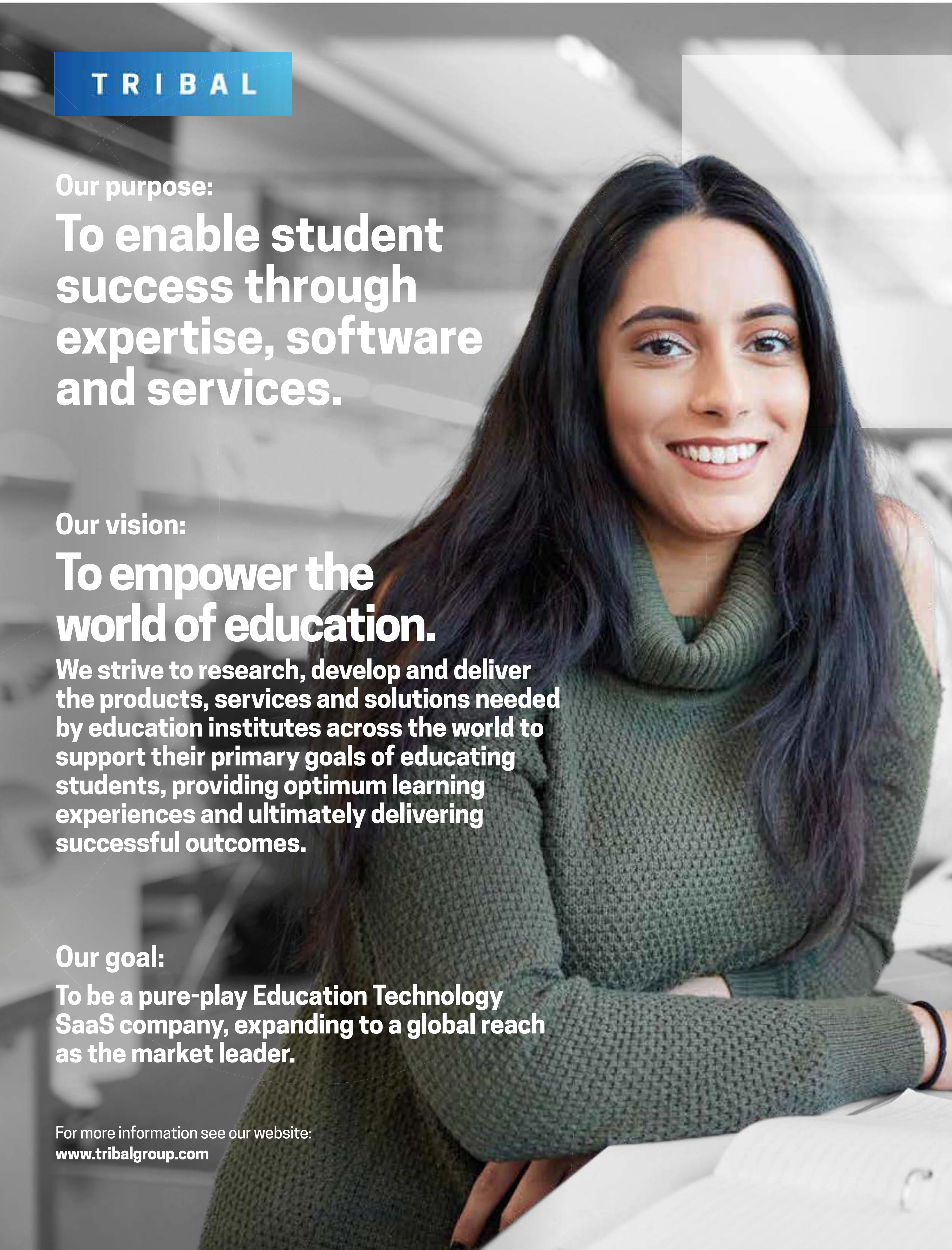
TRIBAL

Annual Report and Accounts 2020

Empowering the world of education



TRIBAL

Our purpose:

To enable student success through expertise, software and services.

Our vision:

To empower the world of education.

We strive to research, develop and deliver the products, services and solutions needed by education institutes across the world to support their primary goals of educating students, providing optimum learning experiences and ultimately delivering successful outcomes.

Our goal:

To be a pure-play Education Technology SaaS company, expanding to a global reach as the market leader.

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

Revenue
£73.0m

2020	£73.0m
2019	£78.2m

Adjusted Operating Profit (EBITDA)
£14.9m

2020	£14.9m
2019	£15.4m

Statutory Operating Profit/(Loss)
£9.1m

2020	£9.1m
2019	£(2.4)m

Financial Performance

20.4%
Adjusted Operating Margin (EBITDA)[1]
2019: 19.6%

12.5%
Statutory Operating Margin
2019: (3.1)%

4.1p
Adjusted Earnings per Share[1]
2019: 4.6p

3.1p
Statutory Earnings/(Loss) per Share
2019: (1.5)p

£9.5m
Net Cash
2019: £16.5m

122%
Cash Conversion[2]
2019: 105%

1. Adjusted Operating Profit, Adjusted Operating Margin and Adjusted Earnings per Share is in respect of continuing operations which excludes 'Other Items' charges of £2.7m (2019: charge of £14.1m).
2. Cash Conversion is calculated as net cash from operating activities before tax from continuing operations, less expenditure on intangible assets and property, plant and equipment, as a proportion of adjusted operating profit.

Operational Performance

£47.5m
Annual Recurring Revenue[3]
2019: £42.3m

£144.4m
Committed Income (Backlog)[4]
2019: £133.6m

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

Investment case

A growing EdTech SaaS business

Tribal Investment Case – in summary

1. Tribal occupies an industry leading position in the EdTech sector
2. We are delivering powerful, next-generation, cloud-based Student Information Systems
3. We are meeting the evolving needs of the higher education sector
4. We are expanding our addressable market and geographic reach through a clearly defined growth strategy
5. We are generating increasing levels of recurring revenue, improved margins and quality of earnings
6. Tribal has an increasingly positive outlook

"Making sure we have the most effective systems in place is crucial to the commitment we make to support our students. Tribal has been a fantastic partner to work with, delivering a robust and streamlined student system which will enhance our offering for students and applicants alike."

Ravensbourne University, London, UK

Industry leading position in the EdTech sector

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

- #1 provider of Student Information Systems to universities in Australia, New Zealand and the UK, with an expanding footprint in South East Asia
- Work with over 300 further education and work-based learning providers in the UK
- Over 1,400 universities and colleges use our student barometer

Generating increasing levels of recurring revenue, improved margins and quality of earnings

- Our focus on growing recurring revenue has resulted in increased committed Annual Recurring Revenue, to over £47.5m
- Within this we have a growing level of cloud revenue
- We are profitable, with a net cash position and healthy balance sheet
- The quality of our earnings can be seen in our cash conversion rate of greater than 100%

Delivering powerful, next-generation cloud-based Student Information Systems

Our portfolio consists of market-leading, cloud-enabled Student Information Systems and a broad range of Education Services. These underpin the student journey from recruitment to successful outcomes and cover quality assurance, peer review, improvement and inspections, and institution benchmarking and analysis.

Through our investment into our platform, our Student Information Systems are now available on-premise or hosted in the Tribal Cloud. We are also concurrently developing Tribal Edge, a next-generation modular ecosystem of education modules, with worldwide potential.

With an increasingly positive outlook

- We are evolving a next-generation platform with worldwide potential
- Never has the need for cloud-based solutions for the Education market been more pressing
- The investments we have made position us at the forefront of the evolution in our industry, providing for an exciting future for Tribal

Meeting the evolving needs of the higher education sector

Changing student expectations and the increasingly competitive nature of the higher education market are driving change in our market. Universities need to deliver more engaging services, increase student experience but at lower costs and with greater efficiency. Market drivers include:

- Thriving in an increasingly competitive market, recruiting not just the 'quantity needed' but the right students and ensuring a personalised experience from first enquiry to first week, and beyond
- Meeting increasing student expectations through a digital engagement strategy which connects with a modern digital consumer
- Ensuring success across the student life cycle, taking a much more proactive role in providing care for the students. Smarter, data-driven decision-making can improve student outcomes, increase retention rates, and help welfare teams by identifying students at risk and actively supporting student wellbeing and mental health

Expanding our addressable market and geographical reach through a clearly defined growth strategy

We have a clearly defined growth strategy, which will see the business evolve to become a pure-play provider of education technology solutions to customers globally, as a service.

We believe that transitioning to the delivery of a broader set of solutions, via the 'as a service' model will increase our addressable market, drive revenue and margin expansion, while enabling universities to deliver a better all-round service to their students.

We will achieve our objective through three key areas of product innovation and potential M&A:

1. Existing on-premise product innovation
2. Tribal Cloud: delivering our existing products 'as a service'
3. Tribal Edge: delivering a next-generation expanded product set, fully in the cloud

With the potential to accelerate our strategy through select M&A.

Chairman's statement

Turning point for Tribal in its move to Software as a Service

I look back on 2020 as a turning point for Tribal in its transition to an 'as-a-service' provider of cloud focused software and solutions to the global education market. We have a clear proposition to help guide our customers on their journey to a fully managed software service in the public cloud, and the investments made over the last few years are starting to deliver new product and sales momentum to existing and new customers.

Our student management systems, including SITS:Vision for Higher Education, continue to attract new customers and expand our customer base in new and existing territories. Our customers are increasingly taking products as a managed service in the public cloud and planning migration to our cloud-native Tribal Edge modules as they are released.

Existing customers are increasingly moving to our fully managed Tribal Cloud solution as a pathway to Tribal Edge, with notable sales to King's College London in the UK and the University of Sydney in Australia.

We increased our South East Asia footprint during the year, adding Nanyang Technological University, a Top 50 world university, as our first customer in Singapore. Their student information system will include SITS:Vision, Tribal Cloud and Dynamics CRM software with a migration route to Tribal Edge Admissions and other Tribal Edge modules.

During the year we completed and sold the first internally developed Tribal Edge module Tribal Edge Submissions, which was delivered to all 12 of our university customers in Australia on a SaaS basis. We also completed the first version of Tribal Edge Admissions which will be made available to a number of smaller universities as early adopters in the first half of 2021.

Financial performance

I am pleased to report on considerable progress against our key Annual Recurring Revenue ('ARR') metric and a good profit performance for the year despite the impact of Covid-19 particularly on Education Services revenue for the year.

ARR committed as at 31 December 2020 increased 12% to £47.5m (2019: £42.3m) thanks to a strong sales performance in the second half of the year, increasing revenue for future years but having minimal benefit to 2020 results.

Tribal delivered increased Adjusted EBIT of £11.8m (2019: £11.7m) and reduced Adjusted EBITDA of £14.9m (2019: £15.4m) on a reduced revenue of £73.0m (2019: £78.2m), however adjusted EBITDA Margin increased to 20.4% (2019: 19.6%).

The Statutory Profit after tax for the year increased to £6.4m from a loss of £(3.0)m in 2019. Tribal has shown strong growth in a challenging year, with a profit increase of 3% from £6.2m in 2019 after excluding the one-off cost of £9.2m incurred in 2019 in settlement of the platform dispute.

Tribal remains committed to a progressive dividend policy and the Board is pleased to propose a final dividend in respect of the year ended 31 December 2020 of 1.2p which is expected to be paid at the end of July 2021. Tribal paid a one-off interim dividend of 1.1p per share in recognition of the proposed dividend for the year ended 31 December 2019 being cancelled due to Covid-19. The combined dividend for the year was 2.3p per share (2019: nil), however, it is Tribal's expectation that only a final dividend will be paid going forward.

Strong cash balances have been maintained and the Group ended the year with a net cash, after paying £8.1m in settlement of the platform dispute, of £9.5m (2019: £16.5m), with no debt drawn, and all furlough and temporary tax deferral benefits repaid in the year.

Covid-19

Tribal was not immune to the impact of Covid-19 with the global pandemic affecting the time and resource capacity of universities, elongating sales cycles and reducing in-year new sales revenue. We reacted quickly to the pandemic by closing our offices in March 2020 to protect the health and safety of our teams, which remain our utmost priority. We equipped all employees to work from home and deliver remotely to our customers; this proved to be very successful with our customers, and we aim to maintain a high level of remote delivery into the future.

Our teams showed great understanding and commitment during a challenging year, agreeing to move to a four day working week which lasted for three months. I would like to thank them for their hard work and continued support. We opened a consultation on new ways of working and a significant number of employees have moved to new remote working contracts. We have started to adapt our offices to this new way of working, with increased collaboration and meeting space, and modern technology such as Microsoft Surface Hubs.

As with many sectors, the pandemic has accelerated the education sector's move towards the SaaS method of IT consumption, as academic institutions wish to benefit from the 24/7 remote service access and expert support it provides. We anticipate this will be a continued driver for interest in our Tribal Cloud and Tribal Edge solutions moving forward.

Board

We were pleased to announce on 9 March 2021 the appointment to the Board of Diane McIntyre as Chief Financial Officer, with effect from 1 June 2021. Through her time at Sky, Vodafone and Cable and Wireless Diane has gained in-depth commercial experience of fast-paced global organisations and I am confident she will be a valuable addition to our team. The Board would like to thank Paul Simpson, Acting CFO, for his leadership of the finance team over the last two years and his contribution to the success of Tribal. We wish Paul all the best for the future.

Environment, social and governance (ESG)

Tribal has always been committed to activities that benefit the environment and society, under-pinned by good governance. Our mission is to 'Empower the world of education'; with education being a key action in the United Nation's Sustainable Development Goals.

During the year we have defined ESG activities that we will report on in the future. There will be two activities for each pillar (environment, social and governance). I am very pleased to announce that we will be supporting Student Minds as our student wellbeing partner for 2021. Student Minds is the UK's student mental health charity, empowering students and members of the university community to look after their own mental health, support others and create change. Tribal has committed to creating a formal ESG Committee in 2021, which will be chaired by Nigel Halkes.

Strategy and outlook

We are making good progress towards our goal of being a pure-play education technology SaaS company, with a significant global reach.

The focus for the year ahead is to continue to grow ARR, migrate customers to Tribal Cloud and deliver our first customers on Tribal Edge Admissions.

The market appetite for our solutions and standardisation with a public cloud focus is positive, and the full proposition of Tribal products from our core student management systems, to Tribal Cloud and Tribal Edge is resonating well with our customers. It will take time for full adoption of these solutions by our customers given the annual cycle around the academic year, however we continue to believe the long-term opportunity remains significant.

We are continuing to build strong momentum with customers and look positively to the year ahead.

Richard Last
Chairman

Culture and values

Our culture places customers at the heart of what we do. We are united in a creative and collaborative environment through our well established values, which we continually reinforce and celebrate.

Our values:

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

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

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

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

Chief Executive's review

A year of considerable evolution and progress

At the end of last year I set out our strategy for the year with three key goals:

1. to continue to drive new sales through our portfolio of products in existing and new geographies;
2. to 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; and
3. to support our new and existing customers in taking advantage of cloud technologies by broadening the portfolio of value-add solutions and services offered.

I am delighted to report on a year of considerable evolution and operational progress at Tribal. Against the backdrop of Covid-19, we have delivered against all of our strategic goals, while protecting our employees and customers. The swift actions taken to mitigate the impact of Covid-19 on the business resulted in a continued strong financial performance, and we have emerged a stronger business, with an increased customer base and geographic footprint and a growing market opportunity.

Our purpose is to enable student success through our expertise, services and cloud solutions. Our vision is to empower the world of education. To achieve this, we will strive to research, develop and deliver the products, services and cloud solutions needed by education institutes across the world to support their primary goals of educating students, providing optimum learning experiences and ultimately delivering successful outcomes. Through these activities, we will meet our business goal, to be a pure-play Ed. Tech. SaaS company, with global reach.

I am pleased that all of these goals were achieved in the year with continued sales of all our products to new customers, including our largest ever SITS sale expanding our presence in South East Asia; we completed and sold our first Tribal Edge module, Tribal Submission, and finished the first version of Tribal Edge Admissions, a key SIS module for universities; and, we have expanded our cloud proposition with Tribal Cloud with notable sales in the second half of the year.

Our strategy has been refined and expanded upon during the year to build on this progress and to form our new 'Sustain and Grow' strategy for the next three years. The focus is to SUSTAIN our existing products and revenues, and GROW new products and revenues by delivering Tribal Edge in the public cloud and moving our product offering to 'as-a-service'.

SUSTAIN: existing products and revenues

- **Student management systems**
  To continue to invest in and sell our core student management systems to new customers and deliver additional functionality to existing customers in Higher and Further education.
- **Support and maintenance**
  To provide excellence of customer support services for these products to protect our ARR from Support and Maintenance.
- **Long-term contracts**
  To support our long-term contract customers who use bespoke versions of our core student management systems through quality of service delivery.
- **Education services**
  To maintain high-quality contract delivery to our Education Services customers and develop and enhance our proposition in new and existing geographies.

GROW: Tribal Edge and moving to 'as-a-service'

- **Tribal Edge**
  To develop new products on the Tribal Edge platform in the public cloud, to new and existing geographies with a new paradigm of 'as-a-service' solutions; delivering Tribal Edge Admissions as the first significant module to migrate existing SITS customers to the Tribal Edge platform.
- **Tribal Cloud**
  To provide public cloud delivery, optimised for existing Tribal products and managed 'as-a-service' allowing customers to make the most of the benefits of the cloud with existing products in advance of migrating to Tribal Edge.
- **Tribal Transform**
  To deliver Tribal Transform: Edge Readiness products and services providing leading practice to navigate customers along the journey to the Tribal Cloud and Tribal Edge.

We have already started to see success with this new 'Sustain and Grow' strategy during the year.

Key Performance Indicators ('KPIs')

To support the Sustain and Grow strategy we monitor a number of KPIs to ensure we deliver on our goals.

1. Institutions taking next generation 'as-a-service' offerings in the public cloud:

We now have 13 Higher Education customers taking these services including the addition of Sydney University and Kings College London as fully managed SITS customers in the public cloud.

2. Sales of Tribal Edge modules:

We have completed 13 sales of the Tribal Edge Submissions module to all 12 of our Higher Education customers in Australia and TAFE New South Wales in Vocational Learning.

3. Growth in ARR from existing and new products and customers:

ARR increased to £47.5m committed at the period end with £2.1m (2019: £1.5m) relating to Tribal Edge (including Dynamics CRM solutions) and £8.1m (2019: 6.5m) to Tribal Cloud (including cloud hosting).

4. Improvement in profit margin from enhanced sales and continued cost efficiency:

Adjusted EBITDA profit margin increased to 20.4% despite a 6% fall in revenue due to Covid-19 impact on sales.

Chief Executive's review continued

2020 in summary

Student Information Systems

Student Information Systems, our segment targeting the further and higher education sectors through our software offerings, delivered a resilient performance in the period with increased profits against a slightly reduced revenue, largely due to the impact of Covid-19 on sales to new and existing customers in the middle of the year. The Group had a positive end to the year, closing a number of significant sales to new and existing customers, and expanding into new territories in South East Asia.

Across the year Tribal won four new SITS:Vision Student Information Systems customers. The year began positively with the addition of Kaplan Business School Australia and Chartered Accountants Australia and New Zealand. These deals were closed prior to the onset of the global pandemic, Covid-19.

As described in the Chairman's Statement, Covid-19 had a significant impact on the education market during the year, slowing down sales to existing customers as spending paused and elongating the sales process with new customers. The implementation of contracts was initially disrupted, however the Group swiftly moved to successful remote delivery.

The disruption of Covid-19 began to ease in the final quarter of the year as UK students returned to education and took up their places. Tribal ended the year with the addition of two new SITS:Vision customers: Arden University in the UK, and Nanyang Technological University in Singapore.

Our success with Nanyang Technological University validates Tribal's strategy to provide complete, integrated Student Information Systems managed in the public cloud, covering the complete student journey, from pre-admission through to graduation. The £16.9m, eight-year contract encompasses SITS in the Tribal Cloud and Tribal Edge products, together with Tribal Student Marketing & Recruitment and Tribal Student Support & Welfare.

The implementation of SITS:Vision to recent new customers continued during the year. In the UK we commenced work with the University of Northampton, and continued to work at Glasgow Caledonian University, University of Bristol, Canterbury Christ Church University, University of Sheffield and the University of Portsmouth. In Australia we commenced work with both Kaplan Business School Australia and Chartered Accountants Australia and New Zealand, and continued to work with University of Malay in Malaysia.

Our Callista student information system software, which is used by 11 of our Australian University customers, representing almost 25% of Australian universities, continued to perform well completing the third year of a four-year contract extension. Discussions have commenced for the next extension to the contract and this will include Tribal Edge as part of the solution.

The Group's cloud offering was enhanced in the year through the launch of Tribal Cloud, enabling all existing products to be hosted and managed by Tribal in the public cloud, resulting in cost efficiencies for our customers whilst significantly increasing Tribal's share of wallet. There were two significant Tribal Cloud sales in the second half of the year to existing customers: the University of Sydney in Australia and King's College London in the UK, and a growing pipeline across our existing customer base.

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

Tribal Edge Submissions, the first Tribal Edge product, was launched on schedule during the year, and successfully sold to all 12 of our current Australian University customers, as well as to TAFE New South Wales. Our continued investment in Tribal Edge has seen the first version of Tribal Edge Admissions completed in December; it will be released to early adopters in the first half of 2021.

Tribal Dynamics, which provides Customer Relationship Management ('CRM') solutions including Student Recruitment and Student Welfare using Microsoft Dynamics functionality, forms part of the Tribal Edge offering. We have made good progress in enhancing this solution since we acquired the business in 2018 and had a number of sales in the year to new and existing customers across Higher and Further Education: University of Aberdeen, University of Sterling, University of Worcester, Aberystwyth University, HCUC, Royal Veterinary College (University of London) and Nescot College. We have a good pipeline of interest for further sales.

Our ebs software, which predominantly focuses on the Further Education and Vocational Learning markets but increasingly is being considered by smaller universities, continued to perform strongly. We won a number of significant new customers in the UK including Cambridge Education Group, City of Wolverhampton College, the University of Gibraltar and Highlands College in Jersey. The latter being a full ebs implementation in the Tribal Cloud. We also concluded the largest ever ebs implementation at College Northern Ireland. In Australia we added Literacy Aotearoa and in New Zealand Carey Baptist College. The majority of new sales are now delivered on a subscription basis.

In Australia ebs is also used by the New South Wales Technical and Further Education colleges ('TAFEs') at over 130 campuses. This contract has seen a significant amount of work in the year completing upgrades to the software as part of their OneTAFE programme which has brought together the 11 TAFEs onto one common platform. However, as previously announced, the TAFE NSW contract will come to an end in the near future.

A version of ebs has been successfully used by the Department of Education ('DoE') schools in New South Wales, Australia. This contract supports around 2,000 schools and continues to run at a mature state.

In addition to the DoE schools, we support a further 1,800 schools in Australia with our SchoolEdge solution giving a combined total of nearly 4,000 schools using Tribal student management software, representing approximately one third of Australian schools. Two of the school's dioceses (New South Wales and Victoria), which represent about 800 schools, continue to look to migrate their customers away to a new product provider, however this is progressing slowly and some of the schools have opted to sign extensions with Tribal. For those schools that do move Tribal is offering a migration and archiving solution for existing records.

Our Maytas software, which supports work-based learning and apprenticeship management providers in the UK and is increasingly of interest to Higher Education institutions providing degree apprenticeships, had a good sales year. In the year we added Siemens Energy and Skills4Pharmacy in the private sector, and De Montfort University Leicester and Anglia Ruskin University in Higher Education. We also completed our largest ever Maytas implementation project with Sopra Steria/Construction Industry Training Board (CITB).

Education Services

In Education Services our team proved their adaptability in the face of Covid-19, with the key assurance, training and inspections contracts in the UK, US and New Zealand continuing largely remotely.

The major contracts with the Department of Education in the UK, National Centre for Excellence in the Teaching of Maths ('NCETM') in the UK and the New York State Education Department inspections contract in the US largely performed as planned and adapted quickly to the impacts of Covid-19 with the majority of work able to be delivered remotely. The inspections contract with ADEK in the Middle East was paused due to Covid-19 school closures but is expected to resume upon relaxation of Covid-19 restrictions. The benchmarking and student surveys work continued; however, the larger Student Barometer survey for the southern Hemisphere had to be delayed to 2021.

The contract with the New Zealand Tertiary Education Commission ('TEC') was extended for a further year, and we continued to provide consultancy to a number of states in the US.

The evolution of the education market and Tribal's market strength

There are four key factors driving the evolution of the Higher Education market globally. As well as dealing with the impact of a global pandemic, it is evident that education is becoming increasingly competitive, following a legacy of inefficiency, poor adaptability and cost. Rising student expectations in an increasingly modern world, have meant that there has been an increase in expectation of success across a student's life cycle and support to student's wellbeing and mental health. Pressurised service delivery has led to a redirection of focus to providing value sooner, together with more student centric services, remote delivery, and access to blended learning. A drive towards SaaS has also propelled a change in the education market, with service access and support from experts requested 24/7 and a need for new point solutions to be deployed rapidly with immediate value and impact.

Through the investment in the expansion of our offering, Tribal is well placed to meet these evolving market needs.

Tribal's software is market leading both in functionality and market share. Our SITS student management software is the market leader in its class, offering the most fully functioning, robust and resilient student management systems. The product has been developed over the last 20 years, it contains over 20 million lines of code, and we continue to invest significantly in the software, maintaining and building out new functionality.

We have leading market shares in the geographies in which we operate. In the UK over 60% of all Higher Education institutions use our student management systems, in Australia we support one third of the universities, and in New Zealand three of the eight universities. In South East Asia we support the largest public and the largest private universities in Malaysia, and in 2020 we have expanded into Singapore with Nanyang Technological University.

We will continue to focus on growth in these geographies and Tribal Edge will allow us to expand further into new geographies with its multi-lingual capability, and its modular approach allowing expansion into the North America markets in Canada, where we already support three universities, and the US.

Our people differentiate Tribal in the market and are key to our success. Their depth of domain knowledge in our products built over three decades is unrivalled and we have an innate understanding of the education market, developed through working in partnership with our customers and operating in senior roles for leading education institutions.

2021 outlook

Tribal enters the current financial year with increased levels of revenue visibility due to the strong sales performance in the latter part of 2020, a strengthened position in the significant South East Asia market and a considerably expanded addressable market through the launch of Tribal Cloud and imminent launch of Tribal Edge Admissions.

The financial impact of Covid-19 and the changing expectations of students means that never has the need for cloud-based solutions for the education market been more pressing. The investments the Group continue to position Tribal at the forefront of this evolution in the industry, expanding our addressable market opportunity through a wider offering to upsell to existing customers and enhanced ability to enter new geographies. We have a growing pipeline of opportunities across both existing and new customers, and are confident in our ability to execute against our strategic roadmap, growing ARR and profit margins.

