Tribal Group plc

(“Tribal” or “the Group”)

Preliminary Results for the year ended 31 December 2021

Tribal (AIM: TRB), a leading provider of software and services to the international education market, today announces its preliminary results for the year ended 31 December 2021.

Financial highlights

- Annual Recurring Revenue (“ARR”) committed at the period end increased 7% to £50.3m (2020: £47.0m constant currency), providing strong visibility and basis for future profitable growth
- Group revenue increased 11% to £81.1m (2020: £73.4m constant currency), reflecting strong performance across the business and following the Semestry acquisition
- Adjusted EBITDA growth of 9% to £16.6m (2020: £15.2m constant currency)
- Statutory Profit before tax for the year increased to £8.6m (2020: £8.5m constant currency)
- Strong operational cash conversion of 104% (2020: 97%), with positive free cash flow of £5.4m (2020: 5.4m)
- Net cash of £5.9m (2020: £9.5m) after net capitalised development costs of £10.2m, net payment on acquisitions and deferred consideration of £6.4m and dividends paid of £2.5m
- Progressive annual dividend payment with the Board proposing 1.3p per share (2020:1.2p) representing an 8% increase, expected to be paid at the end of July 2022

Operational highlights

- Acquisition of Semestry Ltd and Eveoh’s “My Timetable” each complement our existing portfolio and form part of our Edge offering
- Three major new Tribal:Cloud sales in the year, University of Warwick, University College London and Universiti Teknologi Petronas
- Two new SITS:Vision customers, Solent University and University of West London
- Nine customers on the Callista Software platform have elected to renew for a 5-year term
- Considerable progress with Tribal Edge, the Group’s next-generation cloud solutions:
    - Four early adopters signed up to Admissions
- Investment in Global Delivery Centre in Kuala Lumpur to focus global delivery to customers

Outlook

- The Group has traded in line with Board expectations since the start of the new financial year and is seeing continued positive sales momentum. While cognisant of inflationary cost pressures, the Board remains confident in delivering results for 2022 in line with current expectations

Mark Pickett, Chief Executive, commented:

“2021 was a year of positive strategic and financial progress, in which we delivered against key milestones in our transition to a pure SaaS business, while investing in new products and services to maintain our market leading position in our core geographic markets and support our growing customer base.

We have a record sales pipeline as we enter the current financial year, giving us the confidence to continue to invest in our product expansion strategy to drive profitable growth and achieve our long-term financial goals. With the education market globally becoming more sophisticated and attuned to the benefits of SaaS and cloud offerings, we remain confident in our ambition and ability to deliver on our growth strategy.”

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About Tribal Group plc

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

This Statement has been prepared for and is addressed only to our shareholders as a whole and should not be relied on by any other party or for any other purpose. Tribal, its directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this Statement is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. This Statement may contain forward-looking statements. Any forward-looking statement has been made by the directors in good faith based on the information available to them up to the time of approval of this Statement and should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking information. To the extent that this Statement contains any statement dealing with any time after the date of its preparation, such statement is merely predictive and speculative as it relates to events and circumstances which are yet to occur and therefore the facts stated and views expressed may change. Tribal undertakes no obligation to update these forward-looking statements.

Chairman's statement

I am pleased to report another year of significant progress at Tribal. We are successfully delivering on our transition to an "as-a-service" provider of cloud focussed software and solutions to the global education market, growing our engagements with existing customers while generating significant new wins, both in the UK and internationally. These successes are flowing through into growth in our Annual Recurring Revenue (ARR) and provide the Board with confidence to continue investment in our technology, people and operations to ensure we are well-positioned to capitalise on the continuing evolution of the global education market.

During the year, we launched our new five-year objectives for the business, targeting a doubling of ARR, both organically and through select strategic acquisitions, an improving EBITDA margin, delivery of all major Edge modules, entry into new geographies through the Edge offering, and significant expansion of the customer base. We have seen good progress in the year against these objectives and with an increasing frequency of new business wins.

During the year Tribal acquired two businesses; Semestry Ltd and Eveoh's "My Timetable" for a combined consideration of £6.8m. These businesses complement our existing portfolio and form part of our Edge offering to the Higher Education market. We continue to invest in the development of Edge and have made positive progress on the Admissions module for which we have four universities taking the product as early adopters.

Financial performance

Tribal has seen another year of considerable progress against our key performance indicators.

Closing ARR committed as at 31 December 2021 increased by 7% to a record high of £50.3m (2020: £47.0m constant currency, £47.5m reported), revenue for the year increased by 10.6% to £81.1m (2020: £73.4m constant currency, £73.0m reported) and Adjusted EBITDA increased by 9.2% to £16.6m (2020: £15.2m constant currency, £14.9m reported). Our Cloud and Edge products delivered substantial organic revenue growth of 31% and 50% respectively. Committed sales order book as at 31 December 2021 amounted to £172.5m (2020: £142.6m constant currency, £144.4m reported). Diluted earnings per share for the year grew to 3.2 pence per share compared to 3.1 pence per share in 2020.

Tribal's Statutory Profit before tax remained stable at £8.6m (2020: £8.5m reported).

