Company Registration Number 04163300

TRIBAL EDUCATION LIMITED

Annual Report and Financial Statements

31 December 2019

TRIBAL EDUCATION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

CONTENTS

TRIBAL EDUCATION LIMITED

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M Pickett
R Last

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TRIBAL EDUCATION LIMITED

STRATEGIC REPORT

REVIEW OF THE BUSINESS

Business overview

Tribal Education Limited provides world-class educational management software and services to customers in selected markets across the world, using our resources and expertise to create value that is shared with our stakeholders, and empowering educators to help produce the next generation of leaders.

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

Student Information Systems (SIS) represents the delivery of software and subsequent maintenance and support services and the activities through which we deploy and configure our software for our customers; and

Education Services (ES) representing inspection and review services which support the assessment of educational delivery, previously Quality Assurance Solutions (QAS), and a portfolio of performance improvement tools and services, including analytics, software solutions, facilities and asset management, previously i-graduate.

Market overview

Student Information Systems

Student Information Systems performed well in the period with results ahead of last year. We continued to implement our full SITS student information system software at a number of larger Higher Education customers in the UK including The University of Sheffield, Hull University, The University of Portsmouth, Canterbury Christ Church University, St Mary's University Twickenham, Glasgow Caledonian University and Ravensbourne University London.

The overall market for new customers in the UK softened through the year with limited tenders coming to market; however, we have been successful in converting the opportunities that have arisen. Tribal secured a new full SITS customer in the UK towards the end of the year at the University of Northampton following a competitive tender process.

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

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

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

Education Services

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

REVIEW OF THE BUSINESS (continued)

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

Strategy

Our strategy is to focus on international education sectors – Higher Education, Further Education and Vocational institutions, schools, Government and State bodies, Training Providers, and Employers – and to underpin student success through the provision of expertise, software and services.

The main strategic priorities being as follows:

- Deliver a cloud-native student information ecosystem
- Increase Annual recurring Revenue
- Grow market share in established and new territories
- Drive improved margin

Further information can be found in the Tribal Group plc (The "Group") Annual Report available at www.tribalgroup.co.uk.

Review of operations

In 2019, the Company reported a loss after tax of £2.2m (2018: profit after tax of £19.7m), primarily due to the resolution of the dispute with the platform provider which has contributed to expected costs totalling £9.1m. Excluding this, the Company's profit after taxation would have been £6.9m. The Company has continued to build on the success in 2018 and has maintained underlying profitability.

The Directors measure the performance of the Company based on three KPIs (Key Performance Indicators) being revenue, operating margin and profit for the financial year. Revenue for the year decreased to £55.8m (2018: £57.1m) primarily due to limited new opportunities coming to market. The Company's operating margin for the year has decreased to (7%) (2018: 36%), primarily due to costs relating to the platform dispute in 2019. Loss before taxation was £2.6m (2018: Profit before taxation: £20.8m).

The Company is in a net liability position as at 31 December 2019. Considerations arising in respect of the adoption of the going concern assumption are set out below.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties managed by the Company are described in detail in the Group's Annual Report (which does not form part of this report), including the identification of risk associated with the Group's financial position and other financial risks which relate principally to funding, credit risk, interest rate risk and foreign exchange risk. These principal risks and uncertainties comprise:

- **Reputation:** Failure to deliver contractual commitments, or failure to meet investor expectations. This is mitigated by the Company maintaining strong controls to ensure successful project delivery and the Board engaging with investors on a regular basis

- **Contract tendering:** Poor commercial negotiation and documentation on major contracts. Failure to adapt to local legal framework on international projects. Penetration in new markets increases risk of omissions and mistakes. This is mitigated by the Company maintaining a formal Delegation of Authority matrix to ensure appropriate visibility and approval of all potential contracts.

- **Project delivery:** Failure to meet project milestones and other contractual requirements; customer subject to own internal pressures. This is mitigated by the Company reviewing project progress on a monthly basis at Executive Management level with Board oversight.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- **Innovation and technology:** Increasing emergence and demand for cloud architected solutions for some legacy technology platforms and core products. It is mitigated by the Group 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:** Data loss or system security breach. Increasing regulatory data protection and information security requirements including health related controls over student management data. This is mitigated by the Group operating a Secure Data Centre and continues to roll out ISO 27001 certification across the business, and investing in security software and training for all staff.

- **People:** Key employees leave the Company. The Company 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.

FINANCIAL RISK MANAGEMENT

Financial risks
The main financial risks the Company 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 Company 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 Board. The Company seeks to reduce the risk of credit losses arising from non-payment by our customers. This risk is closely monitored by the Credit & Collections team, which form part of Group Finance.

Interest Rate risk
At the end of 2019, the Company had no bank loan indebtedness and has no direct exposure to interest rate risk.

Foreign exchange risk
The Company's reporting currency is Sterling. Several of its branches have different functional currencies, so increases and decreases in the value of Sterling versus the currency used by the Company will affect its reported results, and the value of assets and liabilities on the consolidated balance sheet.

The Company's principal currency exchange exposure is to the Australian dollar although as at 31 December 2019, the Company was also exposed to movements in the rates between Sterling and the US dollar, South African Rand, Hungarian Forint and New Zealand dollar.

The Company's Finance team oversees management of foreign exchange risk, and policies and procedures approved by the Company's directors. Where appropriate, forward foreign exchange contracts and options reduce potential financial exposure to an acceptable level. There were no open contracts at the year end.

Contract risk
The Company seeks to reduce the risk on contracts including the risk of failure to deliver, legal claims and onerous financial terms. This risk is mitigated using appropriate legal resource to review contracts and an internal control process for contract approval.

FINANCIAL RISK MANAGEMENT (continued)

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

Effect of COVID-19
The recent outbreak of Covid-19 is of concern, as this has potential to significantly impact our business as customers will look to delay projects as they divert resource to deal with their response to the outbreak. Extensive sickness in both Tribal's and customers' workforce will also limit our ability to complete project work and realise revenue.

As the Covid-19 virus has developed over the recent weeks, Tribal has been assessing the impact on our employees and our business to ensure that both are effectively supported and managed. We are regularly communicating advice to all of our employees, based on local government advice in each of our geographies, that focuses on safely, travel, hygiene (including self-quarantining) and recognising the symptoms of the virus. Contingency planning, primarily centred around remote working, has been carried out to help ensure that the business can continue to operate as effectively as possible.