The safety and well being of the Group's employees and customers remain a priority, as we continue to monitor the impact of Covid-19 both on Tribal and education as a whole. I would like to take this opportunity to thank our teams for their continued hard work and dedication.

The Group has had a positive start to trading in 2021 compared to 2020 and now anticipates performance for the year to be slightly ahead of the Board's expectations. We are confident in continued positive momentum as we deliver on our growth strategy.

Mark Pickett
Chief Executive Officer

Our business model

Market-leading student information solutions

We provide market-leading, cloud-based, student information software and services to customers in target markets across the world, using our resources and expertise to create value that is shared with our stakeholders. We empower education institutes to educate students, providing optimum learning experiences and ultimately delivering successful outcomes.

Our resources

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

Underpinning how we operate

Our values See page 32

How we maximise value creation

Our strategy for profitable growth is outlined on page 14

Our software

Our cloud-based and on-premise student information solutions add value to education and business organisations throughout the student life cycle. Our modules span:

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

Customers pay for Software as a Service (SaaS); cloud services; or for licence, implementation, Support and Maintenance.

Our Education Services

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

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

Generating returns and added value for all of our stakeholders:

Customers

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

Students

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

Shareholders

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

Employees

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

Government agencies/ education funders

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

Risk management See page 30

Corporate responsibility See page 32

Our markets

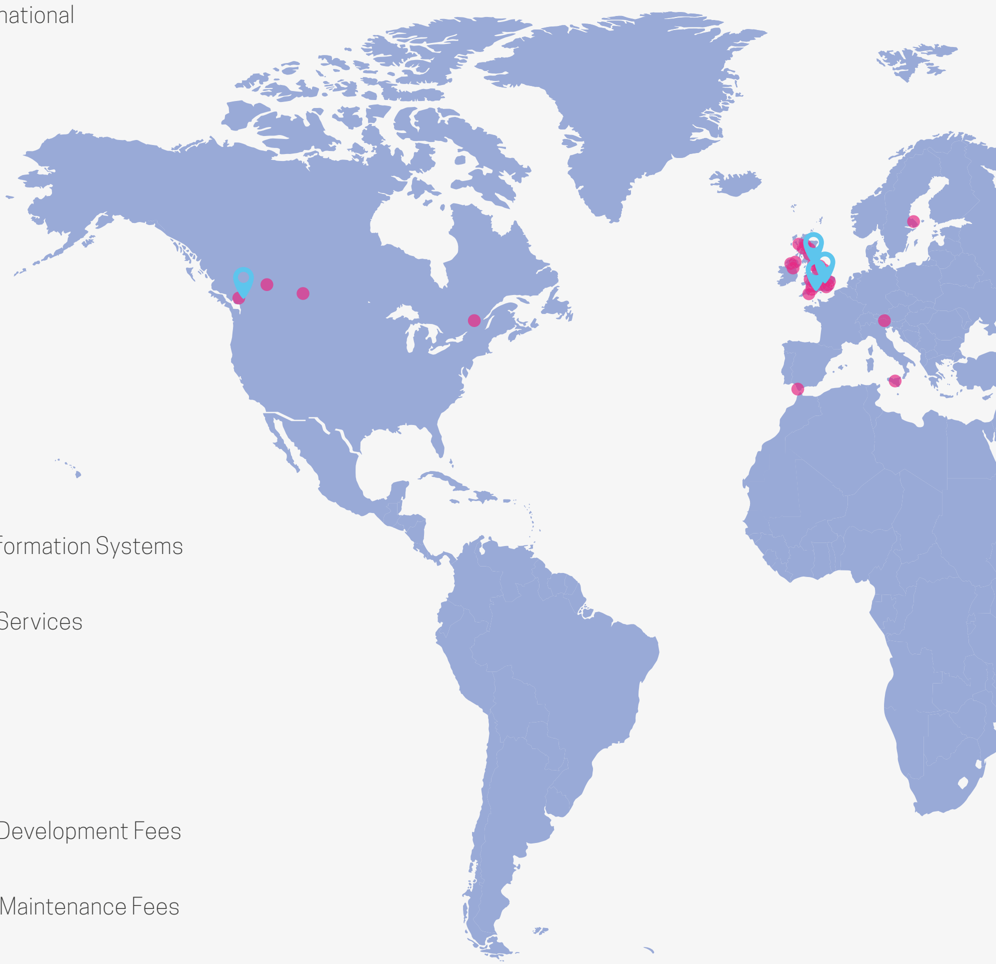
Markets we serve

We are a worldwide provider and have delivered our student information solutions in over 500 institutions. We are the market-leading provider to Higher & Further Education in the UK, Australia, New Zealand, Singapore and Malaysia.

- Over 65% market share of universities in the UK.
- Over 30% market share of Higher Education in Australia and New Zealand.
- Over 35% market share of Further Education in the UK.

Our Education Services are provided worldwide, with quality assurance services in the UK, US, Middle-East, Australia and New Zealand. Education institutions across North America, Europe, Asia, and Australasia use our international benchmarking services.

Tribal offices and Tribal's Student Information System customers

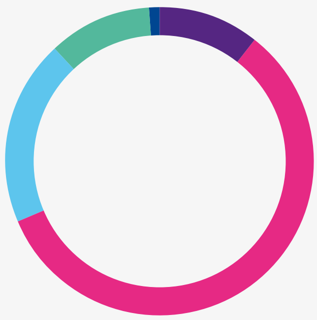


Revenue by business area

Student Information Systems £56.9m

Education Services £16.1m

SIS Revenue by type



Licence & Development Fees £6.1m

Support & Maintenance Fees £33.0m

Implementation Services £11.1m

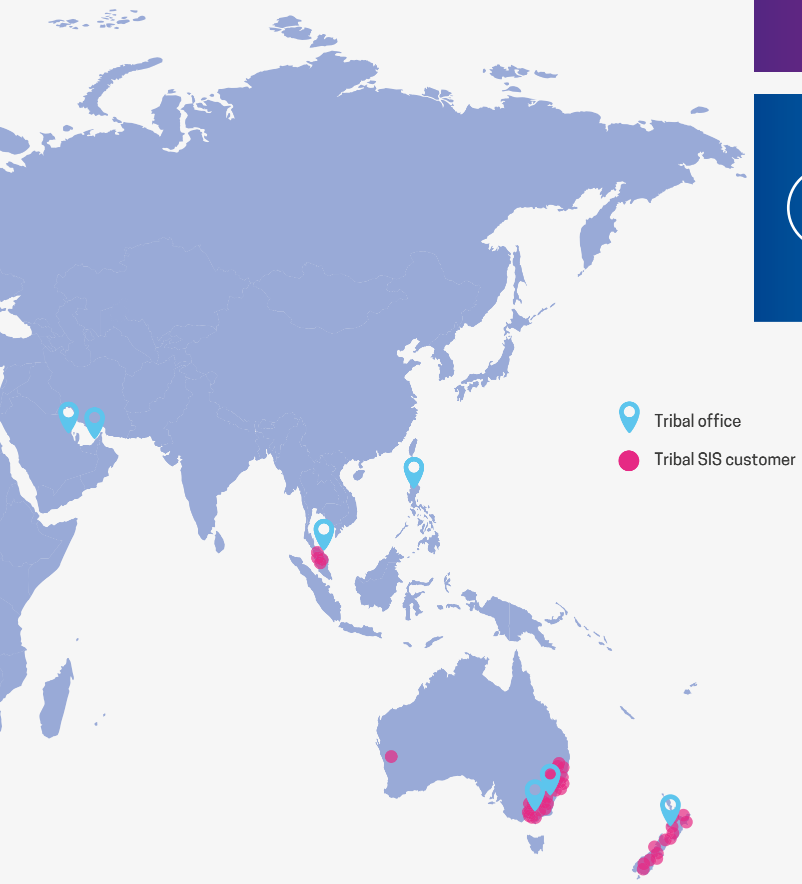
Cloud Services £6.2m

Other Services £0.5m

Market-leading provider of student information solutions to both Higher & Further Education in UK, Australia, New Zealand, Singapore and Malaysia

Over 500 institutions empowered by Tribal's student information solutions

Global provider of Quality Assurance and Benchmarking services for Education



>65% **market share UK Universities**

>30% **market share Australia & NZ**

>35% **market share UK Further Education**

Tribal's growth strategy

Our objective is to provide education technology solutions to customers globally, as-a-service.

Transitioning to the delivery of a broader set of solutions, via the 'as a service' model will increase our addressable market across a greater number of geographies, drive revenue and margin expansion, while enabling universities to deliver an enhanced, personalised service to their students.

We have four pillars to our growth strategy:

Our strategic priorities

Innovating with our existing products

- We will continue to invest in our market-leading existing offerings, ensuring they stay up to date and are relevant for our existing user base
- We will continue to sell our existing products to new customers, offered 'as-a-service' as standard, but available on-premise if demanded

Key measures

- Growth in ARR
- New customer wins

Progress in 2020

- Committed Annual Recurring Revenue increased by 12.2% to £47.5m (2019: £42.3m), and represented 74% of reported in-year SIS revenue from continuing operations
- New business wins for all existing products: SITS:Vision (Higher Education), ebs (Further Education), and Maytas (Apprenticeships). Wins included Nanyang Technological University (NTU), Singapore, a world top 20 university with over 32,000 students; KAPLAN (Australia); University of Gibraltar; Highlands College (Jersey); and Literacy Aotearoa (New Zealand)

Tribal Cloud: delivering our existing products 'as-a-service'

- Deliver existing product suites as-a-service, and manage on behalf of our clients including all of their integrations with other IT products
- This will enable us to sell more to our existing customers, and help ensure our customers are prepared for the long-term move to Tribal Edge, our native cloud ecosystem of education technology modules
- For some Tribal Cloud customers, we will also deliver Tribal Transform, a packaged offering to ensure their data and processes are 'cloud ready', enabling the future use of Tribal Edge (professional services & process mapping, change management, templated standardised solutions)

Key measures

- ARR from Cloud services
- Number of Tribal Cloud customers
- Number of Tribal Transform customers

Progress in 2020

- £8.1m for cloud services (2019: £6.5m)
- Significant cloud transformation deals agreed with the University of Sydney, Australia, and King's College, London

Key benefits of our strategy:

- An expanded, modular product offering will enable us to increase the size of our addressable market, through:
    - increased revenue per customer
    - increased number of customers
    - easier entry into a greater number of geographies
    - ability to target the customer base of competing solutions
    - enable a partners programme
- It will increase our margins as we benefit from the scalability of the cloud
- Students will benefit from the increased digital and personalised engagement with universities
- Universities will be able to focus on education provision and not IT, delivering an enhanced, personalised service to their students

Tribal Edge - a modular, next generation, cloud-native, Student Information product set

- Tribal Edge: Create an expanded higher education ecosystem of next generation modules to meet all areas of student engagement with universities
- We have developed the Tribal Edge platform, on which module applications can be built or acquired modules can be integrated through simple API integrations. This is now complete
- We are now developing modular applications that cover all the areas of engagement between universities and students. These will be 'best of breed' products, able to be bought either with the Tribal Edge platform and other modules, or independently. Universities no longer want to have to buy all their requirements from just one vendor, in one monolithic system. They want choice of modules and vendors. The modules can therefore be sold both to existing Tribal customers and customers of competing SIS vendors
- These will be delivered entirely 'as a service', with no IT support required from the universities, freeing them to focus on the delivery of education services to their students
- The modules will have the ability to be easily translated into multiple languages, more quickly customisable to individual geographic needs and able to be delivered remotely – therefore providing an easier means to enter additional geographies
- The modules will be more appropriate for a partner model, as they will be smaller, more digestible offerings
- The modules will provide the opportunity for increased upsell to existing customers
- The modules will enable more rapid adoption and faster implementation times

Key measures

- Number of modules sold

Progress in 2020

- 13 customers in Australia signed contracts for the new Submissions module. Early adopters have also been lined up for the Tribal Admissions module, launched in December 2020
- Nanyang Technological University, Singapore; KAPLAN (Australia); University of Gibraltar; Highlands College (Jersey); and Literacy Aotearoa (New Zealand)
- New regional services hub created in Malaysia to support the growing SE Asia business

Mergers and Acquisitions

- Expand SaaS offerings
- Gain market share
- Support geographic expansion

Our organic growth will be complemented through tactical acquisitions, either of additional modular technology, to add to our Tribal Edge ecosystem, or to add further customers. This enables:

- Expansion of our SaaS offerings, particularly with cross-sell to the large Tribal base
- Gain market share to build mass in our target geographies

Key measures

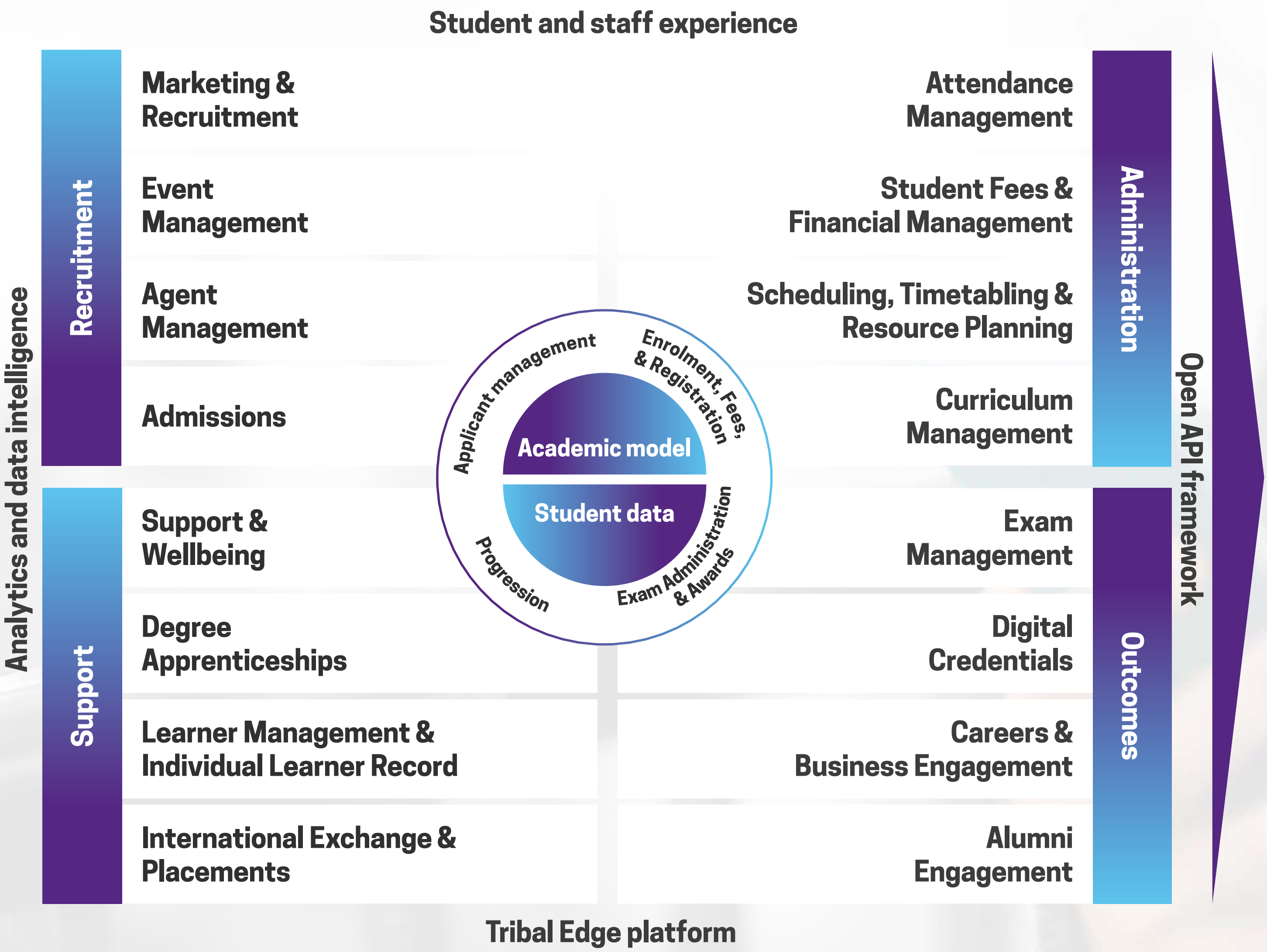
- Sales and ARR growth of acquired businesses

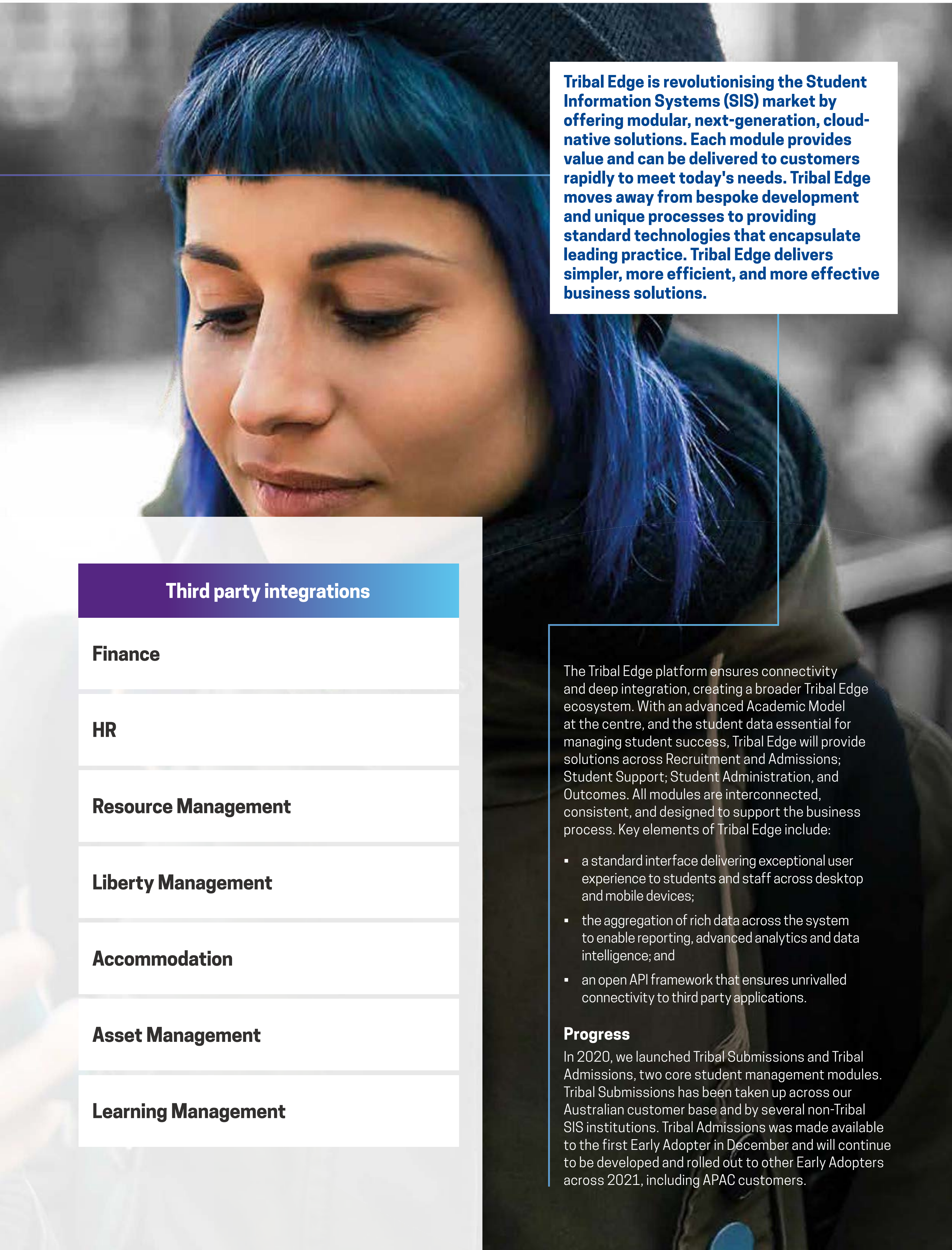
Progress in 2020

- The Crimson acquisition of 2019 continued to make good progress. The Dynamics 365 CRM based solutions are integrated with existing products and are now available as part of the Tribal Edge ecosystem
- We won several new accounts and cross-sold into existing customers. Wins included University of Worcester, University of Aberdeen, University of Aberystwyth, and the University of Stirling

Tribal Edge

Tribal Edge – next-generation student information





Tribal Edge is revolutionising the Student Information Systems (SIS) market by offering modular, next-generation, cloud-native solutions. Each module provides value and can be delivered to customers rapidly to meet today's needs. Tribal Edge moves away from bespoke development and unique processes to providing standard technologies that encapsulate leading practice. Tribal Edge delivers simpler, more efficient, and more effective business solutions.

Third party integrations
Finance
HR
Resource Management
Liberty Management
Accommodation
Asset Management
Learning Management

The Tribal Edge platform ensures connectivity and deep integration, creating a broader Tribal Edge ecosystem. With an advanced Academic Model at the centre, and the student data essential for managing student success, Tribal Edge will provide solutions across Recruitment and Admissions; Student Support; Student Administration, and Outcomes. All modules are interconnected, consistent, and designed to support the business process. Key elements of Tribal Edge include:

- a standard interface delivering exceptional user experience to students and staff across desktop and mobile devices;
- the aggregation of rich data across the system to enable reporting, advanced analytics and data intelligence; and
- an open API framework that ensures unrivalled connectivity to third party applications.

Progress

In 2020, we launched Tribal Submissions and Tribal Admissions, two core student management modules. Tribal Submissions has been taken up across our Australian customer base and by several non-Tribal SIS institutions. Tribal Admissions was made available to the first Early Adopter in December and will continue to be developed and rolled out to other Early Adopters across 2021, including APAC customers.

Financial review

Results

£m	2020	2019 Reported	Constant currency 2019[2]	Change constant currency	Change constant currency %
Revenue	73.0	78.2	77.6	(4.6)	(5.9)%
Student Information Systems	56.9	58.6	58.0	(1.1)	(1.9)%
Education Services	16.1	19.6	19.6	(3.5)	(17.9)%
Gross Profit	38.6	39.2	39.6	(1.0)	(2.5)%
Gross Profit Margin	53.0%	50.1%	51.0%	–	200bp
Adjusted Operating Profit[1] (Before Central Overheads)	24.4	23.8	23.3	1.2	5.0%
Student Information Systems	21.0	19.7	19.1	1.9	10.0%
Education Services	3.4	4.2	4.2	(0.8)	(18.0)%
Central Overheads[3]	(8.8)	(8.3)	(8.4)	(0.4)	(3.5)%
Net foreign exchange losses	(0.7)	(0.2)			
Adjusted Operating Profit (EBITDA)[1]	14.9	15.4	14.9	–	0.1%
Adjusted Operating Margin (EBITDA)[1]	20.4%	19.6%	19.2%	–	120bp
Statutory Profit/(Loss) before Tax	8.5	(2.9)	(3.4)	11.9	350.0%
Statutory Profit/(Loss) after Tax	6.4	(3.0)	(3.5)	9.9	283.1%
Annual Recurring Revenue	47.5	42.3	41.9	5.6	13.4%

1. Adjusted Operating Profit and Adjusted Operating Margin are in respect of continuing operations and exclude charges reported in 'Other items' of £3.0m (2019: £14.4m), refer to Note 6 in the Financial Statements, and before Interest, Tax, Depreciation and Amortisation.
2. 2019 results adjusted are updated for constant currency – the Group has applied 2020 foreign exchange rates to 2019 results to present a constant currency basis, when applied to 2019 results there is a reduction in Revenue of £0.6m, a reduction to Adjusted Operating Profit (before Central Overheads) of £0.5m and Adjusted Operating Profit of £0.5m.
3. Central Overheads are made up of costs that are not directly attributable to either Student Information Systems or Education Services.

The Revenue and Adjusted Operating Profit by segment in the table shows the reported results for FY2020 and FY2019, and the FY2019 results restated to 'constant currency' using 2020 rates to exclude foreign currency impact. The change percentages shown are on the 2019 constant currency numbers. All comparatives reported below are on a constant currency basis.

Annual recurring revenue
Annual Recurring Revenue (ARR) is a key financial metric of the Group and an area of strategic focus. Our aim is to grow Annual Recurring Revenue through the delivery of an increasing proportion of Software as a Service contracts, providing increased quality of earnings. ARR represents committed revenue as at 31 December 2020 and comprises Support and Maintenance Fees and Cloud Services together with Subscription License fees where the license revenue is received over the life of the contract. This has increased by 13.4% to £47.5m (2019: £41.9m constant currency: £42.3m reported), representing 74.2% of Software & Related revenue and 59.5% of total Group revenue (2019: 71.8% and 53.8%, respectively). Growth has been generated in both Support and Maintenance revenues and Cloud revenues, where we continue to see increased demand from customers.

Revenue
As anticipated, revenue in the year reduced 5.9% to £73.0m (2019: £77.6m constant currency, adjusted for the negative impact of foreign exchange of £0.7m; £78.2m as reported), predominantly as a result of the impact of Covid-19 on the Education Services segment. The Group's core Student Information Systems segment revenue held up well, decreasing by only 1.9% to £56.9m (2019: £58.0 constant currency; £58.6m reported). Education Services revenue decreased by 17.9% to £16.1m (2019: £19.6m constant currency; £19.6m reported) as a result of certain on-site projects being suspended during the Covid-19 period.

The Group has chosen to present its results in the CEO Review on a constant currency basis to give a true reflection of year-on-year performance and to account for the adverse impact of foreign exchange movements in the year. Approximately 42% of Tribal's income in the year was generated outside the UK and is therefore subject to foreign exchange movement. During 2020, the continued strengthening of sterling, particularly against the Australian dollar, has impacted revenue. Consistent with reporting last year, the results for 2019 have been adjusted to reflect the foreign exchange rates prevailing during 2020 to provide a 'constant currency' comparative.

Note this presentation disclosed as 'constant currency' is an alternative performance measure and not a statutory reporting measure prepared in line with International Financial Reporting Standards (IFRS) and disclosed as 'reported' in the Chief Executive's review.

Adjusted operating profit (EBITDA)
The Adjusted Operating Profit (EBITDA) was £14.9m (2019: £14.9m constant currency; £15.4m reported). The Adjusted Operating Margin (EBITDA) increased to 20.4% (2019: 19.2% constant currency; 19.6% reported).

Central Overheads, representing costs in HR, IT, Finance, Marketing and Management that aren't directly attributable to lines of business increased by £0.6m to £8.8m (2019: £8.4m constant currency; £8.3m reported), primarily due to accounting for holiday pay as we allowed all employees the option to carry forward up to 5 days annual leave due to Covid-19. We continue to focus on reducing these costs and have grown our Manila office in the Philippines to help support certain finance and HR processes, alongside their existing work supporting ebs and SchoolEdge and business services. This has enabled us to improve margin without impacting the Group's ability to deliver on customer contracts and generate growth. The Group continues to identify cost saving measures and effectively manages its cost base.

