71	June 2022
2019 LTIP (inc CSOP)	300	£0.615	September 2022
	8,119		
2019 SAYE	1,117	£0.582	November 2022
Total Tribal Group plc share option schemes	13,608		

Details of share-based payments are given in note 23 to the consolidated financial statements.

43. Share premium and other reserves

	Merger reserve £'000	Share premium reserve £'000	Own share reserve £'000	Share-based payment reserve £'000	Retained earnings £'000
At 1 January 2018	11,304	15,539	(856)	2,790	4,662
Profit for the year	–	–	–	–	10,019
Equity dividend paid	–	–	–	–	(1,952)
Charge to equity for share-based payments	–	–	–	2,265	–
Foreign exchange differences on share-based payments	–	–	–	(28)	–
Tax credit on charge to equity for share-based payments	–	–	–	–	60
At 31 December 2018 and 1 January 2019	11,304	15,539	(856)	5,027	12,789
Loss for the year	–	–	–	–	(1,458)
Equity dividend paid	–	–	–	–	(2,147)
Charge to equity for share-based payments	–	–	–	1,042	–
Foreign exchange differences on share-based payments	–	–	–	(33)	–
Tax on charge to equity for share-based payments	–	–	–	–	(39)
At 31 December 2019	11,304	15,539	(856)	6,036	9,145

The merger reserve of £11.3m (2018: £11.3m) relates to the premium arising on shares issued subject to the provisions of section 612 of the Companies Act 2006.

The own share reserve of £(0.9)m (2018: £(0.9)m) represents the cost of 827,692 (2018: 872,692) shares in Tribal Group plc held by the Employee Share Ownership Trust to satisfy certain options under the Group's share option schemes. See note 23 of the consolidated accounts for details of the Group's share options schemes.

The retained earnings reserve is distributable.

44. Contingent liabilities

A cross-guarantee exists between Group companies in respect of bank facilities which was £nil as at 31 December 2019 (2018: £nil).

In addition the Company and its subsidiaries have provided performance guarantees issued by its bank on its behalf in the ordinary course of business, totalling £1.6m (2018: £1.0m). They are not expected to result in any material financial loss.

As disclosed in Note 34, Tribal Holdings Limited, Tribal Dynamics Limited, Tribal Dynamics Holdings Limited and International Graduate Insight Group Limited have taken advantage of the exemption available under Section 394A/ 479A of the Companies Act 2006 in respect of the requirements for audit. As a condition of the exemption, the Company has guaranteed the year-end liabilities of these subsidiaries until they are settled in full. The liabilities of the subsidiaries at the year-end was £35,683,000 (2018: £25,967,000). These are inclusive of intercompany liabilities.

Notes to the Company Balance Sheet continued

45. Financial Instruments

All Company risks are aligned to those of the Group. Details of the risks relating to the Group are given in note 31 to the consolidated financial statements.

31 December 2019	Financial Assets measured at amortised cost £'000	Financial Liabilities measured at amortised cost £'000	Financial Liabilities measured at FVTPL £'000	Total £'000
Financial assets				
Cash	57	–	–	57
Debtors*	5,940	–	–	5,940
	5,997	–	–	5,997
Financial liabilities				
Creditors	–	29,148	–	29,148
Deferred contingent consideration	–	–	3,632	3,632
	–	29,148	3,632	32,780

31 December 2018	Financial Assets measured at amortised cost £'000	Financial Liabilities measured at amortised cost £'000	Financial Liabilities measured at FVTPL £'000	Total £'000
Financial assets				
Cash	1	–	–	1
Debtors*	5,795	–	–	5,795
	5,796	–	–	5,796
Financial liabilities				
Creditors	–	19,626	–	19,626
	–	19,626	–	19,626

* Excluding amounts that relate to non-financial instruments of prepayments.

46. Staff numbers and costs

The average monthly number of persons employed (including all Directors) under contracts of service by the Company during the year was as follows:

	2019 Number	2018 Number
	3	5

The aggregate payroll costs of these persons were as follows:

	2019 £'000	2018 £'000
Wages and salaries	887	1,124
Social security costs	75	154
Other pension costs	12	37
Share option charge	310	1,719
	1,284	3,034

Cost of Directors' emoluments were incurred by the Company and are included in the Remuneration Report on pages 51 to 55.

Company Information

Tribal Group plc

Registered in England and Wales
Company number: 04128850

Registered office

Kings Orchard
1 Queen Street
Bristol
BS2 0HQ

T: 0845 123 6001
E: info@tribalgroup.com
www.tribalgroup.com

Company secretary

Mark Pickett

Stockbrokers

Investec Bank plc
2 Gresham Street
London
EC2V 7QP

N+1 Singer Capital Markets Limited
1 Bartholomew Lane
London
EC2N 2AX

Financial adviser

Investec Bank plc
30 Gresham Street
London
EC2V 7QP

Principal bankers

Lloyds Bank
PO Box 112
Canon's House
Canon's Way
Bristol
BS1 5LL

HSBC Bank
3 Temple Quay
Bristol
BS1 6DZ

Independent auditors

BDO LLP
Bridgewater House
Counterslip
Bristol
BS1 6BX

Solicitors

Taylor Wessing LLP
5 New Street Square
London
EC4A 3TW

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

E-communications

As an alternative to receiving documents through the post, shareholders can receive important information online, including annual and half-year reports and notices of meetings. Registering for e-communications also enables shareholders to obtain secure online access to personal shareholding details, change address details, request new share certificates and check dividend payments.

To register for e-communications, please visit https://www.signalshares.com

Duplicate accounts

If you receive two or more copies of the Annual Report and Accounts and/or multiple cheques for each dividend payment, it means that you have more than one shareholder account.

To receive just one Annual Report and Accounts and one cheque for each dividend payment, please contact the Company's registrars, Link Asset Services, on 0871 664 0300, and ask for your accounts to be amalgamated.

(Calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales).

Financial calendar

Annual General Meeting	27 April 2020

Designed and produced by emperor
Visit us at emperor.works

TRIBAL

Registered office

Kings Orchard
1 Queen Street
Bristol
BS2 0HQ

T: 0845 123 6001
E: info@tribalgroup.com
www.tribalgroup.com

Tribal Group plc

Annual Report and Accounts **2019**