This outbreak will affect Tribal's results in FY2020 and due to the constantly changing situation globally the impact is being constantly monitored.

RESEARCH AND DEVELOPMENT

The Company continues to invest in research and development of software products. Research and development expenditure recorded in the income statement in the year was £4,126,000 (2018: £4,495,000), with no further development costs being capitalised as intangible fixed assets (2018: £nil).

GOING CONCERN

Tribal Group plc, the parent company, has undertaken to make adequate financial resources available to the Company to meet its current and future obligations as and when they fall due.

The Group maintains appropriate cash balances and has a £2.0m committed overdraft facility in the UK. The overdraft is committed for a 12 month period ending September 2020. On 21 January 2020 the Group entered into a 3 year £10m multicurrency revolving facility with HSBC with the option to extend by a further 2 years. The facility was put in place to cover general corporate and working capital requirements of the Group.

The outbreak of Covid-19 is of concern as it has the potential to impact the way we carry out our business. So far Tribal has responded well to the restrictions caused from Covid-19 and we have transitioned quickly to remote working. Similarly our customers have adapted well to the challenges of Covid-19. As a business we have put in place a number of short-term precautionary measures to preserve cash and we continue to closely monitor the impact of Covid-19 on a daily basis.

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 & maintenance and cloud/hosting services.

GOING CONCERN (continued)

To date the support & maintenance and cloud/hosting services have been largely unaffected. Customers have continued to pay for the services, all of which can and are being delivered remotely. This revenue, which is annually recurring (repeat) income and represents half of our total annual revenue, 2/3 of our software revenue, provides a level of protection and certainty to the business. We expect this position to continue.

Implementation has slowed slightly as we move to implementing remotely, and some customers have experienced short-term delays to projects as they divert their own resources to deal with their response to the outbreak such as setting up remote lectures and managing funding. Customers are however continuing with investment in this area and we have not had any cancellations. As most implementation projects span at least 12 months and up to 3 years, we do not expect the current restrictions caused by Covid-19 to impact Tribal's ability to complete this existing work.

Sales of software and new implementation work continue although it is too early to tell if there will be a material impact on earnings in the short or medium term. The pipeline remains strong and work continues. We have seen some minor delays in the process due to the impact of Covid-19 but no cancellations to date.

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 have mostly continued unaffected by Covid-19 as we have been 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 re-open. 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 our profit margins have a degree of protection as we operate a variable cost.

The changes customers have seen from our delivery of work across the business has been well received and demonstrates 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. 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.

We do though remain positive about the medium and longer term prospects for the Group. The Directors, having considered the cash-flow forecast, and while noting the Group has net current liabilities, have performed a risk assessment of likely downside scenarios and associated mitigating actions. Based on this assessment they have a reasonable expectation that adequate financial resources will continue to be available for at least 12 months from the date of approval of the financial statements.

Adoption of the going concern basis
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. 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.

STRATEGIC REPORT (continued)

FUTURE PROSPECTS

We started 2020 strongly winning a new SITS customers at University of Northampton. However, there are only a limited number of new customer opportunities coming to market. Despite this, we have been successful in converting those opportunities that have arisen. Our growing number of services available will enable further cross-sell and upsell opportunities and, in addition we continue to work on a good pipeline of new opportunities, particularly around moving our customers into the Public Cloud.

The recent outbreak of Covid-19 is of concern; this has the potential to significantly impact our business as customers will look to delay projects as they divert resource to deal with their response to the outbreak.

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

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

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

SECTION 172

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

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

M Pickett
Director
20 July 2020

DIRECTORS' REPORT

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

Under section 414C(11) of the Companies Act, the directors may include in the strategic report such matters otherwise required by regulations made under section 416(4) to be disclosed in directors' report, as the directors consider these to be of strategic importance to the Company. Subsequently, details of future developments and events in the business of the Company and details of research and development activities are included in the strategic report on pages 2 to 6 and form part of this report by cross-reference.

PRINCIPAL ACTIVITIES

The Company is a wholly-owned subsidiary of Tribal Group plc (the "Group"). The Company's principal activity is to provide software and services which help education and training providers to deliver excellence.

RESULTS AND DIVIDENDS

The loss for the financial year was £2,220,000 (2018: Profit £19,734,000). Dividends paid in the year were £nil (2018: £nil). The directors have proposed that no final dividend should be declared in respect of 2019.

The Company is in a net liability position as at 31 December 2019. Considerations arising in respect of the adoption of the going concern assumption are set out in the Strategic Report.

Further details of the company's financial performance for the year ended 31 December 2019 are provided in the strategic report on pages 2 to 7.

DIRECTORS

The Directors of the company who were in office during the year and up to the date of signing the financial statements were Mark Pickett and Richard Last.

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

ENVIRONMENT

Tribal recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Company's activities.

EMPLOYEES

Details of the number of employees and related costs can be found in note 8 to the financial statements.

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

The Company participates in the Group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their interests.

DIRECTORS' REPORT (continued)

Further information is disclosed on pages 32 and 57 of the Group's Annual Report which does not form part of this report.

POLITICAL DONATIONS

The company made no political donations during the year (2018: £nil).

EXISTENCE OF BRANCHES OUTSIDE THE UK

The Company has branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK as follows: New Zealand, South Africa, Abu Dhabi and Hungary.

RISKS AND UNCERTAINTIES

The Company's principal risks and uncertainties are explained in the Strategic Report on pages 3 and 4.

FINANCIAL RISK MANAGEMENT

The Company's financial risk management is explained in the Strategic Report on page 4.

POST BALANCE SHEET EVENTS

The Company has signed an agreement to settle the dispute with a platform provider for past royalties, and a new 10 year agreement for royalties due on future sales and renewals. An accrual for 100% of the settlement, including legal fees has been included as at 31 December 2019. Royalties payable on future sales and renewals will be recognised when related sales and renewals are recorded.

At year end the Covid-19 pandemic has been assessed as a non-adjusting post balance sheet event.

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:

(1) so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware.

(2) 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 behalf of the Board on 20 July 2020.