Statutory profit/(loss) after tax
The Statutory Profit after Tax for the year increased to £6.4m (2019: Loss £3.0m reported). Excluding the increased cost of £9.1m incurred in 2019 as a result of the platform dispute, Tribal shows strong growth, with a normalised Statutory Profit after Tax increase of 3% from £6.1m in 2019.

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)
focuses 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 and Maintenance, Implementation, and Cloud Operations.

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, performance benchmarking, student surveys and data analytics.

Financial review continued

Student Information Systems (SIS)

£m	2020	2019 Reported	Constant currency 2019	Change constant currency	Change constant currency %
Total Revenue	56.9	58.6	58.0	(1.1)	(1.9)%
License & Development Fees	6.1	6.4	6.4	(0.3)	(4.0)%
Support & Maintenance Fees	33.0	32.6	32.1	0.8	2.6%
Implementation Services	11.1	12.8	12.6	(1.5)	(12.0)%
Cloud Services	6.2	6.0	6.0	0.2	2.7%
Other Services	0.5	0.8	0.8	(0.3)	(40.0)%
Adjusted Operating Profit (EBITDA)	21.0	19.7	19.1	1.9	10.0%
Adjusted Operating Margin (EBITDA)	36.9%	33.6%	32.9%	–	40bp

Student Information Systems revenue decreased by 1.9% to £56.9m (2019: £58.0m constant currency; £58.6m reported).

The market for the replacement of student information systems in the UK, Australia and wider APAC region has proved to be resilient with Tribal adding new customers in the UK and Australia, as well expanding its presence in South East Asia with a new customer in Singapore.

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 60% of universities in the UK, including 50% of the Russell Group universities, as well as universities in Australia, New Zealand, Malaysia, Singapore, 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; and
- School Edge and ebs Schools used by around 4,000 schools in Australia.

In addition, non-SIS software sales include 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 fell slightly compared to the previous year to £6.1m (2019: £6.4m constant currency; £6.4m reported). Under IFRS 15 license revenue is recognised as the software is implemented on a percentage complete basis, resulting in the revenue from larger implementations taking up to four years to recognise. The strong sales performance in the final quarter of the year will benefit revenue in future years, however only a small amount was recognised in 2020. There have been new sales in Further Education (FE), although the revenue on these sales has continued to be impacted 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 reduced to £11.1m (2019: £12.6m constant currency; £12.8m reported) reflecting disruption caused by Covid-19 as customers moved to remote working, as well as delays to the sales cycle. This was particularly noticeable in the UK as revenue decreased by 32% to £5.8m. In APAC revenue increased by 30% to £4.9m benefitting from the two large SITS sales at the start of the year pre-Covid-19 to Kaplan Business School Australia and Chartered Accountants Australia and New Zealand.

Support & maintenance fees in the period increased by 2.6% to £33.0m (2019: £32.1m adjusted; £32.6m reported). This reflects the strong retention rates in our customer base and new customers added in the year.

Cloud services cover the provision of Tribal Cloud fully managed public cloud services, and hosting services supporting Tribal products either on-premise, in a private cloud, or in a public cloud, as well as IT managed services. Demand continued to increase for cloud services across all markets with the majority of customers now managed in the public cloud. Revenue increased by 2.7% to £6.2m (2019: £6.0m constant currency; £6.0m 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.

The Annual Recurring Revenue reported in 2020 in SIS, which relates to Support and Maintenance, Cloud services and Subscription license/support sales, increased by 5% to £42.2m (2019: £40.2m constant currency; £40.7m reported) and represents 74% of SIS revenue (2019: 69%). 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 10.0% to £21.0m (2019: £19.1m constant currency; £19.7m reported) and Adjusted Operating Margin increased to 36.9% (2019: 32.9% constant currency; 33.6% reported). The improvement in both profit and margin is driven by increased revenue in Support and Maintenance and Cloud services, together with improvements in efficiency in implementation services from delivering remotely to customers.

Education Services (ES)

£m	2020	2019 Reported	Constant currency 2019	Change constant currency	Change constant currency %
Total Revenue	16.1	19.6	19.6	(3.5)	(17.9)%
School Inspections & Related Services	11.4	13.9	13.9	(2.5)	(18.5)%
Surveys & Data Analytics	2.2	3.3	3.2	(1.0)	(33.6)%
Information Management Services	0.3	0.3	0.3	–	(2.4)%
Asset Management and Software Solutions	2.3	2.1	2.1	0.2	8.6%
Adjusted Operating Profit (EBITDA)	3.4	4.2	4.2	(0.8)	(18.0)%
Adjusted Operating Margin (EBITDA)	21.3%	21.2%	21.4%	–	10bps

Education Services revenue decreased by 17.9% to £16.1m (2019: £19.6m constant currency; £19.6m reported).

The revenue from **School Inspections & Related Services** decreased by 18.5% to £11.4m (2019: £13.9m constant currency; £13.9m reported).

Financial review continued

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.

The key contracts in the UK with the Department of Education in the UK, the National Centre for the Excellence of Teaching Mathematics and the Advance Maths Support Programme, and with the New York State Education Department (NYSED) in the US largely continued as planned quickly moving to a remote delivery model. Covid-19 did disrupt the inspections element of the contract with NYSED and the large school inspections contract in the Middle East with ADEK due to school closures, as well as impacting new business revenue.

The revenue for **Surveys & Data Analytics** fell by 33.6% to £2.2m (2019: £3.2m constant currency; £3.3m 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.

Covid-19 impacted the volume of benchmarking projects in the year, and the International Student Barometer for the Southern hemisphere was delayed into 2021.

The revenue from **Asset Management (K2) and Software Solutions,** increased by 8.6% to £2.3m (2019: £2.1m constant currency; £2.1m reported). Asset Management benefitted from increased royalties from its contract supporting the governments, archive programme. These two businesses continue to operate profitably however, they are non-core with limited investment benefits and will reduce over time.

The Adjusted Operating Profit in Education Services decreased by 18.0% to £3.4m (2019: £4.2m constant currency; £4.2m reported), however the Adjusted Operating Margin remained consistent at 21.3% (2019: 21.4% constant currency; 21.2% reported).

Product development

£m	2020	2019 Reported	Change
Product development	11.6	10.7	8%
Of which capitalised	6.8	6.1	10%
Tribal Edge	6.6	5.9	11%
Tribal Dynamics	0.2	0.2	(14)%
Of which expensed	4.8	4.6	4%
SITS	1.0	1.5	(55)%
ebs	1.8	1.4	19%
Maytas	0.1	0.2	(44)%
SchoolEdge	0.3	0.4	(24)%
Tribal Dynamics	0.6	0.2	59%
Other	1.0	0.9	20%
Of which amortised	1.2	1.4	(21)%

The Group spent £11.6m on Product Development, of which £6.6m was capitalised in relation to Tribal Edge and £0.2m was capitalised in relation to Tribal Dynamics. (2019: £10.7m spent, £6.1m capitalised). The net P&L charge after removing capitalised spend was £4.8m (2019: £4.6m), and £3.6m excluding amortisation (2019: £3.2m). We continue to invest in our core products, including SITS, ebs, SchoolEdge, Dynamics and Maytas, adding new modules and additional functionality as well as statutory updates.

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 £6.6m (2019: £5.9m) as the Tribal Edge development team increased in size and completed its first modules in the year, Tribal Submissions and the first version of Tribal Admissions.

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	2020	2019 Reported	2019 constant currency	Change constant currency	Change constant currency %
Total Revenue	73.0	78.2	77.6	(4.6)	(6.0)%
UK	42.5	47.4	47.4	(4.9)	(12)%
Asia Pacific	24.2	23.5	22.9	1.3	5%
Rest of world[1]	6.3	7.3	7.3	(1.0)	(15)%

1. Including USA, Canada and Middle East.

Tribal's key geographic markets are the UK (58% of total revenue), Asia Pacific including Australia, New Zealand and Malaysia (33%); and, North America and the rest of the world including Middle East (9%).

UK revenues reduced 11.7% due to new implementations coming to an end in the year, a limited pipeline for new implementations as well as reduced sales in the schools market. This was partially offset by strong delivery of UK-based Education Services contracts.

Asia Pacific revenues increased by 5.4%, primarily due to new implementations beginning in the year as a result of new wins in the period.

Revenue for the Rest of the world reduced by 15.0%, due to the temporary pause of larger QAS contracts in the Middle East and the rephasing of ongoing work into 2021 as a result of Covid-19.

Key Performance Indicators (KPIs)

£m	2020	2019 Reported	2019 constant currency	Change constant currency	Change constant currency %
Total Revenue	73.0	78.2	77.6	(4.6)	(5.9)%
– Student Information Systems	56.9	58.6	58.0	(1.1)	(1.9)%
– Education Services	16.1	19.6	19.6	(3.5)	(17.9)%
Adjusted Operating Profit (EBITDA)[1]	14.9	15.4	14.9	–	0.1%
Adjusted Operating Margin[1]	20.4%	19.6%	19.2%	–	120bp
Annual Recurring Revenue (ARR)	47.5	42.2	41.9	5.6	13.4%
Committed Income (Backlog)	144.4	133.6	–	–	–
Operating Cash Conversion[2]	122%	105%	105%	–	170bp
Free Cash Flow[2]	5.2	5.3	5.3	(0.1)	(1.4)%
Staff Retention	92.3%	87.9%	–	–	–
Revenue/Average FTE	£87.7k	£92.0k	–	–	–

1. Adjusted Operating Profit and Adjusted Operating Margin are in respect of continuing operations and exclude charges reported in 'Other items' of £3.0m (2019: £14.4m), refer to Note 6 in the Financial Statements. EBITDA is calculated by taking the Adjusted Operating Profit after the allocation of Central Overheads and excludes Interest, Tax, Depreciation and Amortisation.
2. Excluding the platform dispute settlement of £8.1m.

Financial review continued

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 2020. This represents the best estimate of business expected to be delivered and recognised in future periods and includes 2 years of Support and Maintenance revenue. At 31 December 2020 this increased to £144.4m (2019: £133.6m reported). The majority of the increase relates to the significant contract wins in SIS.

Annual Recurring Revenue (ARR)

	2020	2019 Reported	Change	Change %
Support & Maintenance	34.8	33.7	1.1	3.3%
Subscription License	2.5	0.6	1.9	307.1%
Tribal Cloud	8.1	6.5	1.6	23.4%
Tribal Edge (including Dynamics CRM)	2.1	1.5	0.6	41.7%
ARR	47.5	42.3	5.2	12.2%

The Annual Recurring Revenue (ARR) represents committed revenue as at 31 December 2020 and includes Support and Maintenance fees paid on all software, License sold on a subscription (non perpetual) basis, Cloud hosting services, and Tribal Edge sales. The 2019 ARR is restated to include License sold on a subscription basis. Overall the Annual Recurring Revenue total increased by 12.2% to £47.5m (2019: £42.3m reported).

Operating cash conversion

Operating cash conversion is calculated as net cash from operating activities after tax as a proportion of adjusted operating profit excluding the settlement of the platform dispute. In 2020, operating cash conversion was 122% (2019: 105% 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 2020, free cash flow excluding the one-off settlement of the platform dispute was £5.2m (2019: £5.3m reported).

Headcount and staff retention

	2020	2019	Change
Headcount	893	879	14
UK	602	618	(16)
Asia Pacific	277	245	32
Rest of world[1]	14	16	(2)
Full Time Equivalent (FTE)	832	850	(18)

1. Including USA, Canada and Middle East.

Our overall workforce has increased by 1.6% to a total headcount of 893 from 879 at 31 December 2019.

The total Full Time Equivalent (FTE) headcount has decreased by 18 FTEs to 832 (2019: 850 FTEs).

The Revenue per Average FTE metric is slightly lower than the prior year at £87.7k for 2020 (2019: £92.0k). On an operational headcount basis (excluding Product Development), the revenue per FTE for 2020 is £153.4k (2019: £104.6k).

We note, though, that despite the extent of change within the Group, our staff retention has marginally increased to 92.3% (2019: 87.9%).

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 not be 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 6 of the Financial Statements, however the main items are as follows:

- Employee-related share option charges
  In 2020, share-based payment charges (including employer related taxes) totalled £1.8m (2019: £1.7m), and are excluded from the Adjusted operating profit.

  On 7 July 2020, 482,143 nil-cost share options were granted to Mark Pickett under the terms of the 2010 LTIP. On 7 July 2020, 1,876,000 share options were granted to senior management under the Company share option plan.
- Amortisation of IFRS 3 intangibles
  The amortisation charge in relation to IFRS 3 intangible assets of £1.0m (2019: £1.3m) 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 £0.5m (2019: £0.8m) due to planned restructures at the start of the year. There are no restructuring provisions recognised as at 31 December 2020.

Net cash and cash flow

£m	2020	2019	Change
Net cash flow from operating activities	5.5	12.4	(6.9)
Net cash outflow from investing activities	(9.2)	(13.2)	4.0
Net cash outflow from financing activities	(3.3)	(2.9)	(0.4)
Net (decrease)/increase in cash & cash equivalents	(7.0)	(3.7)	(3.3)
Cash & cash equivalents at beginning of the year	16.5	20.0	(3.5)
Cash & cash equivalents at end of period	9.5	16.3	(6.8)
Less: Effect of foreign exchange rate changes	–	0.2	(0.2)
Net cash & cash equivalents at end of period	9.5	16.5	(7.0)

Cash and cash equivalents at 31 December 2020 were £9.5m (2019: £16.5m).

Operating cash inflow for the period was £5.5m (2019: £12.4m). The working capital movement excluding the one-off settlement increased to £0.4m (2019: £0.3m), as a result of strong cash management including a significant reduction in trade debtors and trade payables.

Cash outflow from investing activities was £9.2m (2019: £13.2m). The Group has seen a decrease in capital expenditure spend on equipment costs (2020: £0.4m; 2019: £0.6m). Spend on product development increased to £7.1m (2019: £6.3m) in line with the Group's Edge strategy. The Group made a payment of £1.7m for deferred consideration (2019: £0.5m), this was in respect of the first Earn Out from the acquisition of Crimson Consultants in May 2019.

Cash outflow from financing activities increased to £3.3m (2019: £2.9m). The Group made an interim dividend payment of 1.1p per share in the year with £2.3m (2019: £2.1m) returned to shareholders. Bank loan arrangement fees and interest in the period totalled £0.3m (2019: nil) as a result of the £10m facility agreed in January 2020. This is offset with the issue of shares (£0.2m) (2019: (£0.2m)) to satisfy exercises of share-based payment schemes.

Finance costs and funding arrangements

Net finance costs increased to £0.2m in the year (2019: £0.1m). On 21 January 2020 the Group entered into a three-year £10m multicurrency revolving facility with HSBC with the option to extend by a further two years. The first option to exercise was approved by HSBC on 16 March 2021. The facility was put in place to cover general corporate and working capital requirements of the Group and was fully drawn down in March 2020 but was repaid in full before 31 December 2020. The Group had a £2m committed overdraft facility in the UK and a AUD$2m committed overdraft facility in Australia, both facilities are committed for a 12-month period ending September 2021 and October 2021, respectively. At 31 December 2020 both overdrafts were available but undrawn. To offset the impact of movements in foreign exchange the Group entered into three forward contracts to hedge the movement between AUD and GBP. These contracts expired in the year and generated a net change in fair value of £0.1m. The Group will continue to manage foreign exchange exposure during 2021.

Shareholders returns and dividends

Tribal remains committed to a progressive dividend policy and the Board is pleased to propose a final dividend in respect of the year ended 31 December 2020 of 1.2p, pending approval at the AGM on 27 April 2021. The anticipated payment date is 29 July 2021, with an associated record date of 9 July 2021 and ex-dividend date of 8 July 2021. Tribal paid a one-off interim dividend of 1.1p per share in recognition of the proposed dividend for the year ended 31 December 2019 being cancelled due to Covid-19. The combined dividend for the year was 2.3p per share. (2019: nil), however, it is Tribal's expectation that only a final dividend will be paid going forward.

Going concern

Tribal had cash and cash equivalents of £9.5m at the end of 2020 plus access to an undrawn UK and Australian overdraft of £2.0m and $AUD 2.0m, respectively. This is after £0.1m of furlough benefits and all temporary tax deferrals were repaid in full before the 31 December 2020. As noted above, the Group entered into a £10m facility to cover general corporate and working capital requirements of the Group. Tribal Group plc has undertaken to make adequate financial resources available to the Group to meet its current and future obligations as and when they fall due.

We responded to the challenges presented by the Covid-19 pandemic and we transitioned quickly and efficiently to remote working. The changes customers have seen from our delivery of work across the business have been well received and demonstrate our ability to adapt and change as a business but still serve customers. It also demonstrates the benefits of remote working to the business both in terms of reduction of travel costs and increase in productivity which we expect to continue to benefit the business into the future post-Covid-19. Any medium to longer-term effects or changes resulting from Covid-19 on education institutions will become clearer over time and we continue to closely monitor the ongoing impact of Covid-19 on a regular basis.

Financial review continued

Tribal's main business is software related through the provision of Student Information Systems (SIS) to education institutions in the UK, Australia, and a number of other overseas locations. Revenue is generated from the sale of software licenses and related implementation work, and the ongoing provision of Support and Maintenance and cloud/hosting services.

To date the Support and Maintenance and cloud/hosting services have been unaffected. Customers have continued to pay for the services, all of which can and are being delivered remotely. This revenue, which is annual recurring (repeat) income and represents half of our total annual revenue, two thirds of our software revenue, provides a level of protection and certainty to the business. We expect this position to continue.

The Group had a positive end to the year, closing a number of significant sales to new and existing customers, and expanding into new territories in South East Asia. The financial impact of Covid-19 and the changing expectations of students, means that never has the need for cloud-based solutions for the Education market been more pressing. The investments the Group continue to make position Tribal at the forefront of this evolution in the industry.

Our success with Nanyang Technological University validates Tribal's strategy to provide complete, integrated Student Information Systems managed in the public cloud, covering the complete student journey, from pre-admission through to graduation. The £16.9m, eight-year contract encompasses SITS in the Tribal Cloud and Tribal Edge products, together with Tribal Student Marketing & Recruitment and Tribal Student Support & Welfare and provides a significantly stronger position as we head into 2021 and beyond.

Tribal's other business area, Education Services (ES), provides training, inspections, surveys and benchmarking to education institutions globally. The larger UK and US contracts in ES mostly continued unaffected by Covid-19 as we were able to adapt our delivery to a remote model very quickly. The temporary closure of schools, particularly in the Middle East, has caused delays to the delivery of inspections work until the schools reopen. We have seen some delays on surveys and benchmarking with projects delayed to later in the year or next year. Whilst we have seen revenue decrease in 2020 our profit margins have a degree of protection as we operate a variable cost model. We expect paused contracts in the UAE to resume in 2021 and we have recently extended both the AMSP and NPQ contracts until Q3 2022 and Q4 2022, respectively, thus increasing revenues going forward.

As part of this assessment, management has 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. 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.

In assessing the Company's going concern position and the Group's ability to provide the necessary financial support, the Directors have considered all relevant facts and the latest forecasts and assessment of the risks faced by the Group, taking into account reasonably possible changes in trading performance. In addition, management have sufficiently stress tested the latest forecasts to the point where either the Group cannot meet its liabilities or is in breach of banking covenants and have concluded that this position is so remote it does not have a significant impact on the Group's ability to continue as a going concern. Accordingly, after making enquiries and receiving confirmation of Group support as set out above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Taxation

The corporation tax on continuing operations was £3.1m (2019: £2.5m) and the adjusted effective tax rate was 27% (2019: 22%). 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.

Share options and share capital

On 7 July 2020, 4,278,143 share options were granted to senior management, excluding Mark Pickett. On 7 July 2020, 482,143 nil-cost share options were granted to Mark Pickett as part of his ongoing remuneration.

The shares issued during the year in order to satisfy exercises of share-based payment schemes were as follows: 3,405,998 issued on 16 January 2020, 1,223,241 issued on 6 February 2020 and 150,000 issued on 12 June 2020. In addition 1,339,286 shares were issued on 13 June 2020 to the vendors of Sky Software Pty as part of the deferred consideration payable.

As at 31 December 2020, there were 205,698,309 shares issued (2019: 199,579,784).

Related parties

Transactions with related parties during the period are set out in Note 31.

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, decreased by 10% to 4.0p (2019: 4.4p) due to the increase of the overseas current tax charges.

Statutory earnings per share (diluted) increased by 307% to 3.1p (2019: (1.5)p) as a result of the statutory profit made in the year of £6.4m (2019: statutory loss £(3.0)m).

Pension obligations

At 31 December 2020, 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 Parent 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 £0.9m (2019: deficit of £0.5m), with gross assets of £8.3m and gross liabilities of £9.2m (2019: £7.7m and £8.3m respectively). Total actuarial (losses)/gains recognised in the consolidated statement of comprehensive income are (£0.4)m (2019: £0.5m).

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 forms part of Group Finance. Tribal incurred no material credit losses during 2020.

Interest rate risk

At the end of 2020, 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 movement 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 2020, the Group was also exposed to movements in the rates between sterling and the US dollar, United Arab Emirates Dirhams and New Zealand dollar. See Note 30 for further details.

The Group reduces its exposure to currency fluctuation on translation by typically managing currencies at Group level using bank accounts denominated in the principal foreign currencies for payments and receipts. The Group seeks to optimise the matching of currency surpluses generated to the foreign currency needs of the wider Group, and where there is a sufficient visibility of currency needs, forward contracts are used to hedge exposure to foreign currency fluctuations. The Group does not use financial instruments of a speculative nature and the Group's treasury function does not act as a profit centre. The volatility of sterling as a result of Brexit discussions heightens the foreign exchange risk.

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

Cyber risk

The Group relies on technology in our day-to-day business. These systems are potentially vulnerable to service interruptions and data breaches from attacks by malicious third parties, or from intentional or inadvertent actions by our employees. Failure to protect against the threat of cyber-attack could adversely impact the systems performing critical functions which could lead to a significant breach of security or contracts, jeopardising sensitive commercial or personal data and financial transactions of the Group.

The Group has invested in the protection of its data and IT systems from the threat of cyber-attack. Cyber security training is mandatory for all employees and a formal policy exists to minimise this risk. Furthermore, the Group ensures compliance with ISO and GDPR standards and there is a formal data breach process in place adopted by the Board.

Paul Simpson
Acting Chief Financial Officer

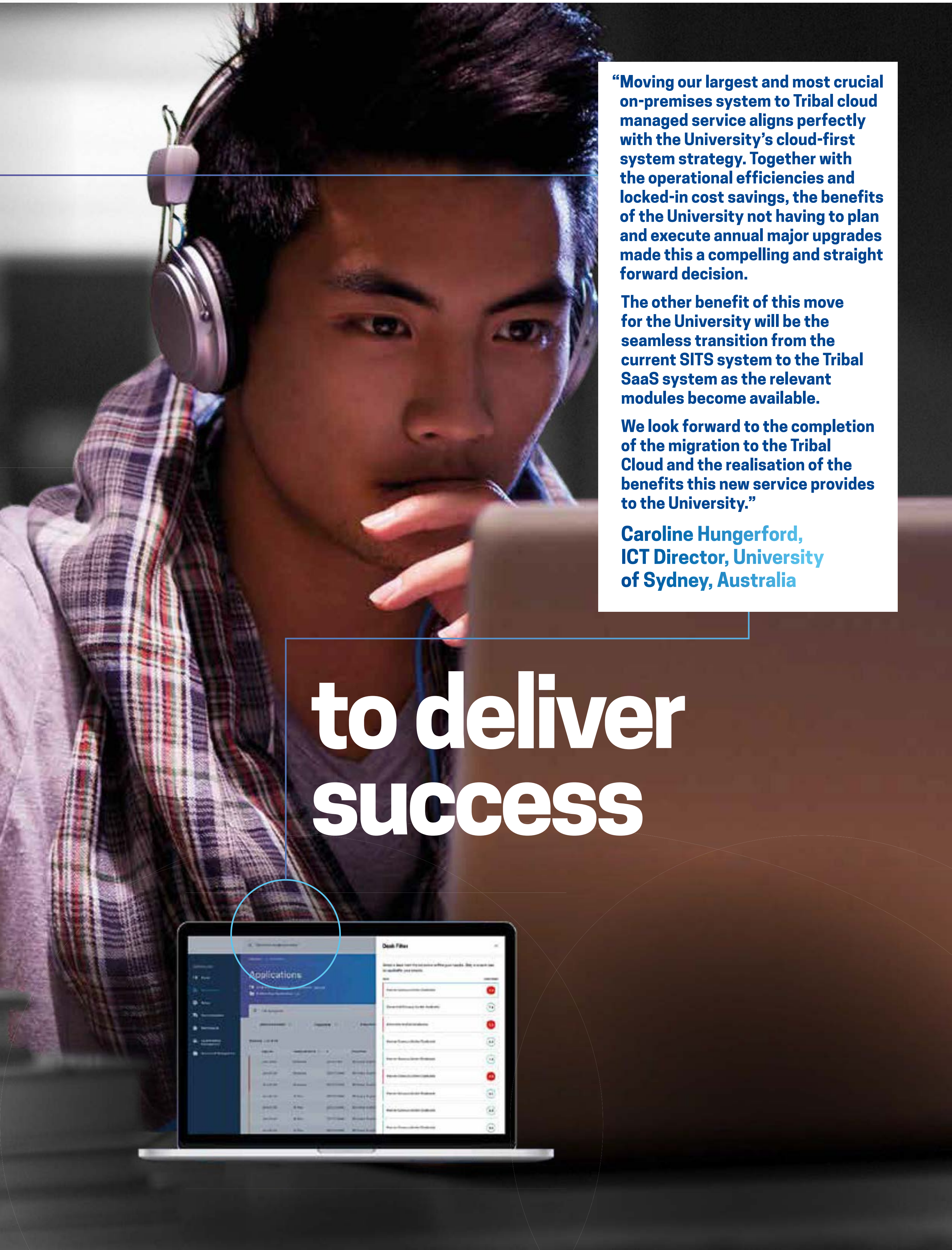
University of Sydney case study

University of Sydney's journey to the cloud

The University of Sydney embarked upon a technological transformation programme to take their IT infrastructure into the cloud. They selected Tribal Cloud services to migrate their SITS:Vision Student Information System (SIS) to the cloud and to then take on the full daily management of the SIS as-a-service to the University.

over 180

institutions worldwide using Tribal's cloud services



"Moving our largest and most crucial on-premises system to Tribal cloud managed service aligns perfectly with the University's cloud-first system strategy. Together with the operational efficiencies and locked-in cost savings, the benefits of the University not having to plan and execute annual major upgrades made this a compelling and straight forward decision.

The other benefit of this move for the University will be the seamless transition from the current SITS system to the Tribal SaaS system as the relevant modules become available.