The Group's cash balance remained strong with net cash of £5.9m at year end (2020: £9.5m) after net capitalised development costs of £10.2m, the net payment of £6.4m on acquisitions and deferred consideration payments and £2.5m of dividends paid, with no debt drawn at the end of the year.

Dividend

Tribal remains committed to a continuing dividend policy and the Board is pleased to propose a final dividend in respect of the year ended 31 December 2021 of 1.3p which is expected to be paid at the end of July 2022.

Environment, Social and Governance (ESG)

Tribal is committed to activities that benefit the environment and society, underpinned by good governance. As part of our journey to continually improve our approach and performance in these areas, we formed an ESG Committee in 2020, chaired by Non-Executive Director, Nigel Halkes. The ESG Committee identified six priority focus areas for the Group for 2021, each with key initiatives and objectives for the year and appropriate ownership from across our Executive Management Team. While we are still at the early stages of the implementation of many of these programmes, we are committed to their sustained delivery and will continue to build on our activities in 2022. You can read a full report on these priority areas within the ESG section of the Annual Report.

People

The progress we have made is a tribute to our employees' talent, expertise and belief in our proposition, and this year, this has never been more true. Their energy and commitment to providing world-class education software and services throughout the pandemic has not wavered and I would like to thank all our staff across the globe for their hard work. As we move into what we hope to be a post-pandemic environment our priority remains on ensuring the wellbeing of each employee and we will continue to invest in our people, providing them with the tools, training and support to allow them to realise their potential. Janet Tomlinson, Head of Tribal Education Services retired on 9 December 2021, we would like to thank her for her many years of excellent service, and we wish her well for the future.

Ukraine

The Directors have considered the impact of the ongoing situation in Ukraine and have concluded there is currently minimal risk to business continuity as we do not have a presence in the region. The group continues to support all colleagues who are directly impacted by the conflict and will monitor the situation closely.

Outlook

The market appetite for our leading solutions continues to be positive, and the growing portfolio of Tribal products from our core student management systems, to Tribal:Cloud and Edge is resonating well with both our existing and new customers. We are focused on delivering our newly launched 5 year plan, however, as previously reported, over the next two years we are likely to experience lower levels of growth as historic contracts draw to a close but we continue to see opportunities to drive ARR growth.

Notwithstanding this, with a growing number of new customer wins, contract extensions, cross sell opportunities and a clear strategy and record sales pipeline, the Board believes that the opportunities for Tribal are significant and we view the future positively.

Richard Last
Chairman

Chief Executive's review

2021 was a year of positive strategic and financial progress, in which we delivered against key milestones in our transition to a SaaS business, while maintaining our market leading position in our core geographic markets and supporting our growing customer base.

With an increasing rate of new wins and customer extensions, we are starting to see the benefits of the investments we have made in the evolution and expansion of our offering, positioning Tribal at the forefront of the evolving education industry and providing for an exciting future.

Our areas of focus in 2021 were to grow ARR, secure more Tribal:Cloud contracts, migrate more customers to our cloud services, and launch Edge Admissions – all of which have been achieved. We also continued to benefit from strong customer retention and cash generation, providing us with a robust financial platform from which to invest in capturing our expanding opportunity.

Throughout the year we invested in our people and operations to deliver on Tribal's growing customer footprint across the globe; we have evolved our operational model to ensure service levels are maintained and scalability for long term growth. This positive progress and the move of the education sector towards the SaaS delivery model, means we have entered the new year with a record sales pipeline, reflecting the continuing investment by the education sector and our expanded offering.

Market drivers

The higher education market continues to evolve as anticipated and the drivers of this evolution, heightened by the pandemic, remain the same, providing a positive backdrop for our evolving product offering.

The education sector is now becoming increasingly competitive, efficient and adaptable, with organisations needing to compete for students. The expectations of students are rising, particularly in the areas of wellbeing and mental health. Institutions increasingly need to consider elements such as blended learning and the remote delivery of services. This emergence of online and collaborative learning has led to the significant expansion of the higher education market in recent years, which has ultimately provided greater opportunities and offerings to students worldwide. As such, it is now necessary for a business to introduce its innovative solutions to market at speed in order to capture the expanding market opportunity. The Tribal:Cloud and Edge family of modules specifically address each of these issues, enabling education institutions to focus less on maintaining legacy IT hardware and software, and more time focusing on the recruitment, engagement and success of their students.

2021 has demonstrated there is a clear market appetite for our solutions and the full proposition of Tribal products is resonating well with our customers. Through the investment in the expansion of our offering, Tribal is well placed to meet these evolving market needs and grow market share globally.

Strategy

Our objective is to provide education technology solutions to customers globally, as-a-service. Transitioning to the delivery of a broader set of solutions, via the 'as-a-service' model will increase our addressable market across a greater number of geographies, drive revenue and margin expansion, while enabling universities to focus on the delivery of exceptional education to their students.