M Pickett
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the 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 United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF TRIBAL EDUCATION LIMITED

Opinion

We have audited the financial statements of Tribal Education Limited ("the Company") for the year ended 31 December 2019 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the cash flow statement , and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRIBAL EDUCATION LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Statement of Directors Responsibilities, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRIBAL EDUCATION LIMITED

Use of our report

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

BDO LLP 20 July 2020

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

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

TRIBAL EDUCATION LIMITED

INCOME STATEMENT
for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
REVENUE	5	55,768	57,098
Cost of sales		(29,670)	(29,034)
GROSS PROFIT		26,098	28,064
Administrative expenses		(28,644)	(7,506)
OPERATING (LOSS)/PROFIT	6	(2,546)	20,558
Finance income	9	21	386
Finance costs	9	(124)	(144)
(LOSS)/PROFIT BEFORE TAXATION		(2,649)	20,800
Tax credit/(charge) on profit	10	429	(1,066)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(2,220)	19,734

All of the Company's operations are classified as continuing activities.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
(Loss)/Profit for the financial year		(2,220)	19,734
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension schemes	22	490	430
Deferred tax on measurement of defined benefit pension schemes	15	(83)	(73)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		91	222
Total other comprehensive income for the year net of tax		498	579
Total comprehensive (loss)/income for the year		(1,722)	20,313

TRIBAL EDUCATION LIMITED

BALANCE SHEET
As at 31 December 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
NON-CURRENT ASSETS					
Goodwill	11		2,881		2,881
Other Intangible assets	11		1,207		3,944
Property, plant and equipment	12		756		856
Right-of-use assets	24		2,435		-
Net investment in lease			266		-
Investments	13		20,739		20,739
Deferred tax asset	15		3,602		2,791
Contract assets			100		76
			31,986		31,287
CURRENT ASSETS					
Trade and other receivables	14	61,342		46,826	
Cash at bank and in hand		6,577		13,580	
		67,919		60,406	
CURRENT LIABILITIES					
Trade and other payables	16	(63,362)		(46,973)	
Lease liabilities	24	(496)		-	
Provisions for liabilities	18	(91)		(277)	
		(63,949)		(47,250)	
NET CURRENT ASSETS			3,970		13,156
TOTAL ASSETS LESS CURRENT LIABILITIES			35,956		44,443
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Amounts owed to group undertakings	17	(41,817)		(50,967)	
Contract liabilities	16	(78)		(707)	
Lease liabilities	24	(2,259)		-	
Provisions for liabilities	18	(499)		-	
Retirement benefit obligation	22	(540)		(1,002)	
		(45,193)		(52,676)	
NET LIABILITIES			(9,237)		(8,233)
EQUITY					
Called up share capital	20		1		1
Share premium account	21		6,699		6,699
Share option reserve	21		1,927		1,289
Accumulated losses	21		(17,864)		(16,222)
TOTAL SHAREHOLDERS' DEFICIT			(9,237)		(8,233)

Notes 1 to 27 form part of these financial statements.
The financial statements on pages 14 to 47 of Tribal Education Limited, registered number 04163300, were approved and signed by the Board of Directors and authorised for issue on 20 July 2020.

M Pickett
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Note	Called up Share Capital £'000	Share premium account £'000	Share option reserve £'000	Accumulated losses £'000	Total Shareholders' deficit £'000
Balance at 1 January 2018 as previously reported		1	6,699	628	(35,575)	(28,247)
Effect of IFRS 15		-	-	-	(1,312)	(1,312)
Tax effect of IFRS 15		-	-	-	240	240
Total effect of IFRS 15		-	-	-	(1,072)	(1,072)
Balance as at 1 January 2018 restated		1	6,699	628	(36,647)	(29,319)
Profit for the financial year		-	-	-	19,734	19,734
Other comprehensive income for the financial year net of tax		-	-	-	579	579
Total comprehensive income for the year		-	-	-	20,313	20,313
Credit to equity for share based payments		-	-	661	-	661
Tax credit on charge to equity for share based payments		-	-	-	112	112
Balance at 31 December 2018 as previously reported		1	6,699	1,289	(16,222)	(8,233)
Effect of IFRS 16	4	-	-	-	(49)	(49)
Total effect of IFRS 16	4	-	-	-	6	6
Loss for the financial year		-	-	-	(2,220)	(2,220)
Other comprehensive income for the financial year net of tax		-	-	-	498	498
Total comprehensive loss for the year		-	-	-	(1,722)	(1,722)
Credit to equity for share based payments		-	-	638	-	638
Tax credit on charge to equity for share based payments	15	-	-	-	123	123
Balance at 31 December 2019		**1**	**6,699**	**1,927**	**(17,864)**	**(9,237)**

CASH FLOW STATEMENT
for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Net cash (used in)/generated from operations	23	(5,522)	6,702
Investing activities			
Interest received	9	12	6
Purchases of property, plant and equipment	12	(344)	(722)
Expenditure on intangible assets	11	(161)	(71)
Payment of deferred consideration for acquisitions		(485)	(289)
Net cash used in investing activities		(978)	(1,076)
Financing activities			
Payment of principal portion of lease liabilities	24	(430)	-
Interest paid on lease liabilities		(76)	-
Proceeds from sub-leases		52	-
Interest paid	9	(4)	(10)
Net used in financing activities		(458)	(10)
Net (decrease)/increase in cash and cash equivalents		(6,958)	5,616
Net cash and cash equivalents at beginning of year		13,580	7,976
Effect of foreign exchange rate changes		(45)	(12)
Net cash and cash equivalents at end of year		6,577	13,580

1. GENERAL INFORMATION

Tribal Education Limited (the Company) is a Company incorporated and domiciled in England and Wales under the Companies Act 2006. The Company is a private company limited by shares and is registered in England. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 6.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements because it is included in the group financial statements of Tribal Group plc. The group financial statements of Tribal Group plc are available to the public and can be obtained as set out in note 26.

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC).

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial information has been prepared on the historical cost basis except for share based payments which are recognised at fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Adoption of new and revised standards

In the current financial year, the Company has applied a number of amendments to IFRSs and new interpretations by the International Accounting Standards Board ('IASB') that are mandatorily effective for an accounting period that begins on or after 1 January 2019 including IFRS 16 "Leases" and IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments". The impact of their adoption is detailed in note 4.