We look forward to the completion of the migration to the Tribal Cloud and the realisation of the benefits this new service provides to the University."

Caroline Hungerford, ICT Director, University of Sydney, Australia

to deliver success

Principal risks and uncertainties

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

In addition to these, other risks of a financial nature are addressed in the CEO's review.

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

Section 172 statement

Section 172 of the Companies Act 2006 requires each Director of the Company to act in a way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole.

In this way Section 172 requires a Director to have regard, amongst other matters, to the:

- Likely consequences of any decisions in the long term
- Interests of the Company's employees
- Need to foster the Company's business relationships with suppliers, customers and other key stakeholders
- Impact of the Company's operations on the community and the environment
- Desirability of the Company maintaining a reputation for high standards of business conduct, and
- Need to act fairly between members of the Company

In discharging its Section 172 duties the Board has considered the factors set out above and the views of key stakeholders.

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.

The Board acknowledges that some decisions will not necessarily result in a positive outcome for all our stakeholders, however, it 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. By considering the Group's purpose, vision, values and commitment to responsible business together with its strategic priorities and having a process in place for principal decision-making, the Board aims to ensure that its decisions are in the best interests of the business.

The Company's key stakeholders are set out in the table below. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the Directors when making relevant decisions, particularly in relation to dividend payments, responses to the Covid-19 pandemic and potential business restructures.

With significant uncertainty created by the Covid-19 pandemic the Board oversaw the Group's response with the aim of ensuring Tribal emerges from the crisis well positioned for long-term success, whilst supporting our employees and their safety and continuing to deliver for our customers.

Stakeholder Group	Why they are important	Type of engagement	Response to Covid-19
Employees	Our employees are vital to help us deliver on our strategic objectives. We seek to attract, develop and retain high-calibre staff, and as a consequence, our customers can be assured that the service they receive is among the best available.	Employees have the opportunity to ask questions regarding all aspects of the business during our regular Group-wide all-hands meetings with the Group's Executive Management team.	The Board was satisfied that sufficient measures were in place to protect the health, safety and wellbeing of our people and continue to monitor the situation. A decision was taken to implement significant cash and cost-saving measures, including three months at 80% pay materially impacting all staff. All staff moved to remote working and Tribal ensured all staff had a safe and effective workspace from which to work from. Furthermore, increased mental health and wellbeing support has been provided to all staff globally.
Investors/ shareholders	Shareholders play an important role in the success and growth of the Group and have historically provided a source of equity to help fund some of the acquisitions made. In addition, shareholders provide important feedback to the Executive Directors on market conditions, expectations, and economic performance.	The Group reports formally to its shareholders twice annually, at half year and year end. At the same time the Executive Directors present the results in the form of Investor Presentations. The Directors are also available at the AGM to answer questions.	It was concluded that the Group was in a strong financial position as a result of the cash and cost-saving measures put in place. Given the uncertainty it was prudent to reduce discretionary cash outflows where possible, to ensure that the Group emerges well positioned to deliver long-term sustainable growth for shareholders. The Board took action to pause the payment of the 2019 final dividend until there was more clarity around the true liquidity requirements of the Group. As trading and cash flows remained positive an interim 2020 dividend was paid in December 2020.
Customers / suppliers/ other	Delivering our strategic priorities and ensure we continue to operate successfully requires strong mutually beneficial relationships with customers, suppliers and government departments. Tribal aims to build strong business relationships so it can maximise cost efficiencies and enhance positive outcomes for all.	The Group has regular communication via email, newsletters and the Group's website that includes news and regular blogs. We hold an annual conference, Empower, for all customers globally where sessions are run to update customers on our suite of products and services.	The Board were satisfied with the continuity plans in place to ensure the continued delivery of work by moving to a remote delivery model. Particular attention was given to how Tribal responded to changing customer priorities and challenges they may face in the longer term.

Environmental, social and governance report

Tribal's commitment to improving its performance in relation to environmental, social and governance (ESG) issues is long-standing and well established. We believe the credibility and longevity of any business goes beyond pure financial gain; a principle demonstrated by our mission to empower the world of education and supported by our strong values-based culture.

Though we focus on a wide range of matters which affect our stakeholders, in early 2021 we formalised six priority areas for the Group going forward. Each area has key initiatives and objectives for the coming year and appropriate ownership from across our Executive Management Team. We have also demonstrated where these priority areas align with the UN's Sustainable Development Goals (SDGs), as shown below.

Ultimate responsibility for Tribal's ESG performance lies with the Board, who receive regular updates on the key initiatives from relevant owners. However, as part of our journey to continually improve our approach and performance in these areas and more, Tribal has committed to creating a formal ESG Committee in 2021, which will be chaired by Nigel Halkes.

Key ESG initiatives

Tribal is currently focused on improving its impact in the following areas.

	Environmental		Social		Governance	
Initiative	Travel	Paperless	Diversity	Charity	Compliance	Data
Commitment	Reduced travel with carbon offset	Minimal paper commitment	Within Tribal Helping our customers	Student welfare	Global ISO certification	Internal systems improvements
UN SDGs	13 CLIMATE ACTION	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	5 GENDER EQUALITY 10 REDUCED INEQUALITIES	3 GOOD HEALTH AND WELL-BEING		

Our culture and values

The success of Tribal is dependent on our culture – the way we think, behave and act towards each other and our key stakeholders. We bring together highly talented people in a creative and collaborative environment, and are united through our well-established values, which we continually reinforce and celebrate. In 2020, we rewarded 311 people globally who had gone above and beyond in living our values.

Our values are:

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

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

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

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

Environmental

As previously demonstrated by our commitment to the Energy Savings Opportunity Scheme (ESOS), Tribal has been focused on reducing its environmental impact for a number of years. Though the pandemic has allowed us to improve our performance in many of these areas this year, we're determined to change behaviours so that such improvements can continue in the long term.

Key initiative: travel

Remote working and the lack of in-person meetings necessitated by the pandemic has meant our travel has been greatly reduced in 2020. However, Tribal has been seeking to reduce the travel of our people for several years, and we believe that the pandemic will have done a great deal to change attitudes towards unnecessary travel going forward. We have committed to a minimal travel budget and set a target of providing remote delivery first, with onsite work deemed a premium activity. As such, some of our employees have already changed their contracts to stay as remote workers permanently. Where travel cannot be avoided, we will aim to offset our emissions with reductions elsewhere.

Key initiative: paperless

We are focused on finding ways to reduce our overall resource consumption. Though Tribal still has many customers that require printed documents, we are working with them to change this behaviour and are committed to minimising our paper usage (and the resultant energy use from printing) wherever possible. We have ended our UK contracts with our printer-photocopiers and will look to do the same globally in 2021. We have also invested in equipment that will significantly reduce our need for printing when delivering our services.

Streamlined energy and carbon reporting (SECR)

The new SECR regulations came into effect on 1 April 2019. Under these UK regulations, we are obliged to report UK energy use and associated greenhouse gas emissions. The SECR report covers Scope 1 direct emissions, which includes company-owned vehicles, Scope 2 indirect emissions from electricity purchased and Scope 3 emissions from private vehicles for business use. The SECR report matches the financial year for the year ended 31 December 2020.

In 2020, the Group's Scope 1 and Scope 2 emissions were 120.15 tC02e and Scope 3 emissions were 55.68 tC02e. The greatest contributors to Scope 1 and Scope 2 operational emissions are the electricity and gas used in powering our buildings. Scope 3 emissions are attributed to fuel used in employees' cars on business use. The Group's intensity ratio (Scope 1, 2 and 3 emissions relative to revenue) is 2.41 tC02e/£m. As this is the first year of reporting, Tribal is not required to disclose information for the previous year. Tribal Group plc is an unquoted large company for the purpose of SECR, we are therefore only required to report on UK energy use.

Tribal have followed the 2019 UK Government environmental reporting guidance. The figures relate to the required elements of each scope 3 category rather than the optional elements. Tribal have used 2020 UK Government's Conversion Factors for Company Reporting.

Only energy consumed in the UK has been reported and the Group have taken the exemption to exclude emissions and energy consumed outside of the UK and offshore area.

Table 1: 2020 energy consumption

Area	Category	Sub-category	2020 consumption	Units
Electricity	Electricity	Purchased electricity	464,912	kWh
Gas	Stationary combustion	Natural gas	63,944	kWh
Transport fuel	Combustion of fuel used in personal cars on business use	Small sized car (Diesel)	5,691	kWh
		Medium sized car (Diesel)	15,678	kWh
		Large sized car (Diesel)	5,511	kWh
		Small sized car (Petrol)	9,918	kWh
		Medium sized car (Petrol)	14,748	kWh
		Large sized car (Petrol)	4,323	kWh
		Average sized car (Hybrid)	24	kWh
		Average sized car (Other)	914	kWh

Table 2: Scope 1, 2 and 3 intensity ratio

Year ended 31 December	Scope 1	Scope 2	Scope 3	Total
Tonnes of CO_2e	11.76	108.39	55.67	**175.83**
Percentage	6%	62%	32%	**100%**
Emissions intensity relative to revenue (tC02e/£m)	0.16	1.48	0.76	**2.41**

Environmental, social and governance report continued

Energy efficiency action

Tribal is part of the Government initiative, Energy Savings Opportunity Scheme (ESOS) and completed its Phase 2 assessment in November 2019. This reviewed Tribal's energy consumption across its UK offices and Tribal is implementing a number of energy saving opportunities as identified throughout its Global offices. Measures implemented during the period include the following:

- Optimising and aligning operation of aircon units with the operational hours of the business.
- Increase server room temperature.
- Switch off and introduce thermostat for the appliance and equipment.
- Installing PIRs and dimming for lighting.
- Optimising aligning the hours of condensing boilers with the operational hours of the business.
- Ensuring there is no active heating and cooling running at the same time.
- Switch off and introduce thermostat for the appliance and equipment.
- Repair existing assets such as fans, PIRs, window sealant.
- LED rolling replacement/installation phase 2 (of 4).

In addition, Tribal undertook a Travel Energy Use assessment to identify ways by which to reduce its carbon footprint, this includes initiatives such as promotion and monitoring of video and teleconference meetings and the use of public transport and car sharing options wherever possible.

Tribal has actively moved customers to the Public Cloud and we are promoting Tribal Cloud, our managed Cloud service for customers. We work with globally recognised third parties who provide Cloud infrastructure and we expect working with these established businesses to have a positive effect on the impact of our global server usage.

Social

Tribal is committed to contributing to a fairer and more socially inclusive world. As well as having a positive impact on our employees and customers, we are aware of the positive contribution we can make to wider society.

Key initiative: diversity

Development, retention and recruitment strategies at all levels of the business have a strong emphasis on diversity. We're also working to improve diversity across our sectors. In 2020, our services in recruitment and teacher training certification in the US helped to progress diversity and inclusion in the industry in the wake of the Black Lives Matter movement.

Key initiative: student welfare and volunteering

We will be supporting 'Student Minds' throughout 2021. Student Minds is the UK's student mental health charity, empowering students and members of the university community to look after their own mental health, support others and create change. Tribal also continues to allow employees to take an additional day's leave to volunteer and support charitable causes.

Our people

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

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

We continue to build on our learning and development programmes and have only seen demand and investment increase in response. In 2020, we ran numerous remote courses in the UK and Australia, including business development programmes and two key strategic initiatives which have centred on the refresh and expansion of our Manager Academy. The Academy broadens the skills and commercial awareness of our leaders and future leaders and supports our Digital Learning strategy. All of our people globally have access to a market leading online learning platform (e.g. Pluralsight, LinkedIn learning). In 2020, our people spent thousands of hours engaging in self-directed learning, allowing everyone the opportunity to develop new skills for their role, and also develop new capabilities for future opportunities.

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

Employee engagement and wellbeing

Communication with our people and maintaining wellbeing is crucial. We use a combination of Group-wide updates, including webinars, as well as running specific local communication sessions. We supplement these events by communicating on a number of channels (email, internal bulletin boards), our corporate social media and in our now established bimonthly staff news update – Tribal Talk. We also provide all our UK employees with access to Thrive, an app featuring in-depth tools and support for improving wellbeing.

During 2020, we assigned Engagement Champions who are dedicated, creative and enthusiastic about creating an environment that enriches our employees experience of being at Tribal globally. Some of the initiatives in 2020 were the continuation of Wellbeing days, 'Try Something New' month and the launch of Tribal's 900 Acts of Kindness initiative.

Gender pay equality

Tribal published its first Gender Pay Gap statutory report for our UK employees in March 2018, due to the Coronavirus outbreak, the Government Equalities Office (GEO) and the Equality and Human Rights Commission (EHRC) suspended enforcement of the gender pay gap reporting for the 2019/2020 year. Despite this, Tribal has continued to prepare and publish the 2020 report. Only 26% of organisations have published gender pay gap information for 2019 making meaningful comparisons difficult, however, like the vast majority of UK companies, it highlighted that we do have a gender pay gap, primarily because there are more women than men in our lower paid roles, and fewer in higher paid ones.

Tribal continues to strive for equality across all groups. In our forthcoming Gender Pay Gap report to be published in April 2021, we will describe the range of actions and initiatives we are taking to proactively work towards closing the gender pay gap.

Improving education

Our professional development and training work with the National Centre for the Excellence of Teaching Mathematics (NCETM) is contributing to improving education for children across the UK. This includes our involvement in Numberblocks, a series of short programmes on the BBC aimed at helping preschool age children develop early understanding of numbers. NCETM Director for Primary Maths, Debbie Morgan, this year received a CBE for services to education in the Queen's Birthday Honours.

Governance

Tribal believes in the importance of good Governance and maintaining the highest standards across its operations. The Group's approach to managing its ESG impacts is evolving as we formalise our policies and systems, and the creation of an ESG Committee will ensure effective oversight and investment in these increasingly important areas.

Key initiative: compliance

Across the UK, Tribal has maintained the ISO27001 Standard for Information Security and the ISO9001 Standard for Quality Management for the last several years. The Group is now focused on achieving a globalised certification, with assessments of our offices in Australia and the Philippines due in Q1 2021. Being globally aligned and certified is important for mitigating our risks and assuring our customers.

Key initiative: data

As the Tribal Group has grown via acquisitions, historically it has not had fully integrated internal systems for areas such as finance and HR. As part of ongoing internal systems improvements, we are currently focused on achieving consistency of data across the Group by bringing in new universal systems and approaches.

Bribery, corruption and whistleblowing

Tribal provides training to all staff on Anti-bribery and Corruption. We have engaged a third party to act as an independent whistleblowing contact for all our staff should they deem it necessary.

Tax strategy

Taxes are managed on a prudent and moral basis; our strategy is to pay taxes in line with all global rules and regulations. In 2020, we repaid all Furlough support (£80k) and all Covid-19 tax deferrals within the year.

The Strategic report, comprising the 'Our business model', 'Our strategy', 'Principal risks and uncertainties', 'Business review', 'Financial Review' and 'Corporate and social responsibility' sections, was approved by the Board of Directors on 17 March 2021 and signed on its behalf by:

Richard Last
Chairman

Mark Pickett
Chief Executive Officer

CAUTIONARY STATEMENT

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

Board of Directors

The Board, has a good blend of backgrounds pertinent to the challenges and opportunities Tribal faces

Richard Last
Chairman

Appointed

Richard joined the Board in November 2015.

Experience

Richard is currently Chairman and Non-Executive Director of AIM listed Gamma Communications plc. In addition, a Non-Executive Director of AIM listed Corero Network Security plc and Non-Executive Chairman of fully listed HYVE Group plc. Richard is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA) and has over 30 years experience of Public Companies, particularly IT Software and Services and Communications businesses.

Mark Pickett
Chief Executive Officer

Appointed

Mark joined Tribal and the Board in July 2016.

Experience

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

Key to Committee membership:

- Nomination Committee
- Audit Committee
- Remuneration Committee

Roger McDowell

Senior Independent Director

Appointed

Roger joined the Board in November 2015.

Experience

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

Nigel Halkes

Non-Executive Director

Appointed

Nigel joined the Board in January 2020.

Experience

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

Executive Committee

Mark Pickett
Chief Executive Officer

Appointed
Mark joined Tribal and the Board in July 2016.

Experience
See biography on page 36.

Paul Simpson
Acting Chief Financial Officer

Appointed
Paul joined Tribal in December 2016.

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

Mike Cope
Chief Technology Officer

Appointed
Mike joined Tribal in September 2019.

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

Mark Wilson
Chief Operating Officer

Appointed
Mark joined Tribal in December 2016.

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

Chloe Payne
Director of HR

Appointed
Chloe joined Tribal's HR team in 2007.

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

Janet Tomlinson
Managing Director – Education Services

Appointed
Janet joined Tribal at the end of 2009.

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

Mike Beech
Product Management and Marketing Director

Appointed
Mike joined Tribal in March 2016.

Experience
Mike heads up Tribal's global marketing team. Responsible for the strategic development of Tribal's marketing initiatives and driving awareness of the Group's portfolio of capabilities, Mike has the expertise, drive and enthusiasm needed to 'tell the Tribal story' worldwide.

Peter Croft
Managing Director – APAC Region

Appointed
Peter joined Tribal in September 2017.

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

South Devon College case study

Empowered student communications

At the time of turning to Tribal for a solution, South Devon College were using multiple communication platforms, causing lots of issues. They wanted a digital solution to improve direct communication between staff and students, and students and their peers, and also to improve college-wide messages and announcements. They turned to Tribal's mobile solution, Tribal Engage.

over 2 million

messages sent using the Tribal Engage app

> "Tribal technology has modernised and grown with our college to enable us to put the resource into supporting students, rather than just administering their information. The college is undergoing a digital programme of change and Tribal products help to deliver this. It has been really great to see the team delivering on the vision they had for Tribal Engage, it helped me realise that Tribal technology fitted our aspirations and desires for the services we provide students."

Dan Hallam, Assistant Principal at South Devon College, UK

for a secure community

Tribal Engage is revolutionising communication and empowering students to take control of their learning. Through a secure, private social network app, students and staff can communicate freely with each other, and college announcements can be shared to students easily.

Corporate governance

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

The Directors acknowledge the importance of good corporate governance and formally adopted the principles of the Quoted Companies Alliance Code (QCA) on 25 September 2018, this was reviewed on 11 November 2019 and reapproved by the Board on 17 March 2021. Compliance with the code is shown on pages 46 to 53.

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

The PLC Board

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

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

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

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

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

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

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

Delegated authorities

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

Subsidiary Boards

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

Board Committees

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

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

	PLC Board	Audit Committee	Remuneration Committee	Nomination
Committee				
Number of meetings in period	11	4	2	1
Meetings attended by members:				
Richard Last	11	4*	2	1
Roger McDowell	11	4	2	1
Nigel Halkes	11	4	2	1
Mark Pickett	11	4*	2	1

* By invitation.

Audit Committee

The Audit Committee is chaired by Nigel Halkes and includes Roger McDowell. The Chairman, Chief Executive Officer, representatives from finance and our external auditors participate in the meeting by invitation, as and when appropriate and necessary, as non-voting observers. The Committee meets at least twice a year.

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

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

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

The auditors' report to the Audit Committee on matters including independence and non-audit fees on an annual basis. The specific audit partner changes every five years. The amount charged by the external auditors for the provision of services during the 12-month period under review is set out in Note 5 of the financial statements on page 90.

Corporate governance continued

Remuneration Committee

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

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

The Remuneration report which details the Directors' remuneration, pension entitlements and service contracts, including information on Directors' interests, is set out on pages 57 to 61.

Nomination Committee

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

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

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

Executive Board

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

Global Governance Committee

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

Internal controls and risk management

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

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

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

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

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

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

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

Communication with shareholders

The Group reports formally to shareholders when its annual and half-yearly financial statements are published. At the same time, Executive Directors present the results to institutional investors, analysts and the media. Notification of the date of the AGM is sent to shareholders at least 21 working days in advance of the meeting. Details of the AGM are set out in the Notice of Meeting. The Directors are available at the AGM to answer questions, both during the course of the meeting, and informally afterwards. Contact with major shareholders is principally maintained by the Chief Executive Officer and the Chief Financial Officer, who ensure that their views are communicated to the Board as a whole. The Chairman is also available to discuss governance and other matters directly with major shareholders. At every Board meeting, the Board is provided with the latest brokers' reports and a summary of the contents of any meetings with shareholders. The Board considers that the provision of these documents is a practical and efficient way for both the Chairman and Senior Independent Director to be informed of major shareholders' opinions on governance and strategy and to understand any shareholder issues and concerns.

Approved by the Board of Directors on 17 March 2021.

Richard Last
Chairman

Quoted Companies Alliance Code (QCA)

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

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

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

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

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

Deliver growth

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

Overview

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

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

Vision & mission

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

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

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

Our key strengths

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

Our direction

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

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

Business model

Our business model is shown on pages 10 and 11.

Strategic priorities

Our strategy is to focus globally on education sectors – Higher Education, Further Education and Vocational institutions, Schools, Government and State bodies, Training Providers, and Employers – to underpin student success through the provision of expertise, software and services. Our four strategic priorities are outlined on pages 14 and 15.

Shareholder engagement

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

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

Quoted Companies Alliance Code (QCA) continued

Deliver growth continued

Shareholder engagement continued

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

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

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

Wider stakeholder and social responsibilities

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

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

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

Previously, we had set-up and managed our own charitable body – the Tribal Foundation. This has contributed to and supported numerous projects within the UK and globally, with the stated aim of widening the opportunity of education to those who are in anyway disadvantaged. The Foundation has contributed over £600,000 to a variety of programmes.

From 2018 onwards, we have decided to adopt a different approach to encourage wider employee participation. We will continue to run Give As You Earn (GAYE) schemes, including the option of Company matched contributions, to allow employees to contribute to their chosen charities, but we now also allow every member of staff to take a day's paid leave to support a charity of their choice. This has been actively promoted and team-wide participation has been encouraged. All such endeavours are then presented in the Company newsletter, Tribal Talk.

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

Risk management

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

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

Our objectives for risk management are to:

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

Risk registers

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

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

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

Risk management framework

Quoted Companies Alliance Code (QCA) continued

Deliver growth continued

Risk registers continued

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

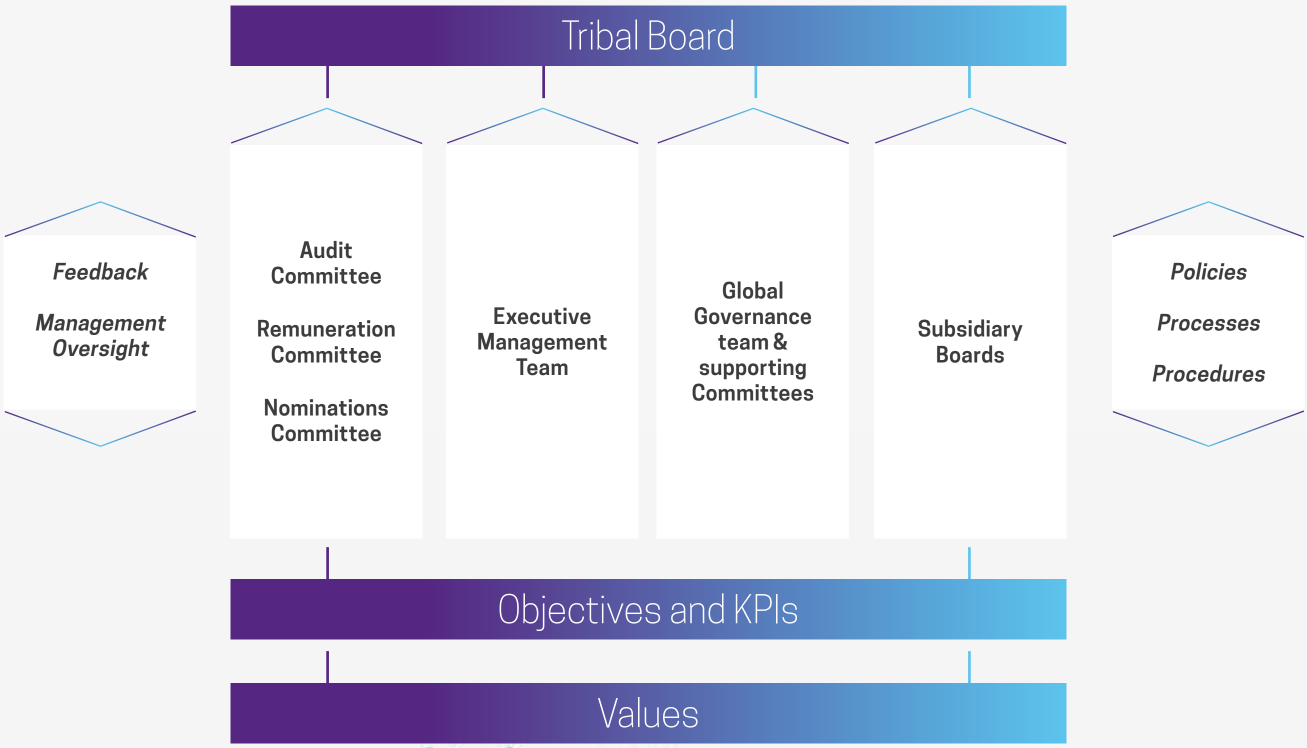
The Executive Management Team and Global Risk Manager monitor and advise the Board of these key influences which enables the Board to adjust the amount of risk that Tribal takes on. Risk tolerance may, by business choice, differ in different parts of the Company.

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

Review and assurance

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

Dynamic management framework



Board composition, experience, and independence

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

The Non-Executive Directors, Richard Last (Chairman) , Roger McDowell and Nigel Halkes are all considered independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement. All three Director's own shares in Tribal, however this is not considered to alter their independent status.

Director's commitment to Tribal

Our Non-Executive Directors have committed in their letters of appointment to attend all reasonable Board and Committee meetings in addition to being reasonably available at other times for Tribal business.

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

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

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

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

A summary of Board and Committee meetings and attendance can be found in the Annual Report on page 43.

Board experience, skills and capabilities

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

Board charter

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

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

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

External advice

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

The Board, nor any committee, has had cause to obtain external advice on any external matter.

External Board advisers

The Board has a number of advisers used on a regular basis. Their details can be found on page 130.

Board evaluation

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

The Board evaluation covers:

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

Quoted Companies Alliance Code (QCA) continued

Deliver growth continued

Board evaluation continued

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

Corporate culture and ethics

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

- translation into team and individual objectives;
- policies, procedures and detailed business processes;
- structured compliance training programme;
- operational management structures for monitoring and reporting on performance of the governance framework; and
- integration into individual job descriptions, career competencies, and performance reviews.

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

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

Topics covered by Tribal's Compliance Training Programme include:

- Anti-Bribery and Corruption;
- Equality and Diversity;
- Data Protection and the GDPR;
- Cyber Security;
- Risk Management;
- Anti-Money Laundering;
- Health and Safety; and
- Whistleblowing.