As a demonstration of our ambition, in 2021, we launched our new five-year objectives:

1. Double the Group's ARR (2020: £47.5m) which includes 1-2 bolt-on acquisitions and key partnerships per year and revenues from new target addressable markets, including 15% ARR CAGR over the period,
2. Improve EBITDA margin to low-30% (2020: 20.4%) with increased scale efficiencies and SaaS margins in line with general industry norms,
3. Deliver all major modules of Edge and conclude elevated Product Development investment,

4. Double the number of Higher Education markets, aiming to achieve 10% of revenue from new global territories; and
5. Continue to build customer position by doubling the number of Higher Education customers and share of wallet; with all customers on Tribal:Cloud and/ or adopting Edge.

To achieve these ambitious targets, our strategy has four growth pillars: Innovating with our existing products; delivering our existing products “as-a-service” in the Tribal Cloud; developing a next-generation, modular cloud-native product set, Edge; and complementing organic growth with selective M&A.

We have made positive progress in each of these areas, including the winning of further SITS:Vision customers, our existing market leading software, the successful transition of an additional two flagship customers into the Tribal:Cloud, the marketing launch of Admissions, including the winning of four Admissions customers, and the successful acquisition of two additional cloud modules to add to our Edge product family.

The growth in ARR was 7% in the year. We are pleased with these positive signs of potential and although it will take time for full adoption of our solutions by our customers due to the annual cycle of the academic year, we remain confident in the significant long-term opportunities.

Geographic expansion

We have leading market shares in the geographies in which we operate. In the UK over 65% of all Higher Education institutions use our student management systems, in Australia we support one-third of universities, and in New Zealand three of the eight universities. In Southeast Asia, we support the largest public and the largest private universities in Malaysia, and this year we have expanded further with new customer wins including Middlesex University in Dubai and Universiteit Leiden in The Netherlands.

We will continue to focus on growth in these geographies and we anticipate Edge will allow us to expand further into new geographies once the modules are released, due to its more easily digestible modular approach.

Semestry and Eveoh Acquisitions

We were pleased to complete two small acquisitions in the year.

In April 2021 we acquired Semestry, a supplier of cloud based scheduling software to the higher education market, expanding the Group’s Edge family of products and taking the business into new geographies. Semestry services over 20 customers across five countries in Europe. Since acquisition, Semestry has secured 8 new customers, growing Semestry ARR by 37%, representing an acceleration of its historic growth rate.

The module was further enhanced in November with the acquisition of Eveoh's "My Timetable". The platform allows institutions to publish personalised student and staff timetables, via the web or their mobile device and is currently in use at more than forty institutions in Europe and the UK.

The products can be sold across Tribal's extensive customer base, as universities seek to increase engagement with their students and offer more personalised experiences.

We continue to explore investment opportunities to scale the business and enter into new geographies and expand our Edge family.

2021 Operational Review

People

Tribal relies on the talent and expertise of its people. Our success as a growing international business is a tribute to our people’s energy, commitment and know-how. Their depth of domain knowledge in the sector over three decades is unrivalled and we have an innate understanding of the education market, developed through working in partnership with our customers and operating in senior roles for leading education institutions. We continue to invest in our people, providing them with the tools and training to support and allow them to realise their potential, with clear alignment to our Group objectives.

The key initiatives enabling our people to develop their true potential includes, our bespoke competency framework, which underpins a range of Career Pathways. Through our framework, we aim to help each employee understand how they can develop in their current role as well as plan for their future growth and development.

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

Communication with our people and maintaining wellbeing is crucial, especially as we continue to feel the impact of the pandemic. We have focused on supporting all aspects of our people's health and wellbeing providing ongoing and additional support through our Employee Assistance Programme.

We have now reopened our offices and following consultation with our employees, the teams are embracing the new form of hybrid working.

Student Information Systems (SIS)

Student Information Systems, our core segment which targets the further and higher education sectors through our range of software offerings, delivered a positive performance in the year, growing customer numbers, revenue, and profits, and has entered the new financial year with a record pipeline of opportunities. We continue to win new customers for our existing on premise offering, transition existing customers into our cloud offerings, and sign the first contracts for our Edge offerings.

Key new customers include University of West London and Southampton Solent University in the UK, and internationally: Te Whare Wānanga o Awanuiārangi in New Zealand, Middlesex University in Dubai and Universiteit Leiden in The Netherlands. We were delighted to close a number of significant sales to existing customers, transitioning their existing on-premise Tribal SITS software, SITS:Vision, into the Tribal:Cloud, a managed cloud environment. These include five-year contracts with the University College London for £3m and The University of Warwick for £3.5m. We continue to have positive conversations across our extensive customer base as they explore the benefits a move to the cloud can bring their organisation and are confident of continued uptake.

Our largest SITS deal to date, worth approximately £17m over eight years, with Nanyang Technology University launched in early 2021 and project implementation will continue to progress throughout 2022. The partnership encompassing SITS:Vision, Tribal:Cloud and Edge products, demonstrates the relevance of Tribal's broad suite of offerings.

We also completed the first sales of our newly developed Cloud-based Edge Admissions module, to Aberystwyth University and the University for the Creative Arts. The solution can be integrated with the SITS Student Management System, or any other SMS, providing the Group with a significant addressable market. Sales of the Dynamics based Edge Student Recruitment and Student Welfare modules have developed and have a growing pipeline.