Other than IFRS 16 and IFRS 23, management assessment indicates that there are no new accounting standards or interpretations that have been issued but are not yet effective with an expected material impact on the Company's financial report in the period of initial application.

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
- Amendments to IFRS 3: Definition of a Business
- Amendments to IAS 1 and IAS 8: Definition of Material

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

2. ACCOUNTING POLICIES

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard (FRS 101) 'Reduced Disclosure Framework' issued by the Financial Reporting Council. These financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- The requirements of IFRS 7 Financial Instruments: Disclosures;
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- The requirements of paragraph 52, 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to
- present comparative information in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  (iii) paragraph 118(e) of IAS 38 Intangible Assets;
  The requirements of paragraphs 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, and 134 to 136 of IAS 1 Presentation of Financial Statements.
- The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.

Where relevant, equivalent disclosures have been given in the group financial statements of Tribal Group plc. The group financial statements of Tribal Group plc are available to the public and can be obtained as set out in note 25.

Going concern

Tribal Group plc, the parent company, has undertaken to make adequate financial resources available to the Company to meet its current and future obligations as and when they fall due. See pages 5 and 6 for full details.

Given the reliance on the parent company, it is important that the Directors have considered the ability of the parent company to provide the financial support required by the Company to continue to operate as a going concern for the foreseeable future which is at least 12 months from the approval of these financial statements.

The outbreak of Covid-19 is of concern as it has the potential to impact the way we carry out our business. So far Tribal has responded well to the restrictions caused from Covid-19 and we have transitioned quickly to remote working. Similarly our customers have adapted well to the challenges of Covid-19. As a business we have put in place a number of short-term precautionary measures to preserve cash and we continue to closely monitor the impact of Covid-19 on a daily basis. Our operating segments are largely unaffected and we remain positive about the medium and longer term prospects for the Group. See pages 5 and 6 for details on the impact of Covid-19 on our operating segments.

The Directors, having considered the Group's cash-flow forecast and the impact of Covid-19, and while noting the Group has net current liabilities, have performed a risk assessment of likely downside scenarios and associated mitigating actions, and have a reasonable expectation that adequate financial resources will continue to be available for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

2. ACCOUNTING POLICIES (continued)

Group financial statements

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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 exclusive of VAT, 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 Company's obligation to support the relevant software products and update their content over the contract period;
- Other services that are purchased for a specific term are recognised on a pro rata basis over the contract period. This includes services such as hosting and managed IT services;

Revenue from software implementation, consultancy and other services that involve the purchase of a number of days is recognised as the service is provided.

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 Company 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 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.

2. ACCOUNTING POLICIES (continued)

Revenue (continued)

In addition to this, the Company 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 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 s 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.

Business systems

The Company'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 three to ten 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 improvements	life of the lease
Fixtures and fittings, computer and office equipment	3 to 7 years

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company 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.

2. ACCOUNTING POLICIES (continued)

Provisions (continued)

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

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

A legal claims provision is recognised and measured as a provision when the Company 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 Company 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.

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 Company'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 profit or loss 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 Company'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 IFRSs has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date.

Foreign currencies

Transactions in currencies other than pounds Sterling 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

2. ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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.

The assets and liabilities of the Company'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.

Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Acquired Intangibles

Acquired intangibles are stated at cost, net of amortisation and any recognised impairment loss. These assets are amortised on a straight line basis over their useful economic lives of 15 years. Management have changed the UEL of this asset from 5 to 15 years in accordance with IAS 8.36. This has been treated as a change in accounting estimate from 1 January 2019 and therefore prior periods have not been adjusted (see note 11).

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 Company'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 5 to 15 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.

Impairment of tangible and intangible assets excluding goodwill

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

2. ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets excluding goodwill (continued)

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.

Taxation

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.

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 with in 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 Company intends to settle its current tax assets and liabilities on a net basis.

Share-based payments

Tribal Group plc issues equity-settled share-based payments to certain employees in Tribal Education Limited. 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 equity reserves. Fair value is measured by use of an adjusted Black-Scholes model for 2017, 2018 and 2019 LTIPs (including the CSOP) and the 2019 SAYE, and a Monte-Carlo model for the LTIP awarded in 2016, as these will vest dependent on market conditions.

2. ACCOUNTING POLICIES (continued)

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are 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 right-of-use assets are also subject to impairment. Refer to the accounting policies for Impairment of tangible and intangible assets excluding goodwill.

ii) Lease liabilities

The lease liability is initially measured at the present values of the lease payments that are not paid at the commencement date, discounted using an incremental borrowing rate as the interest rate implicit in the lease is not readily determinable. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company 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. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

When the Company 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.

2. ACCOUNTING POLICIES (continued)

Retirement benefit costs

The Company operates two defined contribution pension schemes that are established in accordance with employment terms set by the Company. The assets of these schemes are held separately from those of the Company 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 Company'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 Company 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

Financial instruments
Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company 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 Conpany 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.

2. ACCOUNTING POLICIES (continued)

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 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.

Cash

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

Financial liabilities are classified as either financial liabilities at fair value through profit and loss (FVTPL) or ''amortised cost'. The Company does not currently hold any assets at fair value through profit or loss.

3. CRITICAL ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Company's accounting policies, which are described in note 2, 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 £2,881,000 (2018: £2,881,000). 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 Company 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 11.

Other Intangible assets
The carrying value of development costs is £1,007,000 (2018: £1,679,000). 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 11.

Revenue recognition
The Company's revenue recognition policies are disclosed in note 2. 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

3. CRITICAL ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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.

4. EFFECT OF NEW ACCOUNTING STANDARDS

Leases

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

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

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

The effect of adoption IFRS 16 as at 1 January 2019 is, as follows:

	Carrying amount 31 Dec 2018	Effect of IFRS 16	Carrying amount 1 January 2019
	£'000	£'000	£,000
Right-of-use assets	-	2,266	2,266
Deferred tax asset	2,791	6	2,797
Net investment in lease	-	310	310
Trade and other payables	(46,973)	263	(46,710)
Lease liabilities	-	(2,888)	(2,888)
Accumulated losses	(16,222)	(43)	(16,265)

4. EFFECT OF NEW ACCOUNTING STANDARDS (CONTINUED)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	£'000
Balance at 31 December	3,419
Leases with remaining lease term of less than 12 months and low value leases	(80)
Lease liabilities before discounting	3,339
Discounted using incremental borrowing rate	(451)
Balance at 1 January recognised under IFRS 16	2,888

5. REVENUE

Consistent with the Group, of which it is a part, the Company is organised into a number of business segments as 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, previously Quality Assurance Solutions (QAS), and a portfolio of performance improvement tools and services, including analytics, software solutions, facilities and asset management, previously i-graduate.