The Compliance Training Programme is actively supported by our executive management team, who personally undertake all modules, emphasising the importance of the training and Tribal's commitment to compliance.

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

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

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

Strategic leadership pyramid

Building trust

With our people

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

Communication

Tribal has a number of offices in the UK and around the world. The locations are shown on page 12 and detailed on page 121. Communication among our people is crucial and is a fundamental platform of our success. We use a combination of Group-wide updates, including webinars, as well as running specific local communication sessions. We supplement these by communicating via a number of channels (email, internal bulletin boards), our corporate social media and in our now established bi-monthly staff news update – Tribal Talk. We also make extensive use of our Office 365 infrastructure with corporate news hubs for all main areas and Group-wide use of Microsoft Teams for both calling and messaging.

We continue to listen to our people and have moved to completing regular Company-wide engagement survey. The results of this gives us a baseline for planning further work in 2021 and beyond and has ensured we have an engaged and motivated team.

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

With our customers

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

Account management

- **Regular communications** – including email updates, newsletters, and a website that includes news and weekly blogs;
- **Customer conference** – we hold an annual conference, Empower, for all customers globally where over 50 sessions are run to update customers on all areas of product and services. We showcase our domain knowledge and expertise including our insights in the future direction of the market. It also provides opportunity for customers to comment, question and provide feedback directly to Tribal employees. Due to Covid-19 this was held remotely in the year however the Group intends to hold annual conferences going forward if appropriate.

With our suppliers

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

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

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

With our shareholders

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

Website

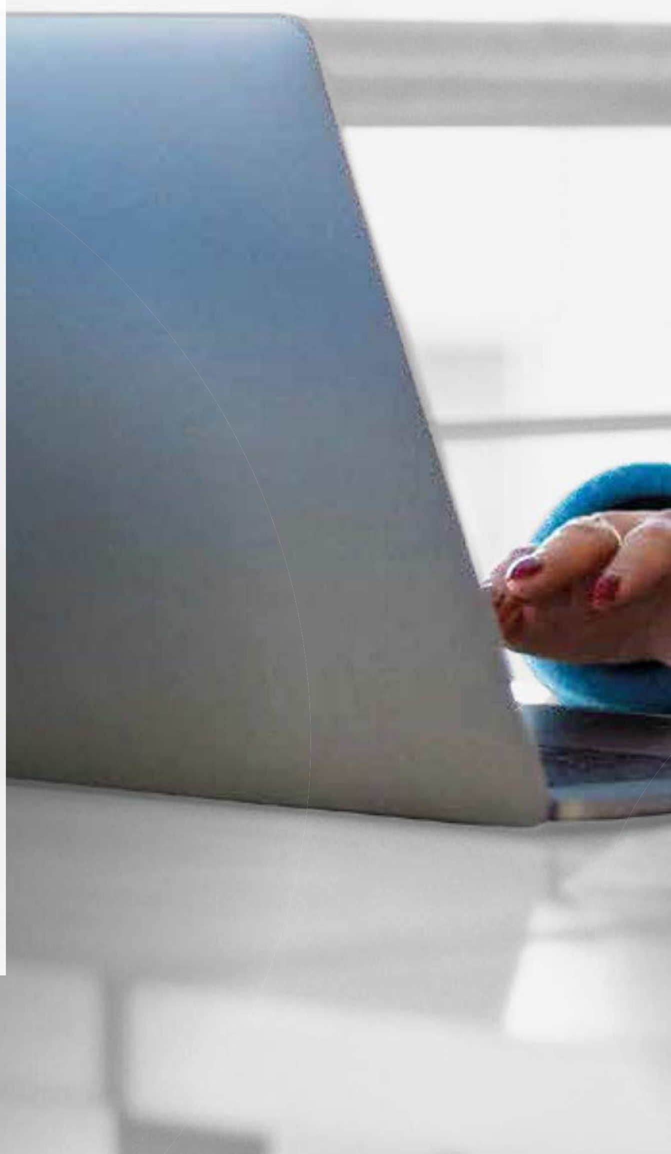
Tribal's compliance with the QCA code and the activities undertaken are published on our website at:

www.tribalgroup.com/investors/governance

Robert Gordon University Aberdeen case study

Continuous improvement delivers results

Robert Gordon University, Aberdeen, have been a Tribal customer since 1998. The university had struggled to take advantage of much of the new functionality was now offering, or to improve embedded working practices in line with good practice. This left them in a position where they had too many workarounds and were overly reliant on numerous external databases, rather than holding key information in Tribal systems. They also found themselves severely lacking in the internal resources required to support their solution. They turned to Tribal's professional services to help and embarked upon an improvement project.



"There have been numerous teams that have worked hard to deliver improvements at RGU. We are proud to say the project has been very successful. We are excited about our new systems and the positive impact we are now realising across the institution."

Gillian Reid, Project Lead at Robert Gordon University, Scotland, UK

'single version of the truth'

Robert Gordon University Aberdeen started their 'Continuous Improvement Project' in early 2017 with the aim to provide a 'single version of the truth'. Working with Tribal, they were able to remove duplicate systems across the university, increase personalisation in communications, improve access to support systems and capture high-quality data.

Audit Committee report

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

Activities of the Committee during the year

The Committee's activities have focused on the accuracy of financial reporting and the related statutory audit; and the assessment of internal controls. During the year the Committee was involved in the reviewing and approving of the Annual Report and Accounts for 2019 and the half year report and accounts for 2020, overseeing the Group's adoption of new and revised accounting standards, continued compliance with the General Data Protection Regulations (GDPR) and Corporate Criminal Offence Rules. In addition, the Committee reviewed the position of the Group's independent external auditors and reappointed BDO LLP at the AGM on 27 April 2020.

Financial reporting and statutory audit

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

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

External audit

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

Accounting policies, practices and judgements

The selection of appropriate accounting policies and practices is the responsibility of management, and the Committee discussed these with both management and the external auditors. Significant areas considered by the Committee in relation to the 2020 financial statements are set out below.

Going concern

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

Revenue recognition

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

Goodwill

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

Capitalised product development costs

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

Assessment of internal financial control

Management is responsible for putting in place internal financial controls over financial reporting and to protect the business from identified material risks. The Committee continues to monitor these closely and they are happy they are appropriate for the business. There is no formal Internal Audit department however the Committee reconsiders whether such a department is required annually.

New accounting standards

The Committee has continued to be kept appraised of new and revised accounting standards including the impact on the Group.

Approved by the Audit Committee on 17 March 2021.

Nigel Halkes
Chairman, Audit Committee

Remuneration report

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

Remuneration policy

The full Directors' remuneration policy is shown below for ease of reference, updated with minor changes. A shareholder vote on the remuneration policy is not required except as set out below.

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

Element of pay	Purpose and link to strategy	Operation including maximum	Performance criteria
Salary	To attract and retain high-quality individuals with the appropriate skills, experience and knowledge, while also recognising their ongoing performance.	Salaries are reviewed annually or when an individual changes position or responsibility. Salaries for the current year are set out on page 59. All appointments that attract either a base salary of £150,000 or a total remuneration package of £250,000, whichever being the least, must be approved by the Remuneration Committee.	Assessment of personal and corporate performance.
Benefits	To provide a range of cost-effective benefits which are typical market practice.	The main benefits provided include private medical insurance, a death in service benefit of four times salary and private fuel.	None.
Pension	To provide cost-effective long-term retirement benefits which are aligned with market practice.	Contributions of 10% of salary are paid to Executive Directors. An equivalent cash supplement may be paid to an individual if the annual or lifetime allowance has been met or exceeded.	None.
Annual bonus	To incentivise and reward for the achievement of in-year objectives, which are linked to the Group's Adjusted Operating Profit.	An annual cash bonus is payable up to a maximum of 125% of salary for the Chief Executive Officer, subject to the achievement of performance targets. In all cases, bonus payments are subject to the overriding discretion of the Remuneration Committee.	The Remuneration Committee reviews the performance measures.
Long-term Incentives	To incentivise and reward for the achievement of long-term performance, which is aligned to the generation of shareholder value.	An annual grant of nil-cost options, which vest after three years subject to continued service and the achievement of performance conditions. The plan limit for an award in any year is 200% of base salary. The normal policy will be to grant 100% of base salary to the Chief Executive Officer. Dividends which accrue on vested awards may be paid as cash, or treated as reinvested and paid in shares.	The Remuneration Committee reviews the performance measures and targets annually. The Remuneration Committee has determined that a target linked directly to the Group's adjusted operating profit margin is an appropriate measure for awards granted in 2020.
All employee plans	To encourage broad-based employee shareholding in the Group.	The Save As You Earn Scheme provides all eligible employees with the opportunity to acquire shares at a discounted share price.	None.

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

Remuneration report continued

Director changes

Nigel Halkes was appointed Director of Tribal Group plc on 20 January 2020. There have been no other Director changes in the year.

The use of performance measures

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

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

Directors' service contracts

Details of service agreements and notice periods are as follows:

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

1. Richard Last has no notice period.

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

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

Policy on payments for loss of office

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

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

Risk

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

Shareholders' views

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

External Board appointments

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

Non-Executive Director fees

The fees for the year ending 31 December 2020, which took effect from 1 January 2020 are as follows. These exclude any expenses which the Non-Executive Directors may incur in relation to their duties.

	From 1 January 2021	From 1 January 2020	Increase / (decrease)
Non-Executive Chairman	£110,000	£110,000	Nil
Basic Fee	£55,100	£55,100	Nil

INFORMATION SUBJECT TO AUDIT

Remuneration payable for the financial year ending 31 December 2020

Director	Salary[4,5]	Benefits[1]	Bonus[2]	SBP[3]	Pension[4]	Total 2020	Total 2019
Mark Pickett	256,500	1,465	435,489	270,852	13,469	977,775	874,014
Richard Last	104,500	–	–	–	–	104,500	269,559
Roger McDowell	52,345	–	–	–	–	52,345	164,659
Nigel Halkes	49,659	–	–	–	–	49,659	–

1. Benefits include private medical insurance and private fuel.
2. The bonus includes a notional bonus repaid to the Company in relation to the exercise of share options equivalent to the nominal value of number of shares issued totalling £0.1m (see Note 7).
3. The cost reported in remuneration is equivalent to the share-based payment accounting charge incurred in the year including dividends accruing on LTIPs and matching shares (see Note 7).
4. The fixed element of Directors remuneration includes salary and pension, all other elements are variable.
5. Salary reflects three months at 80% pay as a mitigating action to Covid-19.

Remuneration report continued

Long Term Incentives Plan (LTIP) awards

On 7 July 2020 the Remuneration Committee approved LTIP awards to Mark Pickett.

	Type	Number of shares	Face value[1]	Performance condition	Performance period	% Vesting at threshold
Mark Pickett	Nil-Cost Option	482,143	£270,000 (100% of salary)	Adjusted operating profit	Measured over 3 years to 31 December 2022	80%

1. Face value calculated based on share price on 7 July 2020 (56p).

Share award interests

The interests in share options were as follows:

	At 1 January 2020	Granted	Lapsed	Exercised	At 31 December 2020	Exercise price	Price on date of grant	Date from which exercisable	Expiry date
Mark Pickett									
LTIP – 30 June 2016	611,620	–	–	611,620	–	Nil	32.7p	June 2017	June 2026
LTIP – 30 June 2016	611,621	–	–	611,621	–	Nil	32.7p	June 2019	June 2026
LTIP – 30 June 2017	247,678	–	–	–	247,678	Nil	83.8p	June 2020	June 2027
LTIP – 22 May 2018	251,256	–	–	–	251,256	Nil	79.6p	May 2021	May 2028
LTIP – 7 June 2019	760,563	–	–	–	760,563	Nil	71.0p	June 2022	June 2029
LTIP – 7 July 2020	–	482,143	–	–	482,143	Nil	56.0p	July 2023	July 2030

The closing share price at 31 December 2020 was 86.8p and during the year ranged from 43.5p to 86.8p. There have been no variations to the terms and conditions or performance criteria for share awards during the financial year.

Annual percentage change in Directors' remuneration compared to FTE employees

	Year -on-year percentage change in remuneration				
	2020[1]	2019	2018	2017	2016
Group FTE employees	832	850	873	820	1041
Averager Remuneration/FTE £'000	52	53	52	60	53
Average FTE Employees percentage change	(2%)	2%	(13%)	14%	11%
Directors percentage change[2]					
Mark Pickett	1%	30%	10%	42%	100%
Richard Last	(35%)	19%	23%	100%	–
Roger McDowell	(5%)	0%	0%	100%	–
Nigel Halkes	100%	–	–	–	–

1. Includes 3 months at 80% pay as a mitigating action to Covid-19.
2. Includes remuneration for the matching shares with the nominal value paid to participants as a bonus. Basic fees are consistent year on year.

INFORMATION NOT AUDITED

Directors' shareholdings

The table below sets out the Directors' current shareholdings as at 31 December 2020. The shareholding guideline for the Chief Executive Officer is to hold two times base salary in stock (excluding invested LIPT's) within no more than five years of appointment.

Director	Beneficially owned	% of salary/ share value held	LTIP options	Share matching plan option
Mark Pickett	693,241	223%	1,697,629	–
Richard Last	3,995,726	3151%	–	–
Roger McDowell	3,975,726	6259%	–	–
Nigel Halkes	14,285	23%	–	–

Note:% of salary/fees held is calculated by reference to the value of the individual's shareholding in Tribal valued at the share price on the close of business on 31 December 2020.

All-employee plans

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

Position against dilution limit

The share incentive plans operate in line with the ABI principle, which requires that all commitments must not exceed 10% of the issued share capital in any rolling 10 year period. Given the Company's issued share capital, the number of employees and the level of participation in the LTIP, the Committee believe that operating a single 10% in 10 year limit for all share plans remains appropriate. The Group's position against the dilution limit at 31 December 2020 was 7.1%.

Executive Directors external appointments

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

Approved by the Remuneration Committee on 17 March 2021.

Roger McDowell
Chairman, Remuneration Committee

Directors' report

The Directors present their report and audited consolidated financial statements for the year ended 31 December 2020.

Principal activities

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

The Company acts as a holding company with a number of trading subsidiaries that provide education related systems, solutions and consultancy services. There was no significant change in this activity during the year. The subsidiary undertakings of the Company are listed in Note 32.

Results and dividends

The profit for the year, after taxation, amounted to £6,358,000 (2019: Loss of £2,963,000). The Directors paid a one-off interim dividend of 1.1p per share on 8 December 2020. As explained in the Chairman's statement, the Directors propose a final dividend of 1.2p per share for the year ended 31 December 2020, subject to approval at the AGM on 27 April 2021. Together with the interim dividend of 1.1p, this makes a combined dividend for the year of 2.3p per share (2019: 1.2p per share).

Dividend policy

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

Business model and strategy

The business model and strategy section, pages 10 and 11 and pages 14 and 15, set out the Company's strategy, business model and key performance indicators.

Long-term financing

On 21 January 2020 the Group entered into a three-year £10m multicurrency revolving facility with HSBC with the option to extend up to a further two years. The first of these options has been utilised effective 16 March 2021. The facility was put in place to cover general corporate and working capital requirements of the Group, this was drawn down in the year but was repaid in full before 31 December 2020. In addition to this, the Group has a £2.0m committed overdraft facility in the UK and a $2.0m committed overdraft facility in Australia. The UK overdraft is committed for a 12-month period ending September 2021 and the Australian overdraft committed for a 12-month period ending October 2021. At the end of 2020 none of the overdraft facility was drawn down. Following a review of the Group's forecasts and projections, the Directors consider the Group is well placed to meet its funding requirements for the foreseeable future. Information about the use of financial instruments by the Group is given in Note 30 of the financial statements.

Board effectiveness

In respect of our operations as a Board, we continue to reflect upon our collective skills and experience and our ability to effectively lead Tribal.

Environment

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

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

Principal risks and uncertainties

The Group's principal risks and uncertainties are explained in the Strategic report on page 30. Risks of a financial nature are addressed in the Financial review on page 27, and Note 30 of the financial statements.

Section 172

The Board's responsibilities to promote the success of the Group under Section 172 of the Companies Act 2006, as modified by the Companies (Miscellaneous Reporting) Regulations 2018 are outlined in the Section 172 Statement on page 31.

Directors' indemnities

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

Directors retiring

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

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

Directors' interests in the Company and share capital information, including share options, are detailed in the Remuneration report on page 60 and 61.

Share capital

Details of the authorised and issued share capital are shown in Note 23 to the financial statements. The Company has one class of Ordinary Shares, which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. During the year, the Company issued 6,118,525 shares (2019: 3,528,603 Ordinary Shares of 5p).

Branches

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

Employees

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

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

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

Research and development

The Group continues to invest in research and development of software products, as set out in Notes 5 and 14 of the financial statements. The investment is predominantly in the Group's next-generation cloud-based Student Information System, Tribal Edge. More information on Tribal Edge is on pages 16 and 17 of the Strategic report. Total research and development expenditure increased to £11.6m (2019: £10.7m) of which £6.8m (2019: £6.2m) was capitalised.

Post balance sheet events

There have been no significant events to report since the date of the balance sheet.

Future development

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

Annual General Meeting

The Company's AGM will be held on 27 April 2021. The notice convening the AGM and an explanation of the business to be put to the meeting are contained in a separate circular to shareholders.

Independent auditors

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

Directors' report continued

Directors' responsibility statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

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

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

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

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

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

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

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

Corporate governance

The Company's statement on corporate governance compliance can be found in the Corporate Governance Report on pages 42 to 45 of the Annual Report and Accounts. The Corporate Governance Report forms part of this Directors' report and is incorporated by reference.

Statement of disclosure of information to auditors

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

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

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

M Pickett.

Mark Pickett
Chief Executive Officer

Registered number 4128850

17 March 2021

Independent auditor's report

to the Members of Tribal Group plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Tribal Group plc (the Parent Company) and its subsidiaries (the Group) for the year ended 31 December 2020, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the Company only balance sheet, the Company only statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

We obtained the going concern assessment, approved by the Directors, including detailed cash flow forecasts up to March 2022 and where applicable agreed this to third party documentation including signed banking facilities and agreements for deferred consideration.

We inspected the Group's signed revolving facility agreements with HSBC (Note 1) to check that the Group has sufficient funds to settle the deferred consideration due of £1.4m (Note 18) for Tribal Dynamics while at the same time maintaining sufficient working capital to continue daily operations as normal. We assessed the impact on banking covenants to determine if they would be breached if the draw down of all facilities were to occur.

We assessed the appropriateness of sensitivity analyses prepared by management over the Group's cash flow forecasts including the effects of adverse movements in revenue, the gross margin and an increase in expenditure to determine the sufficiency of available cash resources required to settle short-term liabilities as they fall due over the next 12 months.

We assessed management's assumptions in the going concern forecast including revenue growth, profit margin, Coronavirus risk assessment and funding headroom availability with reference to the historical accuracy of management's forecasts, comparing the current forecasts against post-year end actual results and committed revenue contracts.

We assessed the effect of contract liabilities on the net current liability position by considering the costs to deliver the products and services, as well as deferred costs in order to realise revenue held as a contract liability.

We reviewed the adequacy of disclosures in Note 1 to the financial statements regarding going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report continued

Overview

Coverage	100% (2019: 100%) of Group profit before tax 100% (2019: 100%) of Group revenue 99% (2019: 99%) of Group total assets		
Key audit matters ('KAM')		2020	2019
	Revenue recognition	✓	✓
	Going Concern		✓
	IFRS 16 implementation		✓
	Based on our risk assessment and consideration that certain factors affecting going concern in 2019 are no longer present, going concern is no longer considered to be a key audit matter in the current year. IFRS 16 implementation is no longer considered to be a key audit matter because the implementation of IFRS 16 was a one-off event with no ongoing key audit matters in the current year.		
Materiality	Group financial statements as a whole £560,000 (2019: £580,000) based on 6% of profit before tax (2019: 5% adjusted operating profit)		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

In determining the scope of our audit we considered the size and nature of each component within the Group to determine the level of work to be performed at each in order to ensure sufficient assurance was obtained to allow us to express an opinion on the financial statements as a whole. The components identified as significant were Tribal Education Ltd and Tribal Group PTY, which were subject to a full scope audit by BDO LLP. Significant components comprises 100% revenue, 100% of adjusted operating profit and 99% of Group total assets. There are 16 other components around the world that were not considered to be significant components of the Group on the basis that their results do not make up a significant proportion of the Group as a whole. These 16 other components are branches or subsidiaries of the two significant components identified and their results are included within the financial results of the two significant components. For these components, analytical review procedures were performed on their year-end results by the Group audit team.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition i-graduate and data analytics revenue stream (Refer to Note 1 and 3 to the financial statements)	Judgement is required in determining the appropriate point of revenue recognition in line with the requirements of applicable accounting standards and whether revenue should be measured at a point in time or over time. In light of the judgements and assessments required to be made by management in this area, particularly as a result of the material difference between point in time and over time recognition, and the complexities of the applicable accounting standard, we have determined that revenue recognition is a key audit matter.	Our audit procedures included assessing the judgements made by management in determining the appropriate revenue recognition for performance obligations satisfied over time. We performed a detailed assessment of a sample of the contracts including the terms and conditions of the services being provided to check that revenue was appropriately recognised in accordance with the requirements of applicable accounting standards. We obtained the physical report deliverables for a sample of customers to assess the performance obligations and how these have been delivered to the customer. We reviewed the inputs and outputs against the survey and benchmarking performance obligations in the relevant contracts to assess whether revenue was recognised in line with contractual terms, the Group's recognition policy and the provisions of applicable accounting standards. We assessed the appropriateness of the Group's revenue recognition policies against the requirements of the applicable accounting standards. **Key observations:** Based on the procedures performed, we consider the revenue recognition of the i-graduate and data analytics revenue stream to be in accordance with the Group's accounting policy.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	2020 £	2019 £	2020 £	2019 £
Materiality	560,000	580,000	350,000	387,000
Basis for determining materiality	6% Profit before tax	5% Adjusted operating profit	Capped at 62.5% of Group materiality	Capped at 70% of Group materiality
Rationale for the benchmark applied	As a listed business shareholders are interested in a statutory measure of profit before tax as an indicator of the Group's ability to pay dividends and overall performance of the business.	The Group use adjusted operating profit as their main measure of performance internally and to the market. Adjusted operating profit is calculated excluding the other items as disclosed in Note 7 to the financial statements.	Capped 62.5% (2019: 70%) of Group materiality given the assessment of the components aggregation risk.	
Performance materiality	392,000	406,000	245,000	270,900
Basis for determining performance materiality	In setting the level of performance materiality we considered a number of factors including the areas of estimation with the financial statements and the type of audit testing to be completed. On this basis performance materiality was set at 70% of Group materiality.		In setting the level of performance materiality we considered a number of factors including the areas of estimation with the financial statements and the type of audit testing to be completed. On this basis performance materiality was set at 70% of Parent Company materiality.	

Independent auditor's report continued

Component materiality

We set materiality for each component of the Group based on a percentage of between 57% and 70% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £320,000 to £400,000. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £11,200 (2019: £11,600). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 2020 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance or conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	▪ In our opinion, based on the work undertaken in the course of the audit: the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and ▪ the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: ▪ adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or ▪ the Parent Company financial statements are not in agreement with the accounting records and returns; or ▪ certain disclosures of Directors' remuneration specified by law are not made; or ▪ we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the Companies Act 2006, accounting standards AIM Rules and the Corporation Tax Act 2010. We identified these areas of laws and regulations as those that could reasonably be expected to have a material effect on the financial statements from sector experience and through discussion with the Directors and other management.

We assessed compliance with the these laws and regulations through enquiry with management and the Audit Committee, review of reporting to Directors with respect to compliance with laws and regulations, review of Board meeting minutes and review of legal correspondence and confirmations.

We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur. In addressing the risk of fraud including management override of controls, we have performed journals testing based on a set of fraud risk criteria and tested to supporting documentation also verifying the business rationale. We also incorporated unpredictability procedures as part of our response to the risk of management override of controls.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

BDO LLP

Sarah Joannidi (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

Bristol, UK

17 March 2021

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

Financial Statements

Company information

Consolidated income statement

For the year ended 31 December 2020

	Note	Adjusted £'000	Other items (see Note 6) £'000	Year ended 31 December 2020 Total £'000	Adjusted £'000	Other items (see Note 6) £'000	Year ended 31 December 2019 Total £'000
Continuing operations							
Revenue	3	72,954	–	72,954	78,210	–	78,210
Cost of sales		(34,322)	–	(34,322)	(39,028)	–	(39,028)
Gross profit		38,632	–	38,632	39,182	–	39,182
Total administrative expenses		(26,831)	(2,693)	(29,524)	(27,530)	(14,098)	(41,628)
Operating profit/(loss)	4,5	11,801	(2,693)	9,108	11,652	(14,098)	(2,446)
Investment income	8	53	–	53	59	–	59
Finance costs	6,9	(345)	(307)	(652)	(162)	(344)	(506)
Profit/(loss) before tax		11,509	(3,000)	8,509	11,549	(14,442)	(2,893)
Tax (charge)/credit	6,10	(3,156)	1,005	(2,151)	(2,518)	2,448	(70)
Profit/(loss) attributable to the owners of the parent		8,353	(1,995)	6,358	9,031	(11,994)	(2,963)
Earnings per share							
Basic	12	4.1p	(1.0)p	3.1p	4.6p	(6.1)p	(1.5)p
Diluted	12	4.0p	(0.9)p	3.1p	4.4p	(5.9)p	(1.5)p

All activities are from continuing operations.

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Profit/(loss) for the year		6,358	(2,963)
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension schemes	26	(438)	490
Deferred tax on measurement of defined benefit pension schemes	21	89	(83)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		1,120	(627)
Other comprehensive income/(expense) for the year net of tax		771	(220)
Total comprehensive income/(expense) for the year attributable to equity holders of the parent		7,129	(3,183)

Consolidated balance sheet

As at 31 December 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Goodwill	13	26,661	25,879
Other intangible assets	14	24,376	19,469
Property, plant and equipment	15	1,069	1,438
Right-of-use assets	25	3,342	4,110
Net investment in lease	25	174	220
Deferred tax assets	21	4,829	4,462
Contract assets		22	129
		60,473	55,707
Current assets			
Trade and other receivables	16	11,036	10,791
Net investment in lease	25	46	46
Contract assets		3,951	3,864
Current tax assets		–	2
Cash and cash equivalents	17	9,520	16,463
		24,553	31,166
Total assets		85,026	86,873
Current liabilities			
Trade and other payables	18	(6,052)	(7,027)
Accruals		(7,480)	(14,437)
Contract liabilities		(23,078)	(22,940)
Current tax liabilities		(2,861)	(1,864)
Lease liabilities	25	(1,020)	(933)
Provisions	20	(265)	(450)
		(40,756)	(47,651)
Net current liabilities		(16,203)	(16,485)
Non-current liabilities			
Other payables	18	(40)	(1,970)
Deferred tax liabilities	21	(1,250)	(1,093)
Contract liabilities		(330)	(78)
Retirement benefit obligations	26	(958)	(540)
Lease liabilities	25	(2,551)	(3,286)
Provisions	20	(923)	(936)
		(6,052)	(7,903)
Total liabilities		(46,808)	(55,554)
Net assets		38,218	31,319

Consolidated balance sheet continued

As at 31 December 2020

	Note	2020 £'000	2019 £'000
Equity			
Share capital	23	10,285	9,979
Share premium		15,951	15,539
Other reserves	24	26,926	26,029
Accumulated losses		(14,944)	(20,228)
Total equity attributable to equity holders of the parent		38,218	31,319

Notes 1 to 33 form part of these financial statements. The Company's registered number is 04128850.