In December, we concluded contract renewal discussions with our Australian university customers on the Callista Software platform. Of the eleven universities, nine have elected to renew. The five-year agreements provide an evolutionary path towards the Edge, Cloud delivered SaaS ecosystem and provide a strong foundation of long-term visible revenue, with £5.8m ARR, in the Australian market.

As the Group transitions to a SaaS delivery model, we have introduced some additional metrics to measure progress towards our key objectives.

£'m	2021	2020 Constant currency	Change %
Annual Recurring Revenue (ARR)[4]	50.3	47.0	7%
Monthly Recurring Revenue (MRR)[1]	4.3k	3.7k	16%
Gross Revenue Retention (GRR)[2]	93%	92%	1%
Net Revenue Retention (NRR)[3]	106%	103%	3%

1. Calculated as the monthly recurring revenue as at 31 December
2. Calculated as a percentage of recurring revenue retained from existing customers at 1 January including contract expiry, cancellations or downgrades in the year
3. Calculated as a percentage of recurring revenue retained from existing customers at 1 January including upsells as well as contract expiry, cancellations or downgrades in the year
4. ARR is a forward looking metric representing committed revenues as at 31 December 2021 and includes Support & Maintenance fees paid on all software, License sold on a subscription basis, Cloud services and Edge sales.

MRR has increased 16% to £4.3k (2020: £3.7k). 20pp of the increase is driven by the acquisitions of Semestry and Eveoh's "My Timetable", the remaining increase is organic growth from significant new wins including Nanyang Technological University, Te Whare Wanaga o Awanuiarangi, Solent University and University of West London.

GRR has increased 1pp to 93% (2020: 92%). In 2021 and 2020, a third of the movement relates to churn on SchoolEdge customers. We have also seen a decline in some of our other services as customers move away from our bespoke products.

NRR increased by 3pp to 106% (2020: 103%). This growth is predominantly due to cloud migrations sold to Kings College London, University of Warwick, University College London and Universiti Teknologi Petronas and Dynamics sales made to 8 existing customers. Annual inflationary increases applied to customer renewals also contribute to NRR growth.

Education Services (ES)

Education Services trading performance remained stable throughout the year, despite the impact of the ongoing pandemic. The team continued remote delivery of the key assurances, training, and inspections in the UK, US and New Zealand. The business has a good pipeline of opportunities for the new financial year which will enable Education Services to deliver new revenue in 2022.

In the UK, the main contracts continued to operate at consistent levels. Work on the National Professional Qualifications (NPQ) moderations, Advanced Mathematics Support Programme (AMSP) and National Centre for the Excellence of Teaching Mathematics (NCETM), professional development and training all continued to be successfully delivered remotely with the gradual return of some face-to-face events in the second half of the year. These contracts are subject to retender in 2022.

School closures in the US continued to hamper business development opportunities. The New York State Education Department (NYSED) contract had a solid performance as we worked closely with NYSED to ensure continued delivery despite the restrictions from the pandemic.

In the Middle East, the ADEK contract resumed at a reduced level in the final quarter of 2021 compared to three months full delivery in early 2020. No further revenues are expected from the ADEK contract as this has now come to an end. The decrease in ADEK revenues were offset with smaller contract wins in Bahrain, however due to the flexible cost model and variable cost base our margin was somewhat protected.

2022 Areas of focus

We anticipate 2022 will be a pivotal year for Tribal, as we see momentum building in our pipeline and across our industry as it moves towards SaaS and cloud offerings. We will focus on transitioning more of our existing customers to the Tribal:Cloud, the sale of further Edge modules and the delivery of our first early adopter Admissions customers. We will also continue to develop new customer relationships globally and look for complementary partnerships and acquisitions, to accelerate our expansion.

We are transitioning to a new target operating model which will underpin the structures and capabilities required of a SaaS business. This includes the introduction of two new executive roles focusing on Customer Success and Service Delivery. The new target operating model will be supported by the implementation of new SaaS financial systems and processes.

2022 outlook

We have a strong sales pipeline as we enter the current financial year, giving us the confidence to continue to invest in our product expansion strategy to achieve our long-term financial goals. The Group has traded in line with Board expectations since the start of the new financial year and is seeing continued positive sales momentum. We expect continuing revenue growth in our strategic products with improving margins over time as we gain scale, but this will be offset in the next couple of years by declining revenues from our higher margin, historic Australian government contracts and non-core schools systems contracts. While cognisant of inflationary cost pressures, the Board remains confident in delivering results for 2022 in line with current expectations.

We believe the education market globally is becoming more attuned to the benefits of SaaS and cloud offerings and presents a supportive market backdrop, as we release new offerings to the market and increase our sales and marketing activities.
The Group remains focused on its key strategic priorities during 2022 and we remain confident in our ambition and ability to deliver on our growth strategy.