The Company previously identified and reported under 3 operating segments namely Student Information Systems, Quality Assurance Solutions and i-graduate. The operating segments were changed at the beginning of the year and now consist of Student Information Systems and Education Services. The change is primarily due to restructuring in i-graduate whereby i-graduate and Quality Assurance Solutions are amalgamated into one operating segment - Education Services.

Revenue split by business segment	2019 £'000	2018 £'000
Student Information Systems	34,658	34,355
Education Services	21,110	22,743
	55,768	57,098

Revenue split by geography by origin	2019 £'000	2018 £'000
UK	48,998	41,586
Asia Pacific	3,274	7,933
North America and the rest of the world	3,496	7,579
	55,768	57,098

6. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging/(crediting):	£'000	£'000
Staff costs (see note 8)	33,776	28,104
Platform dispute	9,133	-
Depreciation and other amounts written off property, plant and equipment	444	614
Depreciation of right-of-use assets	527	-
Amortisation of development costs	672	853
Amortisation of business systems	209	466
Amortisation of software licences	61	70
Amortisation of Acquired Intangibles	156	374
Write off of business systems	646	-
Research and development expenditure	4,126	4,495
Write off of intercompany payable	-	(13,876)
Net foreign exchange (profit)	(426)	(275)

7. AUDITORS' REMUNERATION

Fees payable to the Company's auditors BDO LLP for the audit of the Company's annual financial statements were £69,000 (2018: £57,000). Fees payable to BDO LLP for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

8. STAFF COSTS

The monthly average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2019 No.	2018 No.
Finance and administration	83	82
Operations and sales	531	479
	614	561

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	28,673	23,505
Social security costs	2,933	2,427
Other pension costs	938	776
Redundancy costs	594	735
Share-based payment charge	638	661
	33,776	28,104

The total staff costs above include £nil (2018: £2,971,000) capitalised as development costs.

Directors' Remuneration

M Pickett and R Last are directors of Tribal Group plc and their emoluments and pension details are disclosed in the Group financial statements. They are remunerated by Tribal Group plc for their services to the group as a whole and it is not practicable to allocate their remuneration between their services as directors of this Company and their services as directors of other group companies. Their total remuneration payable for 2019 and comparable amounts for the preceding year are as follows: M Pickett £874,014 (2018: £673,331) R Last £269,559 (2018: £401,093).

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

9. FINANCE INCOME & COSTS

	2019 £'000	2018 £'000
Finance Income		
Bank Interest received	12	6
Interest receivable on leased assets	9	-
Settlement gain on defined benefit schemes	-	380
	21	386
Finance Costs		
Net interest on retirement benefit obligations	27	41
Unwinding of discounts	17	93
Other interest payable	4	10
Interest expense on lease liabilities	76	-
	124	144

10. TAX ON (LOSS)/PROFIT

	2019 £'000	2018 £'000
Current tax		
UK Corporation tax	-	128
Overseas tax	315	385
Adjustments in respect of prior periods	21	168
Current tax charge	336	681
Deferred tax		
Current year	(853)	755
Adjustments in respect of prior periods	(2)	(295)
Effect of rate change on opening balances	90	(75)
Deferred tax (credit)/charge	(765)	385
Tax (credit)/charge on (loss)/profit	(429)	1,066

The average standard rate of tax for the year was 19% (2018: 19%).

10. TAX ON (LOSS)/PROFIT (CONTINUED)

	2019 £'000	2018 £'000
(Loss)/Profit before taxation	(2,649)	20,800
(Loss)/Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(503)	3,952
Effects of:		
Expenses not deductible for tax purposes	23	20
Adjustments in respect of prior periods	18	(127)
Transfer pricing adjustments	(188)	(260)
Intercompany loan receivable written off	-	(2,636)
Effect of rate changes	90	(75)
R&D tax credits	(2)	-
Overseas tax rates and foreign exchange	116	-
Other timing differences	17	192
Total tax (credit)/charge	(429)	1,066

In addition to the amount charged to the income statement a current tax credit of £nil (2018: £ nil) and a deferred tax credit of £123,000 (2018: £112,000) has been recognised directly in equity during the year in relation to share schemes. A deferred tax charge of £83,000 (2018: £73,000) has been recognised in the Statement of Comprehensive Income in relation to defined benefit pension schemes.

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

A budget resolution to retain the UK corporation tax rate at 19% (effective from 1 April 2020) was substantively enacted on 17 March 2020.

11. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Acquired Intellectual Property	Development costs	Software licences	Business systems	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2018	59,747	1,873	21,329	1,443	1,947	86,339
Additions	-	-	-	25	46	71
Disposals	-	-	-	(7)	-	(7)
At 31 December 2018 and 1 January 2019	59,747	1,873	21,329	1,461	1,993	86,403
Additions	-	-	-	5	156	161
Disposals	-	-	-	-	(1,478)	(1,478)
Transfers	-	(1,873)	-	-	-	(1,873)
At 31 December 2019	59,747	-	21,329	1,466	671	83,213
Accumulated Amortisation and impairment						
At 1 January 2018	56,866	187	18,797	1,337	635	77,822
Charge for the year	-	374	853	70	466	1,763
Disposals	-	-	-	(7)	-	(7)
At 31 December 2018 and 1 January 2019	56,866	561	19,650	1,400	1,101	79,578
Charge for year	-	156	672	61	209	1,098
Disposals		-	-	-	(834)	(834)
Transfers	-	(717)	-	-	-	(717)
At 31 December 2019	56,866	-	20,322	1,461	476	79,125
Net book value						
At 31 December 2019	2,881	-	1,007	5	195	4,088
At 31 December 2018	2,881	1,312	1,679	61	892	6,825

11. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

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 Company'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.

