Preliminary Results year ended 31 December 2019

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Tribal Group plc
("Tribal" or the "Group")

Preliminary Results year ended 31 December 2019

Tribal (AIM: TRB), a leading provider of software and services to the international education management market, today announces its preliminary results for the year ended 31 December 2019.

Financial highlights

- Adjusted Operating Profit (EBITDA) up 9% to £15.4m* (2018: £14.1m*), Adjusted Operating Profit after depreciation (EBITA) up 8% to £11.7m (2018: £10.8m)
- Overall revenue down 2% at £78.2m (2018: £80.1m); SIS revenue increased 3%, Education Services fall mainly timing
- Statutory Profit After Tax up 48% to £6.1m (2018: £4.1m) before inclusion of one-off platform dispute resolution costs of £9.1m, inclusion results in a final Statutory Loss After Tax of £3.0m
- Annual Recurring Revenue (ARR) increased by 7% to £42.3m (2018: £39.5m) representing 54% of revenue, 69% of software-related revenue
- Committed Income increased by 10% to £133.6m (2018: £121.6m), including new SIS customers and 5 large Education Services re-tenders
- Strong operational cash conversion during the year of 105% (2018: 132%); net cash at end of year of £16.5m (2018: £20.0m)
- Progressive annual dividend payment with the Board recommending a 9% increase to 1.2p per share (2018: 1.1p); this is expected to be paid at the end of July 2020

* Adjusted Operating Profit is in respect of continuing operations and is stated excluding "Other Items" charges of £14.1m (2018: £6.2m). Other Items include the provision for the resolution of the platform dispute, Share-based Payments, Deferred Contingent Consideration, Amortisation of IFRS3 Intangibles, and Restructuring and associated costs

Operational highlights

- One new University won in the UK Higher Education sector and 11 Further Education Colleges
- Two new SITS customers added in Australia, and significant ongoing ebs work on TAFE
- Education Services won all five major retenders across the UK, USA and Middle East as well as a new contract in Sharjah, value of total contracts won £29m
- Increased investment in the Tribal Edge, first module went live in early 2020
- Crimson Consultants (Tribal Dynamics) acquired, provides CRM solutions and will form important part of Tribal Edge
- Dispute with software platform provider on royalty payments resolved

Mark Pickett, Chief Executive, commented:

"I am pleased with the improved performance in 2019, and we started 2020 well with a number of new contracts won. However in light of recent events, our overriding concern for 2020 is to mitigate the impact of the coronavirus outbreak on the business and protect shareholder value. We will continue to focus on our strategic priorities while ensuring the wellbeing of our customers, partners and staff."

The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulations (EU) No.596/2014.

Ends

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About Tribal Group plc
Tribal Group plc is a pioneering world-leader of education software and services. Its portfolio includes Student Information Systems; a broad range of education services covering quality assurance, peer review, benchmarking and improvement; and student surveys that provide the leading global benchmarks for student experience. Working with Higher Education, Further and Tertiary Education, schools, Government and State bodies, training providers and employers, in over 55 countries; Tribal Group's mission is to empower the world of education with products and services that underpin student success.

Chairman's statement

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, 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 accordingly.

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

Richard Last

Chairman

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 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.

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 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 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 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 a constant currency 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 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 groups, 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 IFRS15 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.

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 constant currency; £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 10th 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.

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 school's 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.

Education Services (ES)

£m	2019	Constant Currency 2018	Change	Reported 2018	Change
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.

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

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 school's 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	0.7%
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.

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	Change
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**

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 at £0.1m in the year (2018: £0.1m). The Group had a £2m committed overdraft facility in the UK and a $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.

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).

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.

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.

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

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	3	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)	**4**	11,652	(14,098)	(2,446)	10,795	(6,212)	4,583
Investment income	6	59	-	59	46	-	46
Finance (costs)/income	7	(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	8	(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	10	4.6p	(6.1)p	(1.5)p	4.6p	(2.5)p	2.1p
Diluted	10	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

	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	490	430
Deferred tax on measurement of defined benefit pension schemes	(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	11	25,879	20,517
Other intangible assets	12	19,469	12,718
Property, plant and equipment		1,438	1,762
Right-of-use assets		4,110	-
Net investment in lease		220	-
Deferred tax assets		4,462	4,004
Contract assets		129	77
		55,707	39,078
Current assets			
Trade and other receivables	13	10,791	12,840
Net investment in lease		46	-
Contract assets		3,864	3,750
Current tax assets		2	73
Cash and cash equivalents	16	16,463	19,974
		31,166	36,637
Total assets		86,873	75,715
Current liabilities			
Trade and other payables	14	(7,027)	(6,755)
Accruals		(14,437)	(7,941)
Contract liabilities		(22,940)	(20,872)
Current tax liabilities		(1,864)	(1,097)
Lease liabilities		(933)	-
Provisions		(450)	(879)
		(47,651)	(37,544)
Net current liabilities		(16,485)	(907)
Non-current liabilities			