Mark Pickett
Chief Executive Officer

Financial review

Results

£m	2021	2020 Reported	Constant Currency 2020[3]	Change constant currency	Change constant currency %
Revenue	81.1	73.0	73.4	7.7	10.6%
Student Information Systems	67.3	59.4	60.0	7.3	12.1%
Education Services	13.8	13.5	13.4	0.4	3.5%
Gross Profit	41.8	38.6	38.9	2.9	7.4%
Gross Profit Margin	51.5%	53.0%	53.1%		(1.5)pp
Adjusted Operating Profit (EBITDA)[1, 2] (Before Central Overheads)	25.8	24.5	24.8	1.0	4.0%
Student Information Systems	23.6	22.3	22.9	0.7	3.1%
Education Services	2.2	2.1	1.9	0.3	15.8%
Central Overheads[4]	(9.2)	(8.8)	(8.8)	(0.4)	(4.0)%

Net foreign exchange gain/(losses)	0.1	(0.8)	(0.8)	0.9	112.5%
Adjusted Operating Profit (EBITDA) [1, 2]	16.6	14.9	15.2	1.4	9.2%
Adjusted Operating Margin (EBITDA) [1, 2]	20.5%	20.4%	20.8%		(0.3)pp
Statutory Profit before Tax	8.6	8.5	8.5	0.1	0.7%
Statutory Profit after Tax	7.0	6.4	6.4	0.6	8.6%
Annual Recurring Revenue	50.3	47.5	47.0	3.3	7.0%

1. Adjusted Operating Profit and Adjusted Operating Margin are in respect of continuing operations and excludes charges reported in "Other items" of £5.4m (2020: £3.0m), refer to note 6 in the Financial Statements.
2. EBITDA is calculated by taking the Adjusted Operating Profit after the allocation of Central Overheads and excludes Interest, Tax, Depreciation and Amortisation.
3. 2020 results adjusted are updated for constant currency - the Group has applied 2021 foreign exchange rates to 2020 results to present a constant currency basis, when applied to 2020 results there is an increase in Revenue of £0.4m, an increase to Adjusted Operating Profit (before Central Overheads) of £0.3m and Adjusted Operating Profit of £0.3m.
4. Central Overheads are made up of costs that are not directly attributable to either Student Information Systems or Education Services.

The financial review presents the reported results for 2021 and 2020, and the 2020 results restated to "constant currency" using 2021 rates to exclude foreign currency impact. The change percentages and comparatives are shown on the 2020 constant currency numbers. The presentation disclosed as "constant currency" is an alternative performance measure and not a statutory reporting measure prepared in line with International Financial Reporting Standards (IFRS) and disclosed as "reported". The Group has chosen to present its results on a constant currency basis to reflect the year-on-year performance and account for the impact of foreign exchange movements in the year.

Revenue
Revenue in the year increased 10.6% to £81.1m (2020: £73.4m constant currency, adjusted for the impact of foreign exchange of £0.4m; £73.0m as reported). On a like for like basis, excluding Semestry revenue of £1.2m (2020: £nil), the increase in total revenue was 8.9%.

The Group's Student Information Systems segment performed well, increasing by 12.1% to £67.3m (2020: £60.0m constant currency; £59.4m reported). 10.1pp of the increase was driven by a strong performance due to new customer wins across a range of offerings, the remaining 2.0pp was attributable to Semestry revenue.

Education Services revenue increased by 3.5% to £13.8m (2020: £13.4m constant currency; £13.5m reported) as a result of projects gaining momentum as the impact of the pandemic eased.

Approximately 40% of Tribal's revenue in the year was generated outside the UK and is therefore subject to foreign exchange movement.

Gross Profit has increased 7.4% to £41.8m (2020: £38.9m constant currency, £38.6m reported) whilst the margin percentage has decreased to 51.5% (2020: 53.1% constant currency, 53.0% reported). The margin percentage decrease is due to an increase in sales of our Edge products which have a lower initial margin whilst we build scale and invest in sales teams and due to low margins from the Nanyang Technological University (NTU) contract implementation phase.

Adjusted Operating Profit (EBITDA)
The Adjusted Operating Profit (EBITDA) increased £1.4m to £16.6m (2020: £15.2m constant currency; £14.9m reported). The Adjusted Operating Margin (EBITDA) decreased to 20.5% (2020: 20.8% constant currency; 20.4% reported).

Central Overheads, representing costs in HR, IT, Finance, Marketing and Management that aren't directly attributable to lines of business increased by £0.4m to £9.2m (2020: £8.8m constant currency; £8.8m reported). The increase was primarily due to additional property costs as offices gradually re-opened in 2021 following the easing of pandemic restrictions and increased global insurance costs in line with market trends. Margins will continue to be under pressure next year due to the impact of inflation on salaries and global insurance is expected to continue to rise in 2022.

We continue to focus on reducing overhead costs and have continued to grow our Manila office in the Philippines to support central back office functions, product development, ebs and SchoolEdge product support and other business services. The Group continues to identify cost saving measures and effectively manage its cost base.

Statutory Profit after Tax

The Statutory Profit after tax for the year increased by 8.6% to £7.0m (2020: £6.4m reported). Excluding the costs of the Veritas Programme, a one off project, in year of £1.7m, the underlying profit increase was 35.9%. The tax charge reduced to £1.6m (2020: £2.1m reported) due to the release of uncertain tax provisions previously required, the effective tax rate before these releases was 19% (2020: 25%).