Business Systems
Included within Business Systems are finance systems with a carrying value of £193,000 (2018: £892,000). Each system is being amortised over a period of three to five years and have an average of three years left. During 2019 management took the decision to write off the AX finance system (£646,000) following a successful implementation of the new D365 system which has now been capitalised. This system is being amortised over a period of ten years and has nine years left.

Acquired Intellectual Property
On 5 June 2017, the Group acquired intellectual property from Wambiz Limited. The initial cash consideration was £1,250,000. Further consideration of £289,000 was paid in 2018 and £485,000 paid in 2019. All consideration has now been paid. An intangible asset of £1,873,000 has been recorded under Acquired intellectual property. On 1 June 2019 the asset was transferred to Tribal Holdings Limited.

Goodwill
The Company is organised into 2 business segments - Student Information Systems, Education Services. A description of these CGUs is included in note 5. The Company tests goodwill annually for impairment, or more frequently if there are indication that goodwill might be impaired.

The recoverable amounts of the CGU groups are determined from value in use calculations. The consolidated financial statements for Tribal Group plc provide extensive details of the assumptions and processes adopted for the value in use calculations therefore, as permitted by FRS 101 'Reduced Disclosure Framework', these details have not been repeated in the Company's financial statements.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Office equipment £'000	Total £'000
Cost					
At 1 January 2018	1,658	56	3,706	122	5,542
Additions	126	21	575	-	722
Disposals	-	-	(30)	-	(30)
At 31 December 2018 and 1 January 2019	1,784	77	4,251	122	6,234
Additions	-	2	342	-	344
At 31 December 2019	1,784	79	4,593	122	6,578
Accumulated Depreciation					
At 1 January 2018	1,351	42	3,290	111	4,794
Charge for the year	211	12	383	8	614
Disposals	-	-	(30)	-	(30)
At 31 December 2018 and 1 January 2019	1562	54	3,643	119	5,378
Charge for year	97	10	334	3	444
At 31 December 2019	1,659	64	3,977	122	5,822
Net book value					
At 31 December 2019	125	15	616	-	756
At 31 December 2018	222	23	608	3	856

The fair value of the Company's property, plant and equipment is not materially different to its carrying amount.

There are £5,029,000 (2018: £4,416,000) worth of assets that are fully amortised within property, plant and equipment.

13. INVESTMENTS

	Shares in subsidiary undertakings £'000	Long term loans £'000	Total £'000
Cost			
At 1 January 2018	21,729	14,122	35,851
Additions	-	-	-
At 31 December 2018	21,729	14,122	35,851
Impairment			
At 1 January 2018 and 31 December 2019	15,112	-	15,112
Net book value			
At 31 December 2019	6,617	14,122	20,739
At 31 December 2018	6,617	14,122	20,739

Details of the Company's subsidiaries are as below. Those with* are held indirectly.

Name	Registered office	Nature of Business	Proportion of shares held
Class Measures Limited	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Dormant	100%
Class Measures INC*	100 Tower Park Drive, Suite A, Woburn MA 01801, USA	Education related	100%
International Graduate Insight Group Limited	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Educational consultancy	100%
I-Graduate USA LLC*	1007 N Orange Street, 9th Floor, Wilmington, Delaware, 19801, USA	Educational consultancy	100%
Tribal Systems Canada Limited	1100 One Bentall Centre, 505 Burrard Street, Box 11, Vancouver, BC V7X 1M5, Canada	Education related	100%
Tribal Group PTY Limited	West 7 - 8 Federal Mills Park, 3-35 Mackey Street, Geelong, North Victoria 3215. Australia	Education related	100%
Human Edge Software Corporation PTY Ltd*	West 7 - 8 Federal Mills Park, 3-35 Mackey Street, Geelong, North Victoria 3215. Australia	Education related	100%
Tribal Campus PTY Limited*	West 7 - 8 Federal Mills Park, 3-35 Mackey Street, Geelong, North Victoria 3215. Australia	Education related	100%
Callista Software Services PTY Limited*	West 7 - 8 Federal Mills Park, 3-35 Mackey Street, Geelong, North Victoria 3215. Australia	Education related	100%
Human Edge Software Philippines*	Units 1001,1005,1006, 10th floor Cyberpod One, Eton Centris, Barangay Pinahan, Quezon City, Philippines 1100	Education related	100%
Tribal Group South Africa (PTY) Limited	2 Alexandria Avenue, Unit 8, Craighall, Gauteng, 2196, South Africa	Education related	100%
Tribal Group (Malaysia) SDN	12th floor, Menara Symphony, No 5, Jalan Professor Kho Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia	Education related	100%
Tribal Group Asset Company Limited	West 7 - 8 Federal Mills Park, 3-35 Mackey Street, Geelong, North Victoria 3215. Australia	Dormant Company	100%

The proportion of voting rights held is equivalent to the equity shareholdings. Tribal Education Limited also operates branches in New Zealand, South Africa, Hungary and Abu Dhabi.

14. TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Trade debtors	4,704	6,433
Amounts receivable from group undertakings	51,072	34,420
Other debtors	180	177
Prepayments	2,446	2,861
Contract assets	2,940	2,935
	61,342	46,826

Amounts due from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15. DEFERRED TAX ASSET

	Accelerated capital allowances	Share Based payments	Tax losses	Other short-term timing differences	Retirement Benefit obligations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	844	106	1,631	24	292	2,897
Adjustments to opening balances re IFRS 15	-	-	-	240	-	240
Credit/(charge) to profit and loss	418	112	(631)	(235)	(49)	(385)
Charge to other comprehensive income	-	-	-	-	(73)	(73)
Credit to equity for share based payments	-	112	-	-	-	112
At 31 December 2018 and 1 January 2019	1,262	330	1,000	29	170	2,791
Adjustments to opening balances re IFRS 16	-	-	-	6	-	6
Credit/(charge) to profit and loss	78	117	560	5	5	765
Charge to other comprehensive income	-	-	-	-	(83)	(83)
Credit to equity for share based payments	-	123	-	-	-	123
At 31 December 2019	1,340	570	1,560	40	92	3,602

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 impact of changes in tax rates on deferred tax balances of £90,000 (2018: credit of £75,000) has been debited (2018: credited) to the income statement and is included within the total credit (2018: charge) to the income statement of £765,000 (2018: £385,000).

16. TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Current		
Trade creditors	710	1,285
Amounts owed to group undertakings	30,022	21,632
Other taxation and social security	2,477	2,582
Current tax liability	533	260
Other creditors	849	1,281
Accruals	11,109	3,446
Contract liabilities	17,662	16,014
Deferred consideration	-	473
	63,362	46,973
Non-current		
Contract liabilities	78	707
	78	707

Deferred consideration reflects discounted amounts in respect of the WAMBIZ acquisition which has been fully paid in the financial year.

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

17. AMOUNTS OWED TO GROUP UNDERTAKINGS

	2019 £'000	2018 £'000
Amounts owed to Group undertakings	41,817	50,967

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

18. PROVISIONS FOR LIABILITIES

	Property related £'000	Restructuring £'000	Total £'000
At 1 January 2019	185	92	277
Increase/(release) in provision	405	-	405
Utilisation of provision	-	(92)	(92)
At 31 December 2019	590	-	590

	2019 £'000	2018 £'000
Amounts falling due within one year	91	124
Amounts falling due after more than one year	499	153
	590	277

18. PROVISIONS FOR LIABILITIES (CONTINIED)

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Company 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 where the costs are not all expected to be incurred during the next year.

Restructuring provision represent amounts provided in respect of the Company's restructuring and reorganisation and principally reflect redundancy costs.

19. SHARE BASED PAYMENTS

Certain employees of the Company participate in equity settled share based payment remuneration schemes which are operated by the Company's ultimate parent Company Tribal Group plc.

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. The weighted average remaining contractual life is 6 years.

CSOPs awarded in 2017
Awards in 2017 under the new CSOP scheme (as part of the 2010 LTIP Plan) can only be exercised after a three year period if the share price is above 80p. The options may not be exercised before 25 March 2021. The weighted average remaining contractual life is 7.5 years.

CSOPs awarded in 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. The weighted average remaining contractual life is 8.5 years.

CSOPs awarded in 2019
Eligible employees received awards under the CSOP scheme on 7 June 2019 and on 16 September 2019. These can only be exercised after a three year period if the share price is above 71p and 61.5p respectively. The weighted average remaining contractual life is 9.5 years.

2019 SAYE
The 2019 SAYE Scheme was launched during the year. The Scheme is open to all UK employees, giving them the opportunity to participate in the future growth of the Company via share option agreements. Eligible employees were invited to subscribe for options over the 5p ordinary share of Tribal Group plc, with a exercise price of 58.2p, a 10% discount to the closing average market price of the ordinary shares from 3 September 2019 to 5 September 2019. The options are exercisable between 1 November 2022 and 30 April 2023.

No options were exercised in 2019 or 2018 by employees of Tribal Education Limited.

20. CALLED UP SHARE CAPITAL

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
1,000 (2018: 1,000) ordinary shares of £1 each	1	1

21. RESERVES

	Share Premium account £'000	Share option reserve £'000	Accumulated losses £'000
At 1 January 2019	6,699	1,289	(16,222)
Adjustment for IFRS 16	-	-	(43)
Profit for the financial year	-	-	(2,220)
Share-based payment credit	-	638	-
Currency translation difference on foreign currency net investments	-	-	91
Other recognised losses (net)	-	-	407
Net tax on charge to equity for share-based payment	-	-	123
At 31 December 2019	6,699	1,927	(17,864)

22. RETIREMENT BENEFIT SCHEMES

Defined Contribution Schemes

The Company contributes to individuals' defined contribution schemes. The pension cost charge for the year represents contributions payable by the Company and amounted to £894,000 (2018: £702,000). Contributions of £205,000 (2018: £173,000) were outstanding at the year-end.

Defined Benefit Schemes

During the year, the company continued to operate the Prudential Platinum Pension Fund ("PPP") and the Federated Pension Plan ("FPP"); both are defined benefit arrangements for the benefit of certain deferred employees. 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 on the schemes. The trustees of the pension funds are responsible for the investment policy with regard to the assets of the funds.

Scheme 1 - Prudential Platinum Pension Fund

The PPP Scheme was created on 1 August 2009. This had 5 deferred members at the year end. The weighted average duration of the Defined Benefit Obligation is 33 years (2018: 34 years). Employer contributions amounting to £43,000 were paid in the year ended 31 December 2019 (2018: £20,000). The accounting figures have been calculated using the full valuation as of 31 December 2018, updated on an approximate basis to 31 December 2019 by a qualified independent actuary.

22. RETIREMENT BENEFIT SCHEMES (CONTINUED)

Scheme 2 – Federated Pension Plan

Tribal Education Limited, 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. In September 2018 there was a bulk transfer of 45 deferred members into a government scheme and a settlement gain of £380,000 crystallised. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 5 April 2018.

The Tribal Education section of the Federated Pension Plan had 88 deferred members and 74 pensioners/dependents at the year-end. The weighted average duration of the Defined Benefit Obligation is 23 years (2018: 23 years). Employer contributions amounting to £nil were paid in the year ended 31 December 2019 (2018: nil). The accounting figures have been calculated using the valuation as at 5 April 2018, updated on an approximate basis to 31 December 2019 by a qualified independent actuary.

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 for both schemes are:

	2019	**2018**
	% per annum	**% per annum**
Inflation	2.5 – 3.5	2.5 – 3.5
Salary increases	Nil	Nil
Rate of discount	1.9	2.7
Pension in payment increases	2.5 – 3.3	2.5 – 3.5

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

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

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

The mortality assumptions adopted at 31 December 2018 imply the following life expectations:

	Males	**Females**
Aged 60 in 2018	86.6	88.6
Aged 60 in 2038	88.1	90.2

22. RETIREMENT BENEFIT SCHEMES (CONTINUED)

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

Assumption	**Change in assumption**	**Impact on scheme liabilities**
Discount rate	Increase by 0.5%	Decrease by 11%
Rate of inflation	Increase by 0.5 %	Increase by 8%
Rate of mortality	Increase by one year	Increase by 2%

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

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

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

	2019 £'000	**2018 £'000**
Equities	4,930	4,357
Corporate bonds	2,605	2,296
Gilts	135	126
Cash	75	66
Total fair value of the scheme assets	7,745	6,845

All equities and corporate bonds are quoted on active markets.