The financial statements on pages 72 to 129 were approved by the Board of Directors and authorised for issue on 17 March 2021 and were signed on its behalf by:

Richard Last
Director

Mark Pickett
Director

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
Balance as at 31 December 2018		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	23	176	–	–	–	176
Equity dividend paid	11	–	–	–	(2,147)	(2,147)
Credit to equity for share-based payments	22	–	–	1,042	–	1,042
Foreign exchange difference on share-based payments	22	–	–	(33)	–	(33)
Tax credit on credit to equity for share-based payments	21	–	–	–	84	84
Contributions by and distributions to owners		176	–	1,009	(2,063)	(878)
Balance at 31 December 2019		9,979	15,539	26,029	(20,228)	31,319
Profit for the year		–	–	–	6,358	6,358
Other comprehensive income for the year		–	–	–	771	771
Total comprehensive income for the year		–	–	–	7,129	7,129
Issue of equity share capital	23	239	–	–	–	239
Equity dividend paid	11	–	–	–	(2,254)	(2,254)
Credit to equity for share-based payments	22	–	–	1,339	–	1,339
Share options exercised	23	67	412	(479)	–	–
Foreign exchange difference on share-based payments	22	–	–	37	–	37
Tax credit on credit to equity for share-based payments	21	–	–	–	409	409
Contributions by and distributions to owners		306	412	897	(1,845)	(230)
At 31 December 2020		10,285	15,951	26,926	(14,944)	38,218

Consolidated cash flow statement

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Net cash from operating activities	27	5,461	12,359
Investing activities			
Interest received		6	51
Purchases of property, plant and equipment	15	(356)	(577)
Expenditure on intangible assets	14	(7,129)	(6,300)
Payment of deferred consideration for acquisitions		(1,732)	(485)
Net gain on forward contracts		41	–
Acquisition of investments in subsidiaries – cash consideration		–	(5,904)
Acquisition of investments in subsidiaries – cash acquired		–	34
Net cash outflow from investing activities		(9,170)	(13,181)
Financing activities			
Interest paid		(259)	(119)
Loan arrangement fees		(65)	–
Proceeds on issue of shares	23	239	176
Payment of lease liabilities	25	(980)	(865)
Proceeds from sub-leases	25	52	52
Equity dividend paid	11	(2,254)	(2,147)
Net cash used in financing activities		(3,267)	(2,903)
Net decrease in cash and cash equivalents		(6,976)	(3,725)
Cash and cash equivalents at beginning of year		16,463	19,974
Effect of foreign exchange rate changes		33	214
Cash and cash equivalents at end of year	17	9,520	16,463

Notes to the financial statements

1. Accounting policies

General information

Tribal Group plc (the Company) is a company incorporated, registered and domiciled in England and Wales in the United Kingdom under the Companies Act. The Company is a public limited company which is listed on the Alternative Investment Market (AIM). The address of the registered office is given on page 130. The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in Note 4 and in the Strategic report on pages 10 to 35. The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out below. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements on pages 72 to 129 have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial information has been prepared on the historical cost basis, except for contingent consideration and share-based payments which are recognised at fair value.

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

Adoption of new and revised standards

In the current financial year, there have been no new standards or amendments which became effective for the current reporting period that have had a material effect on the Group.

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

IFRS 17	Insurance contracts
IFRS 16 (amendments)	Property, Plant and Equipment
IAS 37 (amendments)	Provisions, Contingent Liabilities and Contingent assets
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 16	Interest rate benchmark reform
Amendments to IAS 1	Classification of liabilities as current or non-current
Amendments to IFRS 16	Covid-19 related rent concessions
Amendments to IAS 8	Accounting policies - changes in estimates and errors

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

Basis of consolidation

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

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

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

Adoption of the going concern basis

Tribal had cash and cash equivalents of £9.5m at the end of 2020 plus access to an undrawn UK and Australian overdraft of £2.0m and $AUD 2.0m respectively. This is after £0.1m of furlough benefits and all temporary tax deferrals were repaid in full before 31 December 2020. On 21 January 2020 the Group entered into a three-year £10m multicurrency revolving facility with HSBC with the option to extend by a further two years. The first option to exercise was approved by HSBC on 16 March 2021. The facility was put in place to cover general corporate and working capital requirements of the Group and was fully drawn down in March 2020 but was repaid in full before 31 December 2020. Tribal Group plc has undertaken to make adequate financial resources available to the Group to meet its current and future obligations as and when they fall due. We responded to the challenges presented by the Covid-19 pandemic and we transitioned quickly and efficiently to remote working. The changes customers have seen from our delivery of work across the business have been well received and demonstrate our ability to adapt and change as a business but still serve customers. It also demonstrates the benefits of remote working to the business both in terms of reduction of travel costs and increase in productivity which we expect to continue to benefit the business into the future post-Covid-19. Any medium to longer-term effects or changes resulting from Covid-19 on education institutions will become clearer over time and we continue to closely monitor the ongoing impact of Covid-19 on a regular basis.

The Company has guaranteed the year-end liabilities of its UK subsidiaries (see Note 32).

The Group's software products benefit from a significant installed customer base, whilst its other activities are typically delivered under the framework of long-term contracts. Collectively, the Group has a range of customers across different geographic areas, good levels of committed income and a pipeline of new opportunities. While the Group's net current liability position has decreased slightly to £16.2m from £16.5m in 2019, it is still being driven by the recognition of IFRS 16 lease liabilities as current liabilities of £1m, the deferred consideration recognised relating to the Tribal Dynamics Ltd acquisition of £1.4m and net current contract liabilities of £19.1m relating to deferred customer revenue recognised in accordance with IFRS 15.

The Group benefits from strong annual recurring revenues and cash generation, it also has a significant pipeline of committed income. The impact on 2021 will become clearer as the year progresses and as the medium to longer-term impact of Covid-19 on education institutions is understood.

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.

In assessing the Company's going concern position and the Group's ability to provide the necessary financial support, the Directors have considered all relevant facts and latest forecasts and assessment of the risks faced by the Group, taking into account reasonably possible changes in trading performance. In addition, management have sufficiently stress tested the latest forecasts to the point where either the Group cannot meet its liabilities or is in breach of banking covenants and have concluded that this position is so remote it does not have a significant impact on the Groups ability to continue as a going concern. Accordingly, after making enquiries and receiving confirmation of Group support as set out above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Revenue recognition

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

Student Information Systems:

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

Notes to the financial statements continued

1. Accounting policies continued

Revenue recognition continued

Education Services:

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

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

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

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

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

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

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

Deferred non-contingent consideration

The Group has a deferred non-contingent consideration obligation arising from the acquisition of Tribal Dynamics Holdings Limited.

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

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

Goodwill

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

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

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

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

Merger reserve

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Tangible and Intangible assets are amortised over their estimated useful lives (see Notes 14 and 15). Right-of-use assets are depreciated using the straight-line method from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

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

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

Unlike intangible assets and goodwill, right of use assets are not subject to a significant risk of material impairment, due to the nature and short-term duration of the leases held by the Group. Expected changes to the rental duration of office properties and the corresponding discount rate used to value lease liabilities are not considered probable within the course of normal business, so are excluded from the requirements set out in IAS 1.125.

Business systems

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

Notes to the financial statements continued

1. Accounting policies continued

Internally generated intangible assets – research and development costs

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

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

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

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

Acquired Intangibles

Acquired intangibles are stated at cost, net of amortisation and any recognised impairment loss. These assets are amortised on a straight-line basis over their useful economic lives of 15 years.

Property, plant and equipment

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

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

Leases

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

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

Short-term leases and leases of low-value assets

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

Sub-leases

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

Other items

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

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

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

Retirement benefit costs

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

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

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

Provisions

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

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

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

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

Notes to the financial statements continued

1. Accounting policies continued

Foreign currencies

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

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

Share-based payments

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

Fair value is measured by use of an adjusted Black-Scholes model for the 2017, 2018, 2019 and 2020 LTIPs (including the CSOP) and the 2019 SAYE, and a Monte-Carlo model for the LTIPs awarded in 2016, as these will vest dependent on market conditions.

Tax

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

Current tax provisions are recognised in accordance with IFRIC 23 and represent genuine uncertain tax treatments. The Group continually monitors the status of any tax provisions and will reassess annually based on any changes in facts or circumstances leading to a 'more likely than not' outcome.

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

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

Financial assets

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

Amortised cost

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

Impairment of financial assets

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

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

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

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

Financial liabilities and equity

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

Equity instruments

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

Financial liabilities

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

Dividends

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

Contingent liabilities

Contingent liabilities are disclosed when cash flows are not probable.

2. Critical accounting judgements and sources of estimation uncertainty

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

Goodwill

The carrying value of goodwill at the year-end is £26.7m (2019: £25.9m). An annual impairment review is required under IAS 36 'Impairment of assets' involving judgement of the future cash flows and discount rates for cash-generating units. The Group prepares such cash flow forecasts derived from the most recent budgets approved by the Board of Directors. Further details of the other assumptions used are given in Note 13.

Notes to the financial statements continued

2. Critical accounting judgements and sources of estimation uncertainty continued

Other intangible assets

The carrying value of other intangible assets is £24.4m (2019: £19.5m). Judgement is required to assess whether costs meet the criteria for capitalisation set out in IAS 38, the useful life of those assets, and subsequently the consideration of the potential need for impairment of these assets, in particular in relation to their expected ability to generate future revenue. Further details of the other assumptions used are given in Note 14.

Revenue recognition

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

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 2020	UK £000	Australia £000	Other APAC £000	North America and Rest of the world £000	Total £000
License and development fees	5,633	263	112	103	6,111
Implementation services	5,800	4,226	628	465	11,119
Support & Maintenance	15,472	15,280	1,317	916	32,985
Cloud services	5,210	800	42	133	6,185
Other services	462	26	1	4	493
Schools inspections & other related services (QAS)	9,330	–	198	4,377	13,905
i-graduate survey & data analytics	558	254	1,069	275	2,156
	42,465	20,849	3,367	6,273	72,954

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

Net contract liabilities

	Contract asset/ (liability) 2020 £000	Contract asset/ (liability) 2019 £000
Opening contract balance post IFRS 15	(19,025)	(17,752)
Of which released to income statement	18,750	17,112
New billings and cash in excess of revenue recognised	(19,161)	(18,385)
Closing contract balance	(19,436)	(19,025)

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 30.

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 £0.3m (2019: £0.2m) and will be released in line with the total contract revenue. No amount has been impaired at 31 December 2020 or 2019.

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 2020

	2021 £000	2022 £000	2023 £000	Thereafter £000	Total £000
License and development fees	6,416	5,084	3,881	765	16,146
Implementation services	9,451	5,488	146	–	15,085
Support & Maintenance	34,204	23,823	10,994	741	69,762
Cloud services	7,252	6,552	4,003	2,972	20,779
Other services	155	254	231	–	640
Schools inspections & other related services (QAS)	12,374	4,098	2,113	1,308	19,893
i-graduate survey & data analytics	1,534	413	128	23	2,098
	71,386	45,712	21,496	5,809	144,403

Notes to the financial statements continued

3. Revenue for contracts with customers continued

At 31 December 2019

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

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

	2020 £'000	2019 £'000
Continuing operations		
Sales of services	72,954	78,210
Total revenue	72,954	78,210

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 4. Sales of goods are not material and are therefore not shown separately. Included in sales of services is £0.5m (2019: £0.6m) 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) represents inspection and review services which support the assessment of educational delivery, and a portfolio of performance improvement tools and services, including analytics, software solutions, facilities and asset management.

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 2020 £'000	**Year ended 31 December 2019 £'000**	**Year ended 31 December 2020 £'000**	**Year ended 31 December 2019 £'000**
Student Information Systems	56,895	58,615	19,572	17,937
Education Services	16,059	19,595	3,326	4,014
Total	72,954	78,210	22,898	21,951
Unallocated corporate expenses			(11,097)	(10,299)
Adjusted operating profit			11,801	11,652
Amortisation of software and customer contracts & relationships (see Note 6)			(1,021)	(1,331)
Other items (see Note 6)			(1,672)	(12,767)
Operating profit/(loss)			9,108	(2,446)
Investment income			53	59
Finance costs			(652)	(506)
Profit/(loss) before tax			8,509	(2,893)
Tax charge			2,151	(70)
Profit/(loss) after tax			6,358	(2,963)

Depreciation and amortisation is allocated to segment profits and is included in adjusted segment operating profit as above. The amount included in SIS is £1.4m (2019: £1.8m) and within Education Services £0.1m (2019: £0.1m).

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 6% (2019: 4%) have arisen from the segment's largest customer; within SIS revenues of approximately 6% (2019: 7%) have arisen from the segment's largest customer.

Geographical information

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

	2020 £'000	**2019 £'000**
UK	42,465	47,426
Australia	20,724	19,523
Other Asia Pacific	3,492	4,021
North America	2,572	3,127
Rest of the world	3,701	4,113
	72,954	78,210

Notes to the financial statements continued

4. Business segments continued

Non-current assets (excluding deferred tax)

	2020 £'000	2019 £'000
UK	39,632	34,657
Australia	15,214	15,607
Other Asia Pacific	695	892
North America	88	64
Rest of the world	15	25
	55,644	51,245

5. Operating profit/(loss) for the year

	Note	2020 £'000	2019 £'000
Operating profit/(loss) for the year is stated after charging/(crediting):			
Staff costs (excluding amounts capitalised)	7	39,770	41,965
Depreciation and other amounts written off property, plant and equipment	15	734	879
Depreciation of right-of-use assets	25	1,059	1,043
Platform dispute	6	–	9,133
Amortisation of software and customer contracts & relationships	14	1,021	1,331
Amortisation of software licenses	14	3	60
Amortisation of business systems	14	20	223
Amortisation of development costs and acquired Intellectual Property	14	1,245	1,510
Write-off of business systems	14	–	646
Net impairment (gain)/loss on trade receivables	16	(210)	304
Research and development expenditure		6,094	6,161
Net foreign exchange losses		769	181

The analysis of auditors' remuneration is as follows:

	2020 £'000	2019 £'000
Fees payable to the Company's current auditors for the audit of the Company's Annual Report	150	176
Fees payable to the Company's current auditors and its associates for other services to the Group:		
– the audit of the Company's subsidiaries pursuant to legislation	126	119
Total audit fees	276	295
– audit related assurance services	8	10
– non-audit related assurance services	–	17
Total non-audit fees	8	27
Total auditor's remuneration	284	322

Non-audit fees in 2020 (£8,000) arose as a result of the half year review.

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

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

6. Other items

	2020 £'000	2019 £'000
Acquisition related costs	814	(237)
Platform dispute	–	(9,133)
Employee related share option charges (including employer related taxes)	(1,815)	(1,717)
– Write-off of business systems	–	(646)
– Legacy defined benefit schemes	(123)	(90)
– Other legal costs	(36)	(150)
– Restructuring and associated costs	(512)	(794)
Other items	(671)	(1,680)
Amortisation of software and customer contracts & relationships	(1,021)	(1,331)
Total administrative expenses	(2,693)	(14,098)
Other financing costs	(307)	(344)
Total other items before tax	(3,000)	(14,442)
Tax on other items	1,005	2,448
Total other items after tax	(1,995)	(11,994)

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 £nil (2019: £237,000). Under IFRS 3 these amounts were expensed as they are not eligible for capitalisation. These are considered to be one-off costs in the previous year. In 2020 accounting for changes in the fair value of the deferred consideration have been remeasured at relevant reporting dates as part of the earn-out agreement, and the corresponding gain has been recognised in the income statement (2020: (£814,000): 2019: £nil).

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 £nil (2019: £9,133,000). An accrual of £8,200,000 was made in 2019 to settle all historic liabilities and outstanding legal costs. The dispute has now been settled and all amounts paid and accruals released.

Employee related share option charges. The numbers above include:

- share-based payments (see Note 22) plus foreign exchange £(37,000): (2019: £33,000);
- the movement in associated employers taxes accrual (2020: £153,000: 2019: £(52,000));
- the amounts accrued and paid on dividends on share options that have met performance conditions (2020: £195,000: 2019: £155,000). 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 (2020: £128,000: 2019: £572,000). 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.

Notes to the financial statements continued

6. Other items continued

Other items are detailed below:

- during the previous year the Group upgraded its accounting system to Microsoft Dynamics D365 to allow the Group's finance team to access new functionalities and thus providing operating efficiencies. After the successful upgrade the remaining life of AX 2012 was reviewed and management concluded that this asset should be fully impaired in line with IAS 36 paragraph 12(e) due to the obsolescence of the asset (2020: £nil: 2019: £646,000) (see Note 14);
- 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 (2020: £123,000: 2019: £90,000);
- legal costs associated with the data breach in Tribal Campus, an Australian subsidiary of the Group, announced on 12 August 2019, amounted to £36,000 (2019: £150,000). The amounts expensed are the excess not covered by the Group's Insurance policy. All costs have now been fully settled in 2020; and
- restructuring and associated costs relate to the restructuring of the Group's operations (2020: £572,000: 2019: £794,000).

Amortisation of software and customer contracts and relationships: Amortisation arising on the fair value of intangible assets acquired is separately disclosed. (2020: £1,021,000: 2019: £1,331,000).

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 (2020: £307,000: 2019: £344,000).

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.

7. Staff numbers and costs

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

	2020 number	2019 number
Selling, operations and marketing	798	782
Finance and administration	95	97
	893	879

The aggregate payroll costs of these persons were as follows:

	2020 £'000	2019 £'000
Wages and salaries	38,452	40,012
Social security costs	3,288	3,363
Other pension costs	1,717	1,889
Restructuring costs	556	817
Share option charge*	1,534	1,197
	45,547	47,278

* Includes £195,000 (2019: £155,000) amounts paid and accrued on dividends on share options that have met performance conditions.

The total payroll costs above include £5,777,000 (2019: £5,313,000) capitalised as development costs.

Net interest expense relating to pension schemes of £10,000 (2019: £27,000) and administrative expenses of £23,000 (2019: £44,000) are reported elsewhere and are therefore excluded from the figures above.

8. Investment income

	2020 £'000	2019 £'000
Other interest receivable	6	51
Fair value movement on forward exchange contract	41	–
Interest receivable on leased assets	6	8
Total investment income	53	59

9. Finance costs

	2020 £'000	2019 £'000
Interest on bank overdrafts and loans	147	4
Loan arrangement fees	65	–
Net interest payable on retirement benefit obligations	10	27
Interest expense on lease liabilities	123	131
Adjusted finance costs	345	162
Unwinding of discounts	307	344
Other finance costs	307	344
Total finance costs	652	506

10. Tax

	2020 £'000	2019 £'000
Current tax		
UK corporation tax	67	–
Overseas tax	1,800	1,299
Adjustments in respect of prior years	33	(406)
	1,900	893
Deferred tax		
Current year	188	(1,143)
Adjustments in respect of prior years	63	320
	251	(823)
Tax charge on profits	2,151	70

Notes to the financial statements continued

10. Tax continued

See Note 21 for further analysis of movements in the deferred tax position. The continuing tax charge can be reconciled to the profit from continuing operations per the income statement as follows:

	2020 £'000	2019 £'000
Profit/(loss) before tax on continuing operations	8,509	(2,893)
Tax charge/(credit) at standard UK rate of 19% (2019: 19%)	1,617	(550)
Effects of:		
Overseas tax rates	654	349
Expenses not deductible for tax purposes	134	268
Adjustments in respect of prior years	96	(86)
Additional deduction for R&D expenditure	(11)	8
Share scheme costs	30	18
Fixed assets ineligible depreciation	(47)	(18)
Utilisation of unrecognised tax losses	5	(7)
Effect of changes in tax rates	(327)	88
Tax expense for the year	2,151	70

In addition to the amount charged to the income statement a current tax credit of £66,000 (2019: £nil) and a deferred tax credit of £343,000 (2019: £84,000) has been recognised directly in equity during the year in relation to Share Schemes. A deferred tax credit of £89,000 (2019: charge of £83,000) 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 2020. 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% (2019: 19%). Tax for other jurisdictions is calculated at the prevailing rates prevailing in the respective jurisdictions.

Deferred tax on temporary differences and tax losses at the balance sheet date is calculated at the substantively enacted rates at which the temporary differences and tax losses are expected to reverse. The main rate of UK corporation tax reduced from 20% to 19% from 1 April 2017. A further reduction in the UK corporation tax rate of 17%, effective from 1 April 2020, was substantively enacted in a prior period so its effect was reflected in the Group's balance sheet as at 31 December 2019. A change in the corporation tax rate, so that it remains at 19% rather than reducing it to 17% from 1 April 2020, was announced in the 2020 budget and substantively enacted prior to 31 December 2020. Therefore it is recognised in the current period.

11. Dividends

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended for the year ended 31 December 2020 of 1.1 pence (final dividend for the year ended 31 December 2019: 1.1 pence) per share	2,254	2,147
Proposed final dividend:		
Proposed final dividend for the year ended 31 December 2020 of 1.2 pence (year ended 31 December 2019: 1.2 pence) per share	2,470	2,451

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

No dividend was paid in 2020 relating to FY19. The Board took the decision to pay an interim dividend of 1.1p per share on 8 December 2020, relating to FY20. The Board has proposed a final dividend in respect of the year ended 31 December 2020 of 1.2p. Together with the one-off interim dividend of 1.1p per share paid on 8 December 2020, this makes a combined dividend for the year of 2.3p per share (2019: 1.2p per share).

12. 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:

	2020 thousands	2019 thousands
Weighted average number of shares outstanding:		
Basic weighted average number of shares in issue	203,986	196,626
Weighted average number of employee share options	4,230	7,241
Weighted average number of shares outstanding for dilution calculations	208,216	203,867

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 12,796,406 (2019: 5,281,859). This includes 1,028,396 options in the 2019 SAYE Scheme (2019: 1,116,879).

Notes to the financial statements continued

12. Earnings per share continued

The adjusted basic and diluted earnings per share figures shown on the consolidated income statement on page 72 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:

	2020 £'000	2019 £'000
Net profit/(loss)	6,358	(2,963)
Earnings per share		
Basic	3.1p	(1.5)p
Diluted	3.1p	(1.5)p
Adjusted net profit	8,353	9,031
Adjusted earnings per share		
Basic	4.1p	4.6p
Diluted	4.0p	4.4p

	Profit/(loss) for the year		Earnings per share	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Profit/(loss) for the year attributable to equity shareholders	6,358	(2,963)	3.1p	(1.5)p
Add back:				
Amortisation of IFRS intangibles (net of tax)	800	1,003	–	–
Share-based payments	1,376	1,009	–	–
Unwinding of discounts	307	344	–	–
Platform dispute	–	9,133	–	–
Movement in deferred consideration	(814)	–	–	–
Other items (net of tax)	326	505	–	–
Total adjusting items (net of tax)	1,995	11,994	1.0p	6.1p
Adjusted earnings	8,353	9,031	4.1p	4.6p

13. Goodwill

	2020 £'000	2019 £'000
Cost		
At beginning of year	107,110	101,748
Additions	–	5,870
Exchange differences	782	(508)
At end of year	107,892	107,110
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	26,661	25,879
At beginning of year	25,879	20,517

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:

	2020 £'000	2019 £'000
Student Information Systems (SIS)	23,127	22,345
Education Services (ES)	3,534	3,534
	26,661	25,879

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.

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 2021. 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 cash flows. The growth assumption is 2% per annum for SIS (2019: 2%) and 2% for ES (2019: 2%). 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 11.0% (2019: 9.3%). 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 36% and 189% would trigger an impairment in SIS and ES respectively. A decline in growth rate to (26%) in SIS and (155%) in ES would result in an impairment. Management does not consider these changes possible but considers a slight increase in discount rate to 12% and zero growth may be possible as a result of the current economic environment. As a result of the analysis, there is headroom of £104.3 million and £21.7 million in SIS and ES respectively.

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

Notes to the financial statements continued

14. Other intangible assets

	Software £'000	Customer contracts & relationships £'000	Acquired intellectual property £'000	Development costs £'000	Business systems £'000	Software licenses £'000	Total £'000
Cost							
At 1 January 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 and 1 January 2020	9,831	8,424	1,873	36,513	5,083	1,489	63,213
Additions	–	–	–	6,902	227	–	7,129
Exchange differences	462	196	–	204	9	–	871
At 31 December 2020	10,293	8,620	1,873	43,619	5,319	1,489	71,213
Amortisation							
At 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 and 1 January 2020	7,137	5,677	659	23,893	4,893	1,485	43,744
Charge for the year	535	486	75	1,170	20	3	2,289
Exchange differences	469	136	–	192	7	–	804
At 31 December 2020	8,141	6,299	734	25,255	4,920	1,488	46,837
Carrying amount							
At 31 December 2020	2,152	2,321	1,139	18,364	399	1	24,376
At 31 December 2019	2,694	2,747	1,214	12,620	190	4	19,469

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 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 £0.4m (2019: £0.2m). 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 eight years left. Phase II of the D365 implementation is now under way. During 2020 £227,000 has been capitalised. This implementation is expected to be completed late 2021 and amortisation will commence then.

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 CGUs. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

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

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 15 years in line with the rest of Tribal Edge. The UEL of this asset was changed from 5 to 15 years in the previous year in accordance with IAS 8.36.

15. Property, plant and equipment

	Leasehold improvements £'000	Fixtures, fittings and other equipment £'000	Total £'000
Cost			
At 1 January 2019	3,102	5,579	8,681
Additions	228	349	577
Disposals	(196)	(59)	(255)
Exchange differences	(31)	(81)	(112)
At 31 December 2019 and 1 January 2020	3,103	5,788	8,891
Additions	–	356	356
Disposals	–	(13)	(13)
Exchange differences	50	129	179
At 31 December 2020	3,153	6,260	9,413
Accumulated depreciation and impairment			
At 1 January 2019	2,643	4,276	6,919
Charge for the year	253	626	879
Disposals	(196)	(59)	(255)
Exchange differences	(23)	(67)	(90)
At 31 December 2019 and 1 January 2020	2,677	4,776	7,453
Charge for the year	135	599	734
Disposals	–	–	–
Exchange differences	39	118	157
At 31 December 2020	2,851	5,493	8,344
Net book value			
At 31 December 2020	302	767	1,069
At 31 December 2019	426	1,012	1,438

There are £7.7m (2019: £7.6m) worth of assets that are fully depreciated within property, plant and equipment.