Segmental performance

The Group provides software and non-software related services to the international educational market. These services are managed across two divisions, Software Information Systems (SIS) and Education Services.

As the Group's explicit strategy is to transition to a pure cloud-based SaaS business, we have enhanced our segmental revenue disclosure to highlight our Edge and Cloud services. In addition, we now differentiate "Other software and services" which will continue to be supported but where further investment will be limited and mainly consists of historic Australian Government contracts with bespoke software and services.

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Student Information Systems (SIS)

£m	2021	2020 Reported	Constant Currency 2020	Change constant currency	Change constant currency %
Foundation Support & Maintenance	26.0	25.2	25.5	0.5	1.9%
Foundation Software	5.4	4.4	4.5	0.9	21.3%
Cloud Services	6.8	5.2	5.2	1.6	31.5%
Edge	3.4	1.7	1.7	1.7	101.9%
Professional Services	12.7	9.2	9.3	3.4	36.8%
Core Revenue	**54.2**	**45.7**	**46.0**	**8.2**	**17.8%**
Other Software & Services	13.1	13.7	14.0	(0.9)	(6.3)%
Total Revenue	**67.3**	**59.4**	**60.0**	**7.3**	**12.2%**
Adjusted Operating Profit	**23.6**	**22.3**	**22.9**	**0.7**	**3.1%**
Adjusted Operating Margin	35.0%	37.6%	38.1%		(3.1)pp

Student Information Systems focusses on software related solutions to the Higher Education, Further Education, Colleges and Employers (referred to in Australia as VET), and Schools sectors across the main geographic markets being the UK, Australia, New Zealand, Singapore, Malaysia, Netherlands and Canada.

SIS revenue increased by 12.2% to £67.3m (2020: £60.0m constant currency; £59.4m reported). We note that 2021 and 2020 reported numbers now include revenue and costs of Asset Management, Software Solutions and Information Managed Services, which were previously in Education Services, as it more closely aligns to the Software segment, of which revenue was 2021:£2.7m, (2020:£2.6m constant currency and reported) and associated operating margin was 2021: £1.6m, (2020: £1.3m constant currency and reported). Revenue generated from our core product offerings increased 17.8% to £54.2m (2020: £46.0m constant currency, £45.7m reported) however revenue from our other software and services declined 6.3% to £13.1m (2020: £14.0m constant currency, £13.7m reported) as discussed below.

The Group secured multiple new customer wins throughout the year across Tribal's range of software, reflecting the evolving product suite, technology leadership and increasing activity levels within the education sector globally.

Foundation Support & Maintenance fees in the period on our Foundation products (SITS, Callista, ebs, Maytas, K2 and SID) increased 1.9% in the period reflecting strong retention rates in our customer base and new customers in the year.

Foundation Software includes the sale of new perpetual and subscription software licenses on our Foundation products. Revenue in the period increased 21.3% to £5.4m (2020: £4.5m constant currency, £4.4m reported). Under IFRS15 license revenue is recognised as the software is implemented on a percentage complete basis, resulting in the revenue from larger implementations taking more than two years to recognise. Key new customers include University of West London and Southampton Solent University in the UK, and internationally: Te Whare Wānanga o Awanuiārangi in New Zealand, Middlesex University in Dubai and Universiteit Leiden in the Netherlands.

Cloud Services cover the provision of Tribal:Cloud fully managed public cloud services and hosting services supporting Tribal products, either on-premise in a private cloud, or more increasingly in a public cloud.

Cloud revenues have continued to increase and are up 31.5% to £6.8m (2020: £5.2m constant currency and reported). The main cloud hosting services revenue increased as the Group closed a number of significant sales to existing customers, transitioning their existing on-premise Tribal SITS software, SITS:Vision, into the Tribal:Cloud, a managed environment. Notably five-year contracts with University College London and The University of Warwick which demonstrates interest in moving to the public cloud from customers across all markets remains high. We continue to have positive conversations across our extensive customer base as they explore the benefits a move to the cloud can bring to their organisation and are confident of continued uptake.

Edge revenues saw a significant increase of 102% to £3.4m (2020: £1.7m constant currency, £1.7m reported). The main contribution to the increase in revenue was generated from the successful acquisition of Semestry and Eveoh's "My Timetable", contributing 50pp of the increase in total Edge revenue. In addition, Dynamics had a strong year closing eleven new deals in the UK and three in APAC, including Te Whare Wānanga o Awanuiārangi in New Zealand, Brunel University, and the University of St Andrews in the UK, highlighting the relevance of Edge products globally. The Group also completed the first sales of its newly developed Cloud-based Edge Admissions module, including Aberystwyth University and the University for the Creative Arts. Admissions is the first significant module on the Edge platform. The solution can be integrated with the SITS Student Management System, or any other SMS, providing the Group with a significant addressable market.

Professional Services includes the implementation of all our software products at customer sites, typically working alongside customer teams. Implementation projects vary in length and complexity, ranging from a small number of days to more than two years for complex projects. Revenues are typically based on a day rate fee, although some contracts are performed under a fixed fee for defined implementation scope. Professional services have continued to be delivered remotely and the team has been bolstered by the Global Delivery Centre (GDC) in Kuala Lumpur, Malaysia.