The fair value of the assets and the present value of the liabilities in the scheme at each balance sheet date were as follows:

	2019 £'000	**2018 £'000**
Total fair value of assets	7,745	6,845
Present value of scheme liabilities	(8,285)	(7,847)
Net pension liability	(540)	(1,002)

22. RETIREMENT BENEFIT SCHEMES (CONTINUED)

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

	2019 £'000	2018 £'000
Fair value of scheme assets at the beginning of the year	6,845	11,013
Expected return on assets	184	261
Actuarial gains/(losses) due to the investment returns different from the return implied by the discount rate	812	(593)
Contributions by employer	43	20
Benefits paid	(95)	(219)
Administration expenses	(44)	(22)
Settlements	-	(3,615)
Fair value of scheme assets at the end of the year	7,745	6,845

Reconciliation of opening and closing balances of the present value of scheme liabilities:

	2019 £'000	2018 £'000
Present value of scheme liabilities at the beginning of the year	7,847	12,730
Current service cost	-	52
Interest cost	211	302
Actuarial (gain)/loss - experience	(780)	(98)
Actuarial loss/(gain) – demographic assumptions	17	(391)
Actuarial loss/(gain) – financial assumptions	1,085	(534)
Benefits paid	(95)	(219)
Settlements	-	(3,995)
Present value of scheme liabilities at the end of the year	8,285	7,847

The Company's contributions rate for 2019 was 0% (2018: 0%) for the Prudential Platinum Fund and 0% (2018: 0%) for the Federated Pension Plan.

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

22. RETIREMENT BENEFIT SCHEMES (CONTINUED)

Analysis of amounts charged to the income statement:

	2019 £'000	2018 £'000
Current service cost	-	52
Administration expenses	44	22
Recognised in arriving at operating (loss)/profit	44	74
Other finance charges:		
Settlement gain	-	(380)
Interest on pension scheme liabilities	211	302
Expected return on pension scheme assets	(184)	(261)
Net finance charge/(income)	27	(339)
Total charge/(credit) to income statement	71	(265)

Analysis of actuarial gain in the statement of comprehensive income

	2019 £'000	2018 £'000
Actual return less expected return on pension scheme assets	812	(593)
Experience gains arising on the scheme liabilities	780	98
Changes in assumptions underlying the present value of scheme liabilities	(1,102)	925
Actuarial gain for the year	490	430

Cumulative actuarial losses recognised in the statement of comprehensive income since 1 April 2004 are £455,000 (2018: Losses of £945,000).

22. RETIREMENT BENEFIT SCHEMES (CONTINUED)

History of experience gains and losses is as follows:

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Present value of defined obligations	(8,285)	(7,847)	(12,730)	(11,917)	(8,604)
Fair value of scheme assets	7,745	6,845	11,013	10,192	8,692
(Deficit)/surplus in the scheme	(540)	(1,002)	(1,717)	(1,725)	88
Experience adjustments arising on scheme assets					
Amount	812	(593)	485	863	(166)
Percentage of the scheme assets	(10%)	(9%)	4%	8%	(2)%
Experience adjustments arising on scheme liabilities					
Amount	780	98	118	789	77
Percentage of the scheme liabilities	9%	1%	1%	7%	1%

23. NOTES TO THE CASH FLOW STATEMENT

	2019 £'000	2018 £'000
Operating (loss)/profit	(2,546)	20,938
Depreciation of property, plant and equipment	444	614
Amortisation and impairment of other intangible assets	1,744	1,763
Depreciation of right-of-use assets	527	-
Share based payments	638	661
Other non-cash items	(476)	(437)
Operating cash flows before movements in working capital	331	23,539
Increase in receivables	(14,146)	(17,593)
Increase in payables	8,260	729
Net cash from operating activities before tax	(5,555)	6,675
Tax received	33	27
Net cash (used in)/from operating activities	(5,522)	6,702

24. LEASES

As a lessee

The Company has lease contracts for office properties used in its operations. Leases of leasehold properties generally have lease terms between 5 and 10 years. The Group's obligations under its leases are secured by the lessor's title to the leased properties. Some lease contracts include extension and termination options which are further discussed below.

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

Lease payments for some property leases are subject to annual fixed increase. The total lease payments subject to annual fixed increase in 2019 is £69,000 compared to total lease payments of £506,000.

Right-of-use assets

	£'000
Balance at 1 January 2019	2,266
Additions	700
Depreciation expense	(527)
Foreign currency revaluation	(4)
Balance at 31 December 2019	2,435

Lease liabilities

Maturity analysis

	2019 £'000
Less than one year	607
One to five years	1,845
More than five years	525
Total undiscounted liabilities at 31 December 2019	2,977

	2019 £'000
Current	496
Non-current	2,259
Balance at 31 December 2019	2,755

The following are the amounts recognised in profit or loss:

	2019 £'000
Depreciation expense of right-of-use assets	527
Interest expense on lease liabilities	76
Expense relating to short-term leases	66
Expense relating to leases of low-value assets	30
Total amount recognised in profit/(loss)	699

The Group had total cash outflows for leases of £506,000 in 2019.

24. LEASES (CONTINUED)

As a lessor

The Company has sub-leased an office building and has classified the sub-lease as a finance lease, as the sub-lease is for majority of the remaining term of the head lease. Finance income on the net investment in the lease amounted to £52,000.

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

25. CONTINGENT LIABILITIES

A cross-guarantee exists between Group companies in respect of bank facilities which was £nil as at 31 December 2019.

26. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is a wholly-owned subsidiary of Tribal Group plc.

The company's immediate and ultimate parent company and controlling party is Tribal Group plc, which is incorporated in the United Kingdom. Tribal Group plc is the parent of the only group for which group financial statements are prepared. The smallest and largest undertaking for which the Company is a member and for which group financial statements are prepared is Tribal Group plc. The consolidated financial statements of this Company are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ, or from their website www.companieshouse.gov.uk.

27. EVENTS AFTER THE REPORTING PERIOD

The Company has signed an agreement to settle the dispute with a platform provider for past royalties, and a new 10 year agreement for royalties due on future sales and renewals. An accrual for 100% of the settlement, including legal fees has been included as at 31 December 2019. Royalties payable on future sales and renewals will be recognised when related sales and renewals are recorded.

At year end the Covid-19 pandemic has been assessed as a non-adjusting post balance sheet event.