Other payables	14	(1,970)	(62)
Deferred tax liabilities		(1,093)	(713)
Contract liabilities		(78)	(707)
Retirement benefit obligations		(540)	(1,002)
Lease liabilities		(3,286)	-
Provisions		(936)	(213)
		(7,903)	(2,697)
Total liabilities		(55,554)	(40,241)
Net assets		31,319	35,474
Equity			
Share capital		9,979	9,803
Share premium		15,539	15,539
Other reserves		26,029	25,020
Accumulated losses		(20,228)	(14,888)
Total equity attributable to equity holders of the parent		31,319	35,474

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
Balance 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 expense for the year	-	-	-	3,712	3,712
Equity dividend paid	-	-	-	(1,952)	(1,952)
Charge to equity for share-based payments	-	-	2,265	-	2,265
Foreign exchange difference on share-based payments	-	-	(28)	-	(28)
Tax credit on charge to equity for share-based payments	-	-	-	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	-	-	-	(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	176	-	-	-	176
Equity dividend paid	-	-	-	(2,147)	(2,147)
Charge to equity for share-based payments	-	-	1,042	-	1,042
Foreign exchange difference on share-based payments	-	-	(33)	-	(33)

Tax credit on charge to equity for share-based payments	-	-	-	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	16	12,359	14,241
Investing activities			
Interest received		51	46
Purchases of property, plant and equipment		(577)	(1,203)
Expenditure on intangible assets		(6,300)	(4,217)
Payment of deferred consideration for acquisitions		(485)	(826)
Acquisition of investments in subsidiaries - cash consideration	17	(5,904)	-
Acquisition of investments in subsidiaries - cash acquired		34	-
Net cash outflow from investing activities		(13,181)	(6,200)
Financing activities			
Interest paid		(119)	(1)
Proceeds on issue of shares		176	-
Payment of lease liabilities		(865)	-
Proceeds from sub-leases		52	-
Equity dividend paid		(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		16,463	19,974

Notes to the Financial Statements

1. General information

The basis of preparation of this preliminary announcement is set out below.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2019 or 2018, but is derived from those accounts. Statutory accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's annual general meeting. The auditor BDO LLP has reported on the statutory financial statements for the year ended 31 December 2019 and the audit report was unqualified.

Whilst the financial information included in this preliminary announcement has been completed in accordance with International Financial Reporting Standards (IFRSs), this announcement itself does not contain sufficient information to comply with IFRSs. The financial information has been prepared on the historical cost basis, except for financial instruments.

Copies of this announcement can be obtained from the Company's registered office at King's Orchard, 1 Queen Street, Bristol BS2 0HQ.

The full financial statements which comply with IFRSs will be posted to shareholders on or around 3 April 2020 and are available to members of the public at the registered office of the Company from that date, and are now available on the Company's website: www.tribalgroup.com.

2. 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 IFRS 16 £'000	IFRS 16 carrying as at 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 2019 (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

3. 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
Licence 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
Licence 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

Net contract assets/(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
Licence 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
Licence 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.

4. 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	22,423	4,014	4,570
Total	78,210	80,062	21,481	21,481
Unallocated corporate expenses			(10,299)	(10,686)
Adjusted operating profit			11,652	10,795
Amortisation of IFRS 3 intangibles			(1,331)	(1,787)
Other items			(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 and rest of the world	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 and rest of the world	64	2
Rest of the world	25	-
	51,028	35,074

5. 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	(1,690)	(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 obsolesce 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.

6. Investment income

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

7. 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)

8. 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

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.

9. 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.

10. 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 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

11. Goodwill

	2019 £'000	2018 £'000

Cost		
At beginning of year	101,748	102,344
Additions (note 17)	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	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 a 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.

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.

12. Other intangible assets

	Software £'000	Customer contracts & relationships £'000	Acquired Intellectual Property £'000	Development costs £'000	Business systems £'000	Software licences £'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 amortisation charge of £277,000.

13. 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.

14. 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 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).

15. 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.

16. 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

17. 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 outflow, 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.

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