Revenue increased by 36.8% to £12.7m (2020: £9.3m constant currency, £9.2m reported) primarily as result the NTU contract in Singapore which was won in late December 2020.

Other Software & Services declined 6.3% to £13.1m (2020: £14.0m constant currency, £13.7m reported). These revenues include historic Australian government contracts, SchoolEdge, Data Managed Services, Software Solutions and Information Managed Services. In the year increased revenues from Software Solutions offset a decline in SchoolEdge revenues. While these products will continue to be supported, they have limited investment plans and revenues will reduce over time.

Adjusted Operating Profit increased by 3.1% to £23.6m (2020: £22.9m constant currency; £22.3m reported) and Adjusted Operating Margin decreased to 35.0% (2020: 38.1% constant currency; 37.6% reported). SIS margin reduced due to a product mix impact, with increased Edge sales which have a lower initial margin whilst we build scale and invest in sales teams and low margins from the NTU contract implementation phase due to its size and complexity.

Annual Recurring Revenue (ARR)

£m	2021	2020 Reported	Constant Currency 2020	Change	Change %
Foundation Support & Maintenance	24.7	25.9	25.7	(1.0)	(3.9)%
Foundation Subscription	3.8	2.5	2.5	1.3	53.8%
Cloud Services	8.2	6.6	6.6	1.6	24.1%
Edge	4.5	1.9	1.8	2.6	138.9%
Core product ARR	**41.2**	**36.9**	**36.7**	**4.5**	**12.4%**
Other Software & Services	9.1	10.6	10.3	(1.2)	(12.0)%
Total ARR	**50.3**	**47.5**	**47.0**	**3.3**	**7.0%**

ARR is a key forward looking financial metric of the Group and is an area of strategic focus. Our aim is to grow ARR in our core products through the delivery of Software as a Service contracts, providing increased quality of earnings.

ARR increased by 7% to £50.3m (2020: £47.0m constant currency, £47.5m reported). 4% of the growth is organic and the remaining 3% of the growth is due to the successful acquisition of Semestry and Eveoh's "My Timetable".

The 4% organic revenue growth is driven by 9pp of new software sales and the successful migration of key customers to the Tribal: Cloud, offset by a 5pp decrease which is largely attributable to the loss of two Callista customers and reduction in historic Government contracts.

In December 2021, we concluded contract renewal discussions with our eleven Australian university customers on the Callista Software platform, of which nine have elected to renew. The five-year agreements provide a pathway to integrate the established Callista software with Edge. While this represents a £1.0m drop in ARR, these multi-year renewals provide a strong base of long-term committed revenue.

Education Services (ES)

£m	2021	2020 Reported	Constant Currency 2020	Change constant currency	Change constant currency %
School Inspections & Related Services	11.1	11.4	11.2	(0.1)	(1.1)%
I-graduate - Surveys & Data Analytics	2.7	2.1	2.2	0.5	27.4%
Total Revenue	**13.8**	**13.5**	**13.4**	**0.4**	**3.5%**
Adjusted Operating Profit	2.2	2.1	1.9	0.3	15.8%
Adjusted Operating Margin	16.3%	15.7%	14.5%	1.7%	170bps

Education Services (ES) provides non-software related solutions globally across the same market sectors. The core offerings are inspection and review services which support the assessment of educational delivery, performance benchmarking, student surveys, and data analytics.

Education Services revenue increased by 3.5% to £13.8m (2020: £13.4m constant currency; £13.5m reported).

The revenue from **School Inspections & Related Services** decreased by 1.1% to £11.1m (2020: £11.2m constant currency; £11.4m reported).

In the UK, the main contracts continued to operate at consistent levels largely delivered remotely. Revenue from the National Professional Qualifications (NPQ) contract was somewhat reduced in 2021 because of the phasing of the contract being weighted more toward 2020, this was offset by the increase in National Centre for the Excellence of Teaching Mathematics (NCETM) revenue because of the recovery from Covid-19 allowing face-to-face events to resume in 2021.

The New York State Education Department (NYSED) contract had a solid performance as we worked closely with the NYSED to ensure activity continued over the summer in 2021 ensuring some of the contract value lost due to Covid-19 in 2020 was recovered in year. The Performance Review Program for Initial License (PRPIL) picked up in the year with a significant increase in licenses sold in 2021 compared to 2020 as a result of schools re-opening in the US.

In the Middle East, the ADEK contract resumed at a reduced level in the final quarter of 2021 compared to three months full delivery in early 2020. No further revenues are expected from the ADEK contract. The decrease in ADEK revenues were offset by smaller one-off contract wins in Bahrain however due to the flexible cost model and variable cost base our margin was somewhat protected.

The revenue for **Surveys & Data Analytics** increased by 27.4% to £2.7m (2020: £2.1m constant currency; £2.1m reported). The volume of benchmarking projects recovered slightly from the impact of Covid-19 as the International Student Barometer for the Southern Hemisphere, delayed from 2020 was delivered in 2021, albeit with lower participant numbers than normal, as a direct impact of reduced numbers of international students in the Southern Hemisphere.