Notes to the financial statements continued

16. Trade and other receivables

	2020 £'000	2019 £'000
Amounts receivable for the sale of services	7,701	8,070
Less: loss allowance	(231)	(441)
	7,470	7,629
Other receivables	413	330
Prepayments	3,153	2,832
	11,036	10,791

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

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

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

Trade receivables

Trade receivables are measured at amortised cost. The average credit terms on sales is 30 days (2019: 30 days). The Group sells the majority of its services to the public sector or related bodies and institutions, and as such there is a low incidence of default experience.

Of the total trade receivables balance at the end of the year there were no customers (2019: one) who held balances outstanding of more than 5% (2019: £0.4m). The average age of receivables is 44 days (2019: 38 days).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss allowance for trade receivables and accrued income. To measure expected credit losses on a collective basis, trade receivables and accrued income are grouped based on similar credit risk and ageing. See Note 3.

At 31 December 2020 the lifetime expected loss allowance for trade receivables is as follows:

	Expected loss rate	Gross carrying amount £'000	Loss provision £'000
Current	1%	5,669	67
30–60 days	4%	760	29
60–90 days	6%	205	13
90–180 days	7%	801	55
180+ days	25%	266	67
Total		7,701	231

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

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

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

	2020 £'000	2019 £'000
Balance at the beginning of the year	441	137
IFRS 9 expected credit loss adjustment	(52)	326
Amounts written off during the year	(45)	(28)
Unused amounts reversed	(113)	6
Balance at the end of the year	231	441

Contract assets

Contract assets are measured at amortised cost. Contract assets inherently have some contractual risks associated with them related to the specific and ongoing risks in each individual contract with a customer. These are subject to the expected credit loss impairment under IFRS 9.

Impairments recognised in the income statement in respect of contract assets amount to £0.8m (2019: £nil).

Notes to the financial statements continued

17. Cash and cash equivalents

Cash and cash equivalents of £9.5m (2019: £16.5m) comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Of the above balance, £nil (2019: £nil) represents funds restricted in use by the relevant commercial terms of certain trading contracts. These terms have been complied with.

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

	2020 £'000	**2019 £'000**
Aa1	–	13
Aa3	700	5,885
A1	8,157	9,393
A3	613	1,120
Baa2	50	52
	9,520	16,463

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

	2020 £'000	**2019 £'000**
Cash and cash equivalents	9,520	16,463
	9,520	16,463

18. Trade and other payables

	2020 £'000	2019 £'000
Current		
Trade payables	892	800
Other taxation and social security	2,522	3,156
Other payables	1,246	1,378
Deferred contingent consideration	–	1,693
Deferred non-contingent consideration	1,392	–
	6,052	7,027
Non-current		
Deferred contingent consideration	–	1,939
Other payables	40	31
	40	1,970
Total	6,092	8,997

The average credit period taken for trade purchases is 12 days (2019: 10 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:

	2020 £'000	2019 £'000
Goods received not invoiced	564	538
Other creditors	682	840
	1,246	1,378

Deferred non-contingent consideration reflects amounts in respect of the acquisition of Tribal Dynamics Limited, payable by 31 March 2021. The amount has been calculated upon the performance of this entity in the year to 31 December 2020 and the resultant payment is due under the Sale and Purchase Agreement.

19. Borrowings

As at 31 December 2020 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 2021, and the Australian overdraft committed for a 12-month period ending October 2021. As at 31 December 2020, the Group had cash and cash equivalents of £9.5m (2019: £16.5m).

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 three-year £10m multi-currency revolving facility with HSBC with the option to extend to a further two years. The first option to exercise was approved by HSBC on 16 March 2021 with no significant changes to note. The loan was fully drawn down in 2020 and repaid in full before 31 December 2020. The facility was put in place to cover general corporate and working capital requirements of the Group.

Notes to the financial statements continued

20. Provisions

	Property related £'000	Other £'000	Legal claims £'000	Total £'000
At 1 January 2020	1,077	156	153	1,386
Net release of provision	(45)	(2)	(45)	(92)
Utilisation of provision	(23)	–	(108)	(131)
Exchange rate movement	21	4	–	25
At 31 December 2020	1,030	158	–	1,188

The provisions are split as follows:

	Property related £'000	Other £'000	Legal claims £'000	Total £'000
2020				
Within one year	107	158	–	265
After more than one year	923	–	–	923
Total	1,030	158	–	1,188
2019				
Within one year	141	156	153	450
After more than one year	936	–	–	936
Total	1,077	156	153	1,386

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

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

Legal claims provision relates to the data breach in Australia.

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

21. Deferred tax

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

	2020 £'000	2019 £'000
Deferred tax assets		
Depreciation in excess of capital allowances	–	434
Other timing differences	1,022	766
Share-based payments	1,254	754
Tax losses	2,371	2,417
Retirement benefit schemes	182	91
	4,829	4,462
Deferred tax liabilities		
Depreciation in excess of capital allowances	(309)	–
Intangible assets	(941)	(1,093)
	(1,250)	(1,093)
	3,579	3,369

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

The Group has recognised a deferred tax asset of £2,371,000 (2019: £2,417,000) on tax losses carried forward in the UK of £12,477,000 (2019: £14,512,000).

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

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

	Temporary differences on non-current assets £'000	Retirement defined benefit schemes £'000	Other temporary differences £'000	Total £'000
At 1 January 2019	557	170	2,564	3,291
Adjustments to opening balances – IFRS 16	–	–	(9)	(9)
Acquisitions	–	–	(735)	(735)
Foreign exchange differences	8	–	(10)	(2)
(Charge)/credit to income statement	(131)	4	950	823
Items taken directly to equity	–	–	84	84
Charge recognised in consolidated statement of comprehensive income	–	(83)	–	(83)
At 31 December 2019 and 1 January 2020	434	91	2,844	3,369
Foreign exchange differences	55	–	(26)	29
(Charge)/credit to income statement	(798)	2	545	(251)
Items taken directly to equity	–	–	343	343
Charge recognised in consolidated statement of comprehensive income	–	89	–	89
At 31 December 2020	(309)	182	3,706	3,579

Notes to the financial statements continued

21. Deferred tax continued

Included in other temporary differences are deferred tax assets of £2,371,000 (2019: £2,417,000) relating to tax losses carried forward and other timing differences of £2,276,000 (2019: £1,520,000). The balance also includes a deferred tax liability, in relation to intangible assets of £941,000 (2019: £1,093,000).

The (charge)/credit taken to the income statement for items in 'other temporary differences' is split as follows: Tax losses £46,000 (2019: £(1,102,000)); Intangible assets £(152,000) (2019 £(336,000)); Share schemes £(157,000) (2019: £271,000); and other timing differences £(282,000) (2019: £217,000).

There are no unrecognised deferred tax liabilities.

The deferred tax assets are expected to be settled as follows: £716,000 less than 12 months from 31 December 2020 and £4,111,000 greater than 12 months from 31 December 2020.

The impact of changes in tax rates on deferred tax balances of £327,000 (2019: £227,000) has been charged to the income statement and is included within the total charge to the income statement of £251,000 (2019: credit of £823,000) disclosed above.

22. Share-based payments

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

	2020 £'000	**2019 £'000**
2019 SAYE	47	10
LTIPs awarded in 2020 (2 year vesting)	220	–
LTIPs awarded in 2020	181	–
LTIPs (incorporating the CSOP) awarded in 2019	261	127
LTIPs (incorporating the CSOP) awarded in 2018	445	434
LTIPs (incorporating the CSOP) awarded in 2017	222	389
LTIPs awarded in 2016	–	49
Total	1,376	1,009

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

2019 SAYE

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

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

LTIPs awarded in 2020

New awards in 2020 to Mark Pickett (482,143) will vest equally over the next 3 years. These awards were granted subject to performance conditions based on the Group's Adjusted Operating Profit for the years ended 31 December 2020, 2021 and 2022.

Eligible employees on the Executive Board also received 1,876,000 awards under the LTIP Scheme. These will vest equally over the next three years. These awards were granted subject to performance conditions based on the Group's Adjusted Operating Profit for the years ended 31 December 2020, 2021 and 2022.

In addition 1,920,000 options were granted to eligible employees. These awards were granted subject to time limit conditions. Only 50% of the options can be exercised from 1 July 2021 and 50% from 1 July 2022.

LTIPs awarded in 2019 (including the CSOP)

New awards in 2019 to Mark Pickett (760,563) will vest equally over the next three years. These awards were granted subject to performance conditions based on the Group's Adjusted Operating Profit for the years ended 31 December 2019, 2020 and 2021. During 2020 44,011 shares lapsed as part of the 2019 performance condition was not met.

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

LTIPs awarded in 2018 (including the CSOP)

Awards in 2018 were made to Mark Pickett (251,256) and will vest on 22 May 2021. These awards were granted subject to performance conditions based on the Group's Adjusted Operating Profit for the year ended 31 December 2018.

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

LTIPs awarded in 2017 (including the CSOP)

Awards in 2017 were made to Mark Pickett (247,678). These awards were granted subject to a time-limit condition and continued employment. These awards vested on 29 June 2020. They have not been exercised.

Awards in 2017 under the new CSOP scheme (as part of the 2010 LTIP Plan) can only be exercised after a three-year period and if the share price is above 80p. The options met the three-year vesting condition on 2 July 2020. During the year no options were exercised.

LTIPs awarded in 2016

Awards in 2016, to eligible employees, vest according to a target share price. The amount of awards that will vest will range between 0% and 100% of those granted based on a target share price between 60p and 80p. These awards have now vested. During the year 1,373,241 options were exercised, including 1,223,241 by Mark Pickett. In addition 1,339,286 options issued to the vendors of Sky Software Pty, as part of the deferred consideration payable, were exercised during the year.

Options outstanding during the year are as follows:

	LTIP – nil cost (2 years)		LTIP – nil cost (3 years)		LTIP (inc CSOP)		SAYE	
	Number of options thousands	Weighted average exercise price*	Number of options thousands	Weighted average exercise price*	Number of options thousands	Weighted average exercise price	Number of options thousands	Weighted average exercise price
Outstanding at 1 January 2020	–	–	4,372	£0.05	8,119	£0.77	1,117	£0.58
Exercised during the year	–	–	(2,712)	£0.05	–	–	–	–
Granted during the year	1,920	£0.05	2,358	£0.05	–	–	–	–
Lapsed during the year	–	–	(219)	£0.05	(244)	£0.80	(88)	£0.58
Outstanding at 31 December 2020	1,920	£0.05	3,799	£0.05	7,875	£0.77	1,029	£0.58
Exercisable at 31 December 2020	-	–	473	£0.05	2,660	£0.80	–	–
Weighted average remaining contractual life (years)	1.5	–	7.8	–	7.7	–	2.3	–
Weighted average share price at date of exercise	–	–	–	£0.64	–	–	–	–

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

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

Notes to the financial statements continued

22. Share-based payments continued

The Group has used a Monte-Carlo valuation model for the LTIPs awarded in 2016 and an adjusted Black-Scholes valuation model for the 2017, 2018 2019 and 2020 LTIP awards (including the new CSOP plan) and 2019 SAYE in order to incorporate discount factors into the fair value to reflect the performance conditions of the LTIP grants. The following table sets out the information about how the fair value of the grants are calculated:

Date of grant	**28 June 2016**	**30 June 2016**	**30 June 2016***	**30 June 2017***	**2 July 2017**	**26 March 2018**
Type of grant	LTIPs	LTIPs	LTIPs	LTIPs	LTIPs (inc CSOP)	LTIPs (Inc CSOP)
Share price	£0.505	£0.505	£0.505	£0.838	£0.78	£0.796
Exercise price	£0.05	£0.05	£0.05	£0.05	£0.80	£0.796
Expected dividend yield	0%	0%	0%	0%	0%	1%
Risk-free interest rate	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%
Expected volatility	68%	68%	68%	61%	61%	61%
Term (years)	3.0	3.0	3.0	3.0	5.0	5.0
Option fair value	£0.316	£0.318	£0.508	£0.79	£0.407	£0.374
Expiry date	27 June 2026	29 June 2026	29 June 2026	30 June 2027	2 July 2027	26 March 2028
No of options issued	3,591,020	611,621	611,620	1,935,351	3,535,000	3,975,000
No of options outstanding	225,000	–	–	247,678	2,660,297	2,839,361

Date of grant	**22 May 2018**	**7 June 2019**	**7 June 2019**	**16 Sept 2019**	**1 October 2019**	**7 July 2020**	**7 July 2020***
Type of grant	LTIPs	LTIPs	LTIPs (inc CSOP)	LTIPs (Inc CSOP)	SAYE	LTIPs	LTIPs
Share price	£0.78	£0.71	£0.71	£0.615	£0.647	£0.56	£0.59
Exercise price	£0.05	£0.05	£0.71	£0.615	£0.582	£0.05	£0.05
Expected dividend yield	1%	1.57%	1.57%	1.79%	1.79%	2.12%	2.12%
Risk-free interest rate	0.14%	1.04%	1.04%	1.04%	1.04%	0.40%	0.40%
Expected volatility	74%	26%	26%	26%	24%	26%	24%
Term (years)	5.0	5.0	5.0	5.0	3.0	5.0	2.0
Option fair value	£0.664	£0.61	£0.32	£0.28	£0.108	£0.46	£0.51
Expiry date	22 May 2028	06 June 2029	06 June 2029	15 Sept 2029	30 April 2023	06 July 2030	30 June 2030
No of options issued	590,452	760,563	2,600,000	300,000	1,116,879	2,358,143	1,920,000
No of options outstanding	251,256	716,552	2,075,342	300,000	1,028,396	2,358,143	1,920,000

* These awards have no market based performance conditions.

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

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

In 2019 there were 1,339,286 options over shares that had not been recognised in accordance with IFRS 2. These options were issued to the vendors of Sky Software Pty in 2017 as part of the deferred consideration payable. These options were subject to a performance condition measured over a maximum three year period ending 31 March 2020. The options vested in 2020, were exercised and shares were issued on 1 June 2020 (see Note 23).

23. Share capital

	2020 number	2020 £'000	2019 number	2019 £'000
Allotted, called up and fully paid				
At beginning of the year	199,579,784	9,979	196,051,181	9,803
Issued during the year	6,118,525	306	3,528,603	176
At end of the year	205,698,309	10,285	199,579,784	9,979

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

The shares issued during the year in order to satisfy exercises of share-based payment schemes were as follows: 3,405,998 issued on 16 January 2020, 1,223,241 issued on 6 February 2020 and 150,000 issued on 12 June 2020. In addition 1,339,286 shares were issued on 13 June 2020 to the vendors of Sky Software Pty as part of the deferred consideration payable. The exercise costs of 5p per share for the LTIPs resulted in cash receipts of £0.3m.

24. Other reserves

	Capital reserve £'000	Merger reserve £'000	Own share reserve £'000	Share-based payment reserve £'000	Total £'000
At 1 January 2019	9,545	11,304	(856)	5,027	25,020
Movement in relation to share-based payment (net)	–	–	–	1,009	1,009
At 31 December 2019 and 1 January 2020	9,545	11,304	(856)	6,036	26,029
Movement in relation to share-based payment (net)	–	–	–	897	897
At 31 December 2020	9,545	11,304	(856)	6,933	26,926

The capital reserve of £9.5m (2019: £9.5m) resulted from a share exchange when Tribal Group plc was listed in February 2001.

The merger reserve of £11.3m (2019: £11.3m) relates to the premium arising on shares issued subject to the provisions of section 612 of the Companies Act 2006 (previously section 131 of the Companies Act 1985), net of cumulative goodwill impairment of £58.7m (2019: £58.7m) in respect of related acquisitions deemed to be impaired.

The own share reserve of £(0.9)m (2019: £(0.9)m) represents the cost of 827,692 shares (2019: 827,692) in Tribal Group plc held by the Employee Share Ownership Trust to satisfy certain options under the Group's share option schemes.

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

Notes to the financial statements continued

25. Leases

As a lessee

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

Right-of-use assets

	2020 £'000	2019 £'000
Balance at 1 January	4,110	4,176
Additions to right-of-use assets	298	1,083
Depreciation charge for year	(1,059)	(1,043)
Disposals during the year	(76)	(54)
Exchange differences	69	(52)
Balance at 31 December	3,342	4,110

Lease liabilities

Maturity analysis	2020 £'000	2019 £'000
Less than one year	1,096	1,034
One to five years	2,357	2,959
More than five years	279	524
Total undiscounted lease liabilities at 31 December	3,732	4,517
Current	1,020	933
Non-current	2,551	3,286
Lease liabilities included in the consolidated balance sheet at 31 December	3,571	4,219

	2020 £'000	2019 £'000
Amounts recognised in the consolidated income statement		
Interest on lease liabilities	123	131
Interest received on leased assets	(6)	(8)
Depreciation on right-of-use assets	1,059	1,043
Expenses relating to short term leases	43	130
Expenses relating to leases of low-value assets	34	52
	1,253	1,348
Amounts recognised in the consolidated cash flow statement		
Interest	112	115
Principal	980	865
Total cash outflow for leases	1,092	980

The Group has lease contracts for office properties in various countries that the Group operates in. Leases of office properties generally have lease terms between two and ten years. The Group's obligations under its leases are secured by the lessor's title to the leasehold properties. The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised. As at 31 December 2020, management does not intend to exercise termination options (i.e., break clauses) in the existing leases. Total lease payments of £32,000 (2019: £139,000) were potentially avoidable had the Group exercised break clauses at the earliest opportunity.

The Group also has certain leases of office properties with lease terms of 12 months or less and leases of vehicles and office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Lease payments for some property leases are subject to annual fixed increase. The total lease payments subject to annual fixed increase are £397,000 (2019: £325,000) compared to total lease payments of £1,092,000 (2019: £980,000).

As a lessor

Lease income from lease contracts in which the Group acts as a lessor is as below:

	2020 £'000	2019 £'000
Finance income on the net investment in the lease	52	52

The Group has sub-leased an office building and has classified the sub-lease as a finance lease, as the sub-lease is for the majority of the remaining term of the head lease.

Maturity analysis	2020 £'000	2019 £'000
Less than one year	52	52
One to five years	182	234
Total undiscounted lease payments receivable at 31 December	234	286
Current	46	46
Non-current	174	220
Net investment in the lease at 31 December	220	266

26. Retirement benefit schemes

The Group operates a number of defined contribution and defined benefit pension schemes within individual subsidiaries and contributes to certain employees' personal pension plans. The pension charge for the year ended 31 December 2020 was £1.7m (2019: £1.9m), of which £1.7m (2019: £1.9m) related to defined contribution schemes and £nil (2019: £nil) to defined benefit schemes.

Contributions amounting to £0.3m (2019: £0.2m) were payable to the funds at the year end and are included in current liabilities.

Defined benefit schemes

At 31 December 2020, the Group operated two defined benefit pension schemes for the benefit of certain deferred employees of its subsidiaries in the UK. These schemes are administered by separate funds that are legally separated from the Company. The trustees of the pension funds are required by law to act in the interest of the funds and of all relevant stakeholders in the schemes. The trustees of the pension funds are responsible for the investment policy with regard to the assets of the funds.

Scheme 1 – the Prudential Platinum Pension Fund

Tribal Education Limited, a Group subsidiary, participates in the Prudential Platinum Pension Fund (PPP), which is a defined benefit arrangement. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 31 December 2018.

The Tribal Education section of the Prudential Platinum Pension Fund had five deferred members at the year-end. The weighted average duration of the Defined Benefit Obligation is 32 years (2019: 33 years). Employer contributions amounting to £53,000 were paid in the year ended 31 December 2020 (2019: £43,000). The accounting figures have been calculated using the valuation as at 31 December 2018, updated on an approximate basis to 31 December 2020 by a qualified independent actuary.

Scheme 2 – the Federated Pension Plan

Tribal Education Limited, a Group subsidiary, participates in the Federated Pension Plan (FPP), which is a defined benefit arrangement. The Ofsted employees were transferred back to Ofsted in March 2017 and the plan closed to future accrual. All of the active members at 31 March 2017 were transferred to the deferred section of the plan. On 11 September 2018 there was a bulk transfer of 45 deferred members into a government scheme and a settlement gain of £380,000 crystallised. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 5 April 2018.

Notes to the financial statements continued

26. Retirement benefit schemes continued

The Tribal Education section of the Federated Pension Plan had 84 deferred members and 77 pensioners/dependents at the year-end. The weighted average duration of the Defined Benefit Obligation is 23 years (2019: 23 years). Employer contributions amounting to £nil were paid in the year ended 31 December 2020 (2019: £nil). The accounting figures have been calculated using the valuation as at 5 April 2018, updated on an approximate basis to 31 December 2020 by a qualified independent actuary.

The schemes are exposed to a number of risks, including:

- Investment risk: movement of discount rate used against the return from plans;
- Interest rate risk: decreases/increases in the discount rate used will increase/decrease the defined benefit obligation; and
- Longevity risk: changes in the estimation of the mortality rates of current and former employees.

The assets of the funds have been taken at market value and the actuarial assumptions used to calculate scheme liabilities under IAS 19 'Employee Benefits' for both schemes are:

	2020 % per annum	**2019 % per annum**
Inflation	2.10–3.30	2.50–3.30
Salary increases	–	–
Rate of discount	1.4	1.9
Pension in payment increases	2.10–3.30	2.50–3.30

The salary increase assumption is nil as both the FPP and PPP only have deferred members.

The mortality assumptions adopted at 31 December 2020 imply the following life expectations:

	Males	**Females**
Aged 60 in 2020	86.7	88.8
Aged 60 in 2040	88.3	90.4

The mortality assumptions adopted at 31 December 2019 imply the following life expectations:

	Males	**Females**
Aged 60 in 2019	86.7	88.7
Aged 60 in 2039	88.2	90.3

The analysis of the schemes' assets at the balance sheet date was as follows:

	2020 £'000	**2019 £'000**
Equities	5,240	4,930
Corporate Bonds	2,790	2,605
Gilts	158	135
Cash	79	75
Total fair value of scheme assets	8,267	7,745

All equities and corporate bonds are quoted on active markets.

The sensitivities regarding the principal assumptions used to measure the schemes' liabilities are set out below:

Assumption	**Change in assumption**	**Impact on scheme liabilities**
Discount rate	Increase by 0.5%	Decrease by 13%
Rate of inflation	Increase by 0.5%	Increase by 12%
Rate of mortality	Increase by one year	Increase by 2%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The amount included in the balance sheet arising from the Group's obligation in respect of its defined benefit schemes is as follows:

	2020 £'000	**2019 £'000**
Present value of defined benefit obligations	(9,225)	(8,285)
Fair value of scheme assets	8,267	7,745
Deficit in schemes	(958)	(540)
Liability recognised in the balance sheet	(958)	(540)

Reconciliation of opening and closing balances of the fair value of scheme assets:

	2020 £'000	**2019 £'000**
Fair value of scheme assets at beginning of year	7,745	6,846
Expected return on assets	146	184
Actuarial gains due to investment returns different from the return implied by the discount rate	493	812
Contributions by employer	53	43
Benefits paid	(147)	(96)
Administration expenses	(23)	(44)
Fair value of scheme assets at end of year	8,267	7,745

Reconciliation of opening and closing balances of the present value of the defined benefit obligations:

	2020 £'000	**2019 £'000**
Defined benefit obligation at beginning of year	8,285	7,848
Interest cost	156	211
Actuarial gain – experience	(6)	(780)
Actuarial loss – demographic assumptions	29	17
Actuarial loss – financial assumptions	908	1,085
Benefits paid	(147)	(96)
Defined benefit obligation at end of year	9,225	8,285

The Group's contribution rate for 2020 was 0% (2019: 0%) for the Prudential Platinum Fund and 0% (2019: 0%) for the Federated Pension Plan.

The Group expects to make contributions of £21,000 to the defined benefit schemes during the next financial year.

Notes to the financial statements continued

26. Retirement benefit schemes continued

Analysis of amounts recognised in the consolidated income statement for the defined benefit schemes is as follows:

	2020 £'000	2019 £'000
Administration expenses	23	44
Recognised in arriving at operating profit	23	44
Other finance costs/(income)		
Interest on pension scheme liabilities	156	211
Expected return on pension scheme assets	(146)	(184)
Net finance expense	10	27
Total charge to income statement	33	71

Analysis of actuarial gains and losses in the consolidated statement of comprehensive income:

	2020 £'000	2019 £'000
Actual return less expected return on pension scheme assets	493	812
Experience gains and losses arising on the scheme liabilities	6	780
Changes in assumptions underlying the present value of scheme liabilities	(937)	(1,102)
Total actuarial (losses)/gains recognised in the consolidated statement of comprehensive income	(438)	490

Cumulative actuarial losses recognised in the consolidated statement of comprehensive income since 1 April 2004 are £893,000 (2019: losses of £455,000). The history of experience adjustments is as follows:

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Present value of defined benefit obligations	(9,225)	(8,285)	(7,848)	(12,731)	(11,917)
Fair value of scheme assets	8,267	7,745	6,846	11,013	10,192
Deficit in the scheme	(958)	(540)	(1,002)	(1,718)	(1,725)
Experience adjustments arising on scheme assets:					
Amount	493	812	(593)	484	863
Percentage of the scheme assets	6%	10%	(9%)	4%	8%
Experience adjustments arising on scheme liabilities:					
Amount	6	780	98	118	789
Percentage of the present value of the scheme liabilities	–	9%	1%	1%	7%

No assets are invested in the Group's own financial instruments, properties or other assets used by the Group.

27. Notes to the cash flow statement

	2020 £'000	2019 £'000
Operating profit/(loss) from continuing operations	9,108	(2,446)
Depreciation of property, plant and equipment	734	879
Depreciation of right-of-use assets	1,059	1,043
Amortisation and impairment of other intangible assets	2,289	3,770
Share-based payments	1,339	1,042
Movement in deferred consideration	(815)	–
Research and development tax credit	(214)	(176)
Net pension (credit)/charge	(30)	3
Other non-cash items	552	(428)
Operating cash flows before movements in working capital	14,022	3,687
(Increase)/decrease in receivables	(255)	2,248
(Decrease)/increase in payables	(7,461)	6,245
Net cash from operating activities before tax	6,306	12,180
Tax (paid)/received	(845)	179
Net cash from operating activities	5,461	12,359

Net cash from operating activities before tax can be analysed as follows:

	2020 £'000	2019 £'000
Continuing operations	6,306	12,180

28. Analysis of net cash

	2020 £'000	2019 £'000
Cash and cash equivalents (Note 17)	9,520	16,463
Net cash	9,520	16,463

Analysis of changes in net cash	2020 £'000	2019 £'000
Opening net cash	16,463	19,974
Net decrease in cash and cash equivalents	(6,976)	(3,725)
Effect of foreign exchange rate changes	33	214
Closing net cash	9,520	16,463

Notes to the financial statements continued

29. Contingent liabilities

From time to time the Group is subject to potential and actual litigation claims. On the basis of legal advice, claims are being robustly contested as to both liability and quantum. A provision of £nil (2019: £0.1m) has been made for defending and settling these claims, where appropriate (see Note 20).

The Company and its subsidiaries have provided performance guarantees issued by its banks on its behalf, in the ordinary course of business, totalling £0.1m (2019: £1.6m). These are not expected to result in any material financial loss.

As disclosed in Note 32, Tribal Holdings Limited, Tribal Dynamics Limited , Tribal Dynamics Holdings Limited and International Graduate Insight Group Limited have taken advantage of the exemption available under Section 394A/479A of the Companies Act 2006 in respect of the requirements for audit. As a condition of the exemption, the Company has guaranteed the year-end liabilities of these subsidiaries until they are settled in full. The liabilities of the subsidiaries at the year-end were £39,763,000 (2019: £35,683,000). These are inclusive of intercompany liabilities.

30. Financial instruments

Capital risk management

The Group manages its capital to ensure the entities in the Group will be able to continue as going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash and cash equivalents (see Note 17) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in consolidated statement of changes in equity and Notes 23 and 24.

Gearing ratio

The gearing ratio at the year-end is as follows:

	2020 £'000	2019 £'000
Net cash	9,520	16,463
Equity	38,218	31,319
Net cash to equity ratio	24.9%	52.5%

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Categories of financial instruments

The Directors consider that the book value of the financial assets and liabilities is equal to their fair value.

31 December 2020	Financial assets measured at amortised cost £'000	Financial Liabilities measured at amortised cost £'000	Financial Liabilities measured at FVTPL £'000	Total £'000
Financial assets				
Cash and cash equivalents	9,520	–	–	9,520
Trade receivables and other receivables*	7,883	–	–	7,883
	17,403	–	–	17,403
Financial liabilities				
Trade payables and other payables**	–	2,138	–	2,138
Accruals	–	7,480	–	7,480
Deferred non-contingent consideration	–	1,392	–	1,392
	–	11,010	–	11,010

31 December 2019	Financial assets measured at amortised cost £'000	Financial Liabilities measured at amortised cost £'000	Financial Liabilities measured at FVTPL £'000	Total £'000
Financial assets				
Cash and cash equivalents	16,463	–	–	16,463
Trade receivables and other receivables*	7,960	–	–	7,960
	24,423	–	–	24,423
Financial liabilities				
Trade payables and other payables**	–	2,209	–	2,209
Accruals	–	14,437	–	14,437
Deferred contingent consideration	–	–	3,632	3,632
	–	16,646	3,632	20,278

* Excluding amounts that relate to non-financial instruments of tax, prepayments and contract assets.

** Excluding amounts that relate to non-financial instruments of tax and contingent deferred consideration.

The above tables have been stated at undiscounted values with the exception of the 2019 contingent and non-contingent deferred consideration amounts. The undiscounted value of the non-contingent deferred consideration is £1,392,000 (2019: £nil). The undiscounted value of the contingent deferred consideration is £nil (2019: £4,000,000) versus a discounted value of £nil (2019: £3,632,000).

There are no financial assets held at fair value (2019: £nil).

Notes to the financial statements continued

30. Financial instruments continued

Financial risk management objectives

Treasury management is led by the Group finance team, which is responsible for managing the Group's exposure to financial risk. It operates within a defined set of policies and procedures reviewed and approved by the Board. This includes both foreign exchange risk and interest rate risk. The Group's exposure to interest rate fluctuations on its interest-bearing assets and liabilities is selectively managed, using interest rate swaps where appropriate. This is an ongoing risk and the Board will continue with this policy. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. No interest rate swaps were in place at 31 December 2020 (2019: none).

Market risk

As the Group's international activities grow, its exposure to overseas markets also increases in non-core territories outside of the UK and Australasia. There have been no other significant changes to the Group's exposure to market risk, or the manner in which it manages and measures the risk.

Foreign currency risk management

The Group undertakes an increasing number of transactions denominated in foreign currencies. Here, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters and the Group enters into forward foreign exchange contracts where appropriate. No forward contracts were in place at 31 December 2020 (2019: none).

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	31 December 2020 £'000	31 December 2019 £'000	31 December 2020 £'000	31 December 2019 £'000
Euros	153	105	6	23
Australian dollar	4,666	6,789	–	18
United States dollar	582	874	149	27
Saudi Arabian riyal	88	78	–	–
South African rand	84	107	–	–
New Zealand dollar	1,008	1,620	2	12
Canadian dollar	722	399	2	–
Philippine peso	256	133	1	1
United Arab Emirates dirham	265	1,082	–	–
Malaysian ringgit	479	1,558	–	–
Bahraini dinar	350	38	8	19
Other	19	32	–	–
	8,672	12,815	168	100

Foreign currency sensitivity analysis

The Group is primarily exposed to the following currencies: US dollar, euro, Australian dollar, New Zealand dollar, Canadian dollar, United Arab Emirates dirham, Philippine peso, Bahraini dinar and Malaysian ringgit.

If sterling were to strengthen or weaken by 10% against the relevant foreign currencies, the balances in the table above would give rise to an increase/reduction in profit of £847,000 (2019: £1,285,000). This sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period-end for a 10% change in foreign currency rates.

10% represents management's assessment of the reasonably possible change in foreign exchange rates.

Interest rate risk management

The Group is exposed to interest rate risk because entities hold cash deposits. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied. There are no hedges in place as at 31 December 2020 (2019: nil).

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Credit risk management

The Group's principal financial assets are cash and cash equivalents and trade and other receivables. The Group's credit risk is relatively low because a high proportion of trade and other receivables have a sovereign or close to sovereign rating. Of the total trade receivables balance at the end of the year there were no customers (2019: one) who held balances outstanding of more than 5% (2019: £0.4m).

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables. In the absence of any seasonality to the business, 2% increase in defaults was considered appropriate and supportable as the risk of credit losses is relatively low.

Before applying the expected loss rate percentage to each respective ageing category of trade receivables an assessment of specific customers has occurred and these amounts have been excluded from the general loss allowance. The expected credit loss for these customers is separately assessed (using the same logic as above) and relates to customers where the probability of default is higher.

On that basis, the loss allowance as at 31 December 2020 and 1 January 2020 was determined as follows for both trade receivables and contract assets:

31 December 2020 £'000	Current	30–60	61–90	91–180	180+	Total
Expected loss rate	1%	4%	6%	7%	25%	
Trade receivables	5,669	760	205	801	266	7,701
Contract assets	3,973	–	–	–	–	3,973
General loss allowance	67	29	13	55	67	231

1 January 2020 £'000	Current	30–60	61–90	91–180	180+	Total
Expected loss rate	0%	4%	17%	14%	10%	
Trade receivables	6,035	1,253	332	190	260	8,070
Contract assets	3,993	–	–	–	–	3,993
General loss allowance	25	126	76	66	47	340
Case by case loss allowance	–	–	–	–	101	101

The expected credit losses on trade receivables and contract assets have been calculated using the simplified approach. A reconciliation of closing loss allowances for trade receivables and contract assets as at 31 December 2019 to the opening loss allowances is in Note 16.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

Other financial assets at amortised cost include, loans to related parties and key management personnel and other receivables. The loss allowance for other financial assets at amortised cost as at 31 December 2020 was £nil (2019: £nil).

Notes to the financial statements continued

30. Financial instruments continued

Contract risk management

Contract assets inherently have some contractual risks associated with them related to the specific and ongoing risks in each individual contract with a customer.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate cash reserves and banking facilities, and by continuously monitoring forecast and actual cash flows. The Group has access to committed financing facilities; being a short-term UK overdraft facility of £2.0m and a short-term AUS overdraft facility of $2.0m. The total unused amount was £2.0m and $2.0m at the balance sheet date and no interest is being incurred on this balance (2019: £nil). The Group expects to meet its obligations from operating cash flows. The Group also had cash balances at 31 December 2020 of £9.5m (2019: £16.5m) as detailed in Note 17. Interest is received on this at applicable bank rates.

On 21 January 2020 the Group entered into a three-year £10m multi-currency revolving facility with HSBC with the option to extend to a further two years. The first option to exercise was approved by HSBC on 16 March 2021 with no significant changes to note. The loan was fully drawn down in 2020 and repaid in full before 31 December 2020. The facility was put in place to cover general corporate and working capital requirements of the Group.

31. Related party disclosures

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

On 7 July 2020, Tribal Group plc (the Company) granted nil-cost options over a total of 482,143 Ordinary Shares (representing approximately 0.20% of the Company's issued shares) to Mark Pickett under the terms of its 2010 Long-Term Incentive Plan. This award has been granted subject to performance conditions based on the Group's Adjusted Operating Profit for the years ending 31 December 2020, 2021 and 2022. The options may not be exercised before 6 July 2023.

On 7 July 2020, Tribal Group plc (the Company) granted nil-cost options over a total of 1,876,000 Ordinary Shares (representing approximately 0.90% of the Company's issued shares) to members of the senior management team under the Company share option plan. This award has been granted subject to performance conditions based on the Group's Adjusted Operating Profit for the years ending 31 December 2020, 2021 and 2022. The options may not be exercised before 6 July 2023.

On 7 July 2020, Tribal Group plc (the Company) granted nil-cost share options over a total of 70,000 Ordinary Shares (representing approximately 0.03% of the Company's issued shares) to members of the senior management team under the Company share option plan. 50% of the options can be exercised from 1 July 2021 and 50% of the options can be exercised from 1 July 2022. There are no other performance conditions.

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. The members of the Group Board and the Group's Executive Board are considered to be the key management personnel of the Group.

Remuneration of key management personnel

	2020 £'000	**2019 £'000**
Salaries and short-term employee benefits	2,874	3,711
Termination benefits	70	318
Share-based payments	901	814
	3,845	4,843

Included within Directors' salaries and short-term employee benefits are pension costs of £25,000 (2019: £12,000) in respect of accruals and payments made to one (2019: one) Director's individual defined contribution pension schemes. Included within share-based payments are amounts paid on dividends on share options that have met performance conditions. Disclosures on Directors' remuneration, share options, long-term incentive schemes, and pension contributions are contained in the Directors' remuneration section within the audited part of the Remuneration report on pages 57 to 61 and form part of these audited financial statements. Arrangements with the Group's pension schemes are set out in Note 26.

32. Subsidiaries

The Group consists of a Parent Company (limited by shares) Tribal Group plc, incorporated and domiciled in England and Wales and a number of subsidiaries held directly and indirectly by Tribal Group plc, which operate and are incorporated around the world. Tribal Education Limited operates branches in New Zealand, South Africa*, Hungary, and Abu Dhabi. Tribal Group Pty Limited operates a branch out of Singapore.

Tribal Group plc has guaranteed the liabilities of Tribal Holdings Limited, Tribal Dynamics Limited, Tribal Dynamics Holdings Limited and International Graduate Insight Group Limited in order that they qualify for the exemption from audit under Section 394A/479A of the Companies Act 2006 in respect of the year ended 31 December 2020.

Information about the composition of the Group at the end of the reporting period is as follows:

Name of entity	Address of the registered office	Nature of business	Proportion of Ordinary Shares held directly by Parent (%)	Proportion of Ordinary Shares held by the Group (%)
Tribal Education Limited	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Education related systems and solutions	100%	100%
Tribal Holdings Limited	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	IP holding Company	100%	100%
International Graduate Insight Group Limited	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Educational consultancy services	–	100%
Tribal Dynamics Limited (formerly Crimson Consultants Limited)	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Education related systems and solutions	–	100%
Tribal Dynamics Holdings Limited (formerly Crimson Consultants Holdings Limited)	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Dormant Company	100%	100%
Human Edge Software Corporation PTY Limited	West 7–8 Federal Mills Park, 3–35 Mackey Street, Geelong, North Victoria, 3215, Australia	Education related systems and solutions	–	100%
Tribal Campus PTY Limited	West 7–8 Federal Mills Park, 3–35 Mackey Street, Geelong, North Victoria, 3215, Australia	Education related systems and solutions	–	100%
Tribal Group PTY Limited	West 7–8 Federal Mills Park, 3–35 Mackey Street, Geelong, North Victoria, 3215, Australia	Education related systems and solutions	–	100%
Callista Software Services PTY Limited	West 7–8 Federal Mills Park, 3–35 Mackey Street, Geelong, North Victoria, 3215, Australia	Education related systems and solutions	–	100%
Tribal Middle East WLL Limited	Municipality 3457, Building 1398, Road 4626, Area 346, Sea Front, Manama, Kingdom of Bahrain	Education related systems and solutions	100%	100%
Tribal Group (Malaysia) SDN	12th floor, Menara Symphony, No 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia	Education related systems and solutions	–	100%
Tribal Group South Africa (PTY) Limited**	2 Alexandra Avenue, Unit 8, Craighall. Gauteng, 2196, South Africa	Education related systems and solutions	–	100%
Tribal Systems Canada Limited	1100 One Bentall Centre, 505 Burrard Street, Box 11, Vancouver, BC V7X 1M5, Canada	Education related systems and solutions	–	100%
Human Edge Software Philippines INC	Units 1001,1005,1006, 10th floor Cyberpod One, Eton Centris, Barangay Pinahan, Quezon City, Philippines 1100	Education related systems and solutions	–	100%
i-graduate USA LLC	1007 N Orange Street, 9th Floor, Wilmington, Delaware, 19801, USA	Educational consultancy services	–	100%
Class Measures INC	100 Tower Park Drive, Suite A, Woburn MA 01801, USA	Education related systems and solutions	–	100%
Class Measures Limited	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Dormant Company	–	100%
Tribal Group Asset Co Pty Limited	West 7–8 Federal Mills Park, 3–35 Mackey Street, Geelong, North Victoria, 3215, Australia	Dormant Company	–	100%

* This branch is in the process of being struck off.

** This company has been struck off since the year-end.

Notes to the financial statements continued

33. Post balance sheet events

On 21 January 2020 the Group entered into a three-year £10m multi-currency revolving facility with HSBC with the option to extend to a further two years. The first option to exercise was approved by HSBC on 16 March 2021 with no significant changes to note. The loan was fully drawn down in 2020 and repaid in full before 31 December 2020. The facility was put in place to cover general corporate and working capital requirements of the Group.

Company only balance sheet

As at 31 December 2020

	Note	2020 £'000	2019 £'000
Investments	36	77,774	76,930
Current assets			
Debtors	37	6,732	6,085
Deferred tax assets	38	878	855
Cash at bank and in hand		23	57
Total current assets		7,633	6,997
Total assets		85,407	83,927
Creditors: amounts falling due within one year	39	(35,767)	(30,841)
Net current liabilities		(28,134)	(23,844)
Total assets less current liabilities		49,640	53,086
Creditors: amounts falling due after one year	39	–	(1,939)
Net assets		49,640	51,147
Capital and reserves			
Called up share capital	40	10,285	9,979
Share premium	41	15,951	15,539
Merger reserve	41	11,304	11,304
Own share reserve	41	(856)	(856)
Share-based payment reserve	41	6,933	6,036
Retained earnings:			
At 1 January	41	9,145	12,789
Loss for the year attributable to the owners	41	(919)	(1,458)
Equity dividend paid	41	(2,254)	(2,147)
Other changes in retained earnings	41	51	(39)
At 31 December	41	6,023	9,145
Equity shareholders' funds		49,640	51,147

Notes 34 to 44 form part of these financial statements.

The financial statements on pages 123 to 129 of Tribal Group plc (registered number 04128850) were approved by the Board of Directors and authorised for issue on 17 March 2021. They were signed on its behalf by:

Richard Last
Director

Mark Pickett
Director

Company only statement of changes in equity

As at 31 December 2020

	Note	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Own share reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2019		9,803	15,539	11,304	(856)	5,027	12,789	53,606
Loss and total comprehensive expense for the year		–	–	–	–	–	(1,458)	(1,458)
Issue of share capital	23	176	–	–	–	–	–	176
Equity dividend paid	11	–	–	–	–	–	(2,147)	(2,147)
Credit to equity for share-based payments	22	–	–	–	–	1,042	–	1,042
Foreign exchange differences on share-based payments	22	–	–	–	–	(33)	–	(33)
Tax on credit to equity for share-based payments	38	–	–	–	–	–	(39)	(39)
Contributions by and distributions to owners		176	–	–	–	1,009	(2,186)	(1,001)
At 31 December 2019 and 1 January 2020		9,979	15,539	11,304	(856)	6,036	9,145	51,147
Loss and total comprehensive expense for the year		–	–	–	–	–	(919)	(9194)
Issue of share capital	23	239	–	–	–	–	–	239
Share options exercised		67	412	–	–	(479)	–	–
Equity dividend paid	11	–	–	–	–	–	(2,254)	(2,254)
Credit to equity for share-based payments	22	–	–	–	–	1,339	–	1,339
Foreign exchange differences on share-based payments	22	–	–	–	–	37	–	37
Tax on credit to equity for share-based payments	38	–	–	–	–	–	51	51
Contributions by and distributions to owners		306	412	–	–	897	(2,203)	(588)
At 31 December 2020		10,285	15,951	11,304	(856)	6,933	6,023	49,640

Notes to the Company balance sheet

34. Significant accounting policies

Tribal Group plc is a public limited company incorporated and domiciled in England and Wales.

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial information has been prepared on the going concern and historical cost basis. The principal accounting policies adopted are the same as those set out in Note 1 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

35. Loss for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The loss for the Company (before dividends paid) amounted to £0.9m (2019: £1.5m). Dividends paid amounted to £2,254,000 (2019: £2,147,000). The independent auditors' remuneration for audit services to the Company was £150,000 (2019: £140,000).

36. Investments

	Shares in subsidiary undertakings £'000	Long-term loans £'000	Total £'000
Cost			
At 1 January 2019	12,510	54,248	66,758
Capital contribution relating to share-based payments	732	–	732
Acquisition of subsidiary	9,440	–	9,440
At 31 December 2019 and at 1 January 2020	22,682	54,248	76,930
Capital contribution relating to share-based payments	626	–	626
Additional investment in subsidiary	218	–	218
At 31 December 2020	23,526	54,248	77,774

Long-term loans are treated as investments as they are non repayable.

As Tribal Group plc grants share options to employees in subsidiary companies, a notional capital contribution is created in the books of the relevant subsidiary undertaking. This is treated as an investment by Tribal Group plc.

The Directors have considered the value of the above investments and are satisfied that the aggregate value of each investment is not less than its carrying value. The investments in subsidiaries are all stated at cost less provision.

Details of the Company's subsidiaries are given in Note 32 to the consolidated financial statements.

Notes to the Company balance sheet continued

37. Debtors

	2020 £'000	2019 £'000
Amounts owed by Group undertakings	6,449	5,924
Other debtors	180	161
Current tax	103	–
	6,732	6,085

All amounts owed by Group undertakings are unsecured and have no fixed repayment date. No interest is charged and amounts are repayable on demand. All debtors fall due within one year.

The Company has applied the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for Group receivables. The Parent Company has guarantees in place for its UK subsidiaries, and management have assessed each entity's ability to repay amounts owed. As a result, no expected credit loss has been recognised.

38. Deferred tax asset

	2020 £'000	2019 £'000
Deferred taxation		
At start of year	855	927
Charge/(credit) to income statement	38	(33)
Items taken directly to equity	(15)	(39)
At end of year	878	855

The deferred tax asset is analysed as follows:

	2020 £'000	2019 £'000
Share schemes	148	185
Other temporary differences	730	670
	878	855

Included in other temporary differences are deferred tax assets of £714,000 (2019: £670,000) relating to tax losses carried forward and other timing differences of £16,000 (2019: £nil).

Deferred tax assets are all non-current assets.

39. Creditors

Amounts falling due within one year

	2020 £'000	2019 £'000
Amounts owed to Group undertakings	33,772	28,160
Trade and other creditors	199	674
Accruals	404	314
Non-contingent deferred consideration	1,392	1,693
	35,767	30,841

All amounts owed to Group undertakings are unsecured and have no fixed repayment date. No interest is charged and amounts are repayable on demand.

Amounts falling due after one year

	2020 £'000	2019 £'000
Contingent deferred consideration	–	1,939

40. Called up share capital

	2020 number	2020 £'000	2019 number	2019 £'000
Allotted, called up and fully paid				
At beginning of the year	199,579,784	9,979	196,051,181	9,803
Issued during the year	6,118,525	306	3,528,603	176
At end of the year	205,698,309	10,285	199,579,784	9,979

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

The shares issued during the year in order to satisfy exercises of share-based payment schemes were as follows: 3,405,998 issued on 16 January 2020, 1,223,241 issued on 6 February 2020 and 150,000 issued on 12 June 2020. In addition 1,339,286 shares were issued on 13 June 2020 to the vendors of Sky Software Pty as part of the deferred consideration payable. The exercise costs of 5p per share for the LTIPs resulted in cash receipts of £0.3m.

Details of options in respect of shares outstanding at 31 December 2020 are as follows:

Employee share option schemes:	Number outstanding '000	Exercise price payable	Date from which exercisable
2016 LTIP	225	£0.05	June 2019
2017 LTIP	248	£0.05	June 2020
2018 LTIP	251	£0.05	July 2021
2019 LTIP	716	£0.05	June 2022
2020 LTIP	2,358	£0.05	July 2023
2020 LTIP	1,920	£0.05	July 2021
	5,718		
2017 LTIP (inc CSOP)	2,660	£0.80	July 2020
2018 LTIP (inc CSOP)	2,840	£0.796	March 2021
2019 LTIP (inc CSOP)	2,075	£0.71	June 2022
2019 LTIP (inc CSOP)	300	£0.615	September 2022
	7,875		
2019 SAYE	1,028	£0.582	November 2022
Total Tribal Group plc share option schemes	14,621		

Details of share-based payments are given in Note 22 to the consolidated financial statements.

Notes to the Company balance sheet continued

41. Share premium and other reserves

	Merger reserve £'000	Share premium reserve £'000	Own share reserve £'000	Share-based payment reserve £'000	Retained earnings £'000
At 1 January 2019	11,304	15,539	(856)	5,027	12,789
Loss for the year	–	–	–	–	(1,458)
Equity dividend paid	–	–	–	–	(2,147)
Charge to equity for share-based payments	–	–	–	1,042	–
Foreign exchange differences on share-based payments	–	–	–	(33)	–
Tax on charge to equity for share-based payments	–	–	–	–	(39)
At 31 December 2019 and 1 January 2020	11,304	15,539	(856)	6,036	9,145
Loss for the year	–	–	–	–	(919)
Equity dividend paid	–	–	–	–	(2,254)
Share options exercised	–	412	–	(479)	–
Charge to equity for share-based payments	–	–	–	1,339	–
Foreign exchange differences on share-based payments	–	–	–	37	–
Tax on charge to equity for share-based payments	–	–	–	–	51
At 31 December 2020	11,304	15,951	(856)	6,933	6,023

The merger reserve of £11.3m (2019: £11.3m) relates to the premium arising on shares issued subject to the provisions of section 612 of the Companies Act 2006.

The own share reserve of £(0.9)m (2019: £(0.9)m) represents the cost of 827,692 (2019: 872,692) shares in Tribal Group plc held by the Employee Share Ownership Trust to satisfy certain options under the Group's share option schemes. See Note 22 of the consolidated accounts for details of the Group's share options schemes.

The retained earnings reserve is distributable.

42. Contingent liabilities

A cross-guarantee exists between Group companies in respect of bank facilities which was £nil as at 31 December 2020 (2019: £nil).

In addition the Company and its subsidiaries have provided performance guarantees issued by its bank on its behalf in the ordinary course of business, totalling £0.1m (2019: £1.6m). They are not expected to result in any material financial loss.

As disclosed in Note 32, Tribal Holdings Limited, Tribal Dynamics Limited, Tribal Dynamics Holdings Limited and International Graduate Insight Group Limited have taken advantage of the exemption available under Section 394A/ 479A of the Companies Act 2006 in respect of the requirements for audit. As a condition of the exemption, the Company has guaranteed the year-end liabilities of these subsidiaries until they are settled in full. The liabilities of the subsidiaries at the year-end were £39,763,000 (2019: £35,683,000). These are inclusive of intercompany liabilities.

43. Financial Instruments

All Company risks are aligned to those of the Group. Details of the risks relating to the Group are given in Note 30 to the consolidated financial statements.

31 December 2020	Financial assets measured at amortised cost £'000	Financial liabilities measured at amortised cost £'000	Financial liabilities measured at FVTPL £'000	Total £'000
Financial assets				
Cash	23	–	–	23
Debtors*	6,469	–	–	6,469
	6,492	–	–	6,492
Financial liabilities				
Creditors	–	34,375	–	34,375
Deferred non-contingent consideration	–	1,392	–	1,392
	–	35,767	–	35,767

31 December 2019	Financial assets measured at amortised cost £'000	Financial liabilities measured at amortised cost £'000	Financial liabilities measured at FVTPL £'000	Total £'000
Financial assets				
Cash	57	–	–	57
Debtors*	5,940	–	–	5,940
	5,997	–	–	5,997
Financial liabilities				
Creditors	–	29,148	–	29,148
Deferred contingent consideration	–	–	3,632	3,632
	–	29,148	3,632	32,780

* Excluding amounts that relate to non-financial instruments of prepayments.

44. Staff numbers and costs

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

	2020 Number	2019 Number
	3	3

The aggregate payroll costs of these persons were as follows:

	2020 £'000	2019 £'000
Wages and salaries	849	887
Social security costs	56	75
Other pension costs	25	12
Share option charge	369	310
	1,299	1,284

Cost of Directors' emoluments were incurred by the Company and are included in the Remuneration report on pages 57 to 61.

Company information

Tribal Group plc

Registered in England and Wales
Company number: 04128850

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E-communications

As an alternative to receiving documents through the post, shareholders can receive important information online, including annual and half-year reports and notices of meetings. Registering for e-communications also enables shareholders to obtain secure online access to personal shareholding details, change address details, request new share certificates and check dividend payments.

To register for e-communications, please visit
https://www.signalshares.com

Duplicate accounts

If you receive two or more copies of the Annual Report and Accounts and/or multiple cheques for each dividend payment, it means that you have more than one shareholder account.

To receive just one Annual Report and Accounts and one cheque for each dividend payment, please contact the Company's registrars, Link Group, on 0371 664 0445, and ask for your accounts to be amalgamated.

(Calls are charged at the standard geographic rate and will vary by provider. If you are outside the United Kingdom, please call +44 371 664 0445. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 8.00 am – 4.30pm, Monday to Friday excluding public holidays in England and Wales.)

Financial calendar

Annual General Meeting

27 April 2021

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TRIBAL

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