The Adjusted Operating Profit in Education Services increased by 15.8% to £2.2m (2020: £1.9m constant currency; £2.1m reported), the Adjusted Operating Margin also increased 1.7pp to 16.3% (2020: 14.5% constant currency; 15.7% reported), this increase is largely due to the variable cost model it operates and the mix of higher margin contracts offsetting the impact of the lower margin ADEK contract which was completed at the end of 2021.

Mapping of Revenue Streams

The table below highlights how previously reported revenue streams have been updated to show more detail and moved to provide clarity. Foundation products include SITS, Callista, ebs, Maytas and SID. Edge products include Admissions, Submissions, Engage, Dynamics and Semestry. Bespoke Software relates to historic Australian government contracts.

Segment	Previous reported revenue streams	Sub Sections	Changes
Student Information Systems (SIS)	License & Development Fees	Foundation Software	Shown as new separate line
		Edge	Shown as new separate line
		Bespoke Software and SchoolEdge	*Moved to Other Software & Services*
	Support & Maintenance	Foundation Support and Maintenance	Shown as new separate line
		Bespoke Software and SchoolEdge Support and Maintenance	*Moved to Other Software & Services*
	Implementation Services, renamed Professional Services		
	Cloud Services	Cloud Services	Shown as new separate line
		Bespoke Software and Data Managed Services	*Moved to Other Software & Services*
	Other Services, renamed Other Software and Services		*Includes new products as noted above/below*
Education Services	School Inspections & Related Services		
	Surveys & Data Analytics, renamed I-graduate – Surveys & Data Analytics		
	Information Management Services		*Moved to 'Other Software & Services'*
	Asset Management		*Split across 'Foundation Software', 'Foundation Support & Maintenance', 'Implementation Services' and 'Cloud Services'*
	Software Solutions		*Moved to 'Other Software & Services'*

Product Development

£m	2021	2020 Reported	Change
Product Development	15.9	11.6	27%
Of which capitalised	10.2	6.8	33%
Edge	10.1	6.8	33%
Other Products	0.1	-	100%
Of which expensed	5.8	4.8	17%
Foundation Products	2.9	2.8	3%

Edge	2.2	1.3	40%
Other Products	0.7	0.6	-
Amortisation	0.9	1.2	(25%)

The Group spent £15.9m on Product Development, of which £10.1m was capitalised in relation to Edge, including Dynamics and Semestry. (2020: £11.6m spent, £6.8m capitalised, £4.8m expensed) and £0.1m (2020: £nil) was capitalised in relation to E-Evidence, a new application for Education Services to streamline inspections.

Our continued investment in Edge saw the marketing launch of Admissions in July 2021 and the first sales began to come through. Capitalised Product Development spend increased to £10.1m (2020: £6.8m) as the Edge development team increased in size in the year. A review of the Group's capitalisation to date has been undertaken resulting in £0.9m of pre-2021 capitalised costs being expensed as we have clarity on our future Edge offering, increasing the net P&L charge to £5.8m (2020: £4.8m). We continue to invest in our Foundation products, adding new modules and additional functionality as well as statutory updates, the costs of which are expensed.

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

Key Performance Indicators (KPIs)

£m	**2021**	**2020 Reported**	**2020 Constant Currency**	**Change constant currency**	**Change constant currency %**
Revenue	81.1	73.0	73.4	7.8	10.6%
- Student Information Systems	67.3	56.9	60.0	7.3	12.1%
- Education Services	13.8	16.1	13.4	0.5	3.5%
Adjusted Operating Profit (EBITDA)[1]	16.6	14.9	15.2	1.4	9.2%
Adjusted Operating Margin[1]	20.5%	20.4%	20.8%	-	(0.3)pp
Annual Recurring Revenue (ARR)	50.3	47.5	47.0	3.2	7%
Committed Income (Order Book)	172.5	144.4	142.6	29.8	20.9%
Operating Cash Conversion	104%	97%	97%	-	7pp
Free Cash Flow[3]	5.4	5.4	5.4	-	0.2%
Staff Retention	86.9%	92.3%	-	-	-
Revenue/Average Operational FTE[2]	£100.1k	£99.2k	£99.8k	£0.3k	0.3%

1. Adjusted Operating Profit and Adjusted Operating Margin are in respect of continuing operations and excludes charges reported in "Other items" of £5.4m (2020: £3.0m), refer to note 6 in the Financial Statements. EBITDA is calculated by taking the Adjusted Operating Profit after the allocation of Central Overheads and excludes Interest, Tax, Depreciation and Amortisation.
2. Revenue/Average Operational FTE is the average FTE for the year excluding average FTE associated with capitalised Product Development. In 2021 126.1 FTE were capitalised (2020: 96.6)
3. Comparative restated – refer to Free Cash Flow section below.

The above Alternative Performance Measures (AMP) are not Statutory Accounting Measures and are not intended as a substitute for statutory measures. A reconciliation of Statutory Operating Profit and Adjusted Operating Profit (EBITDA) has been provided in the financial statements.

Committed Income (Order Book)
The Committed Income (Order Book) relates to the total value of orders across SIS and ES, which have been signed on or before, but not delivered by 31 December 2021. This represents the best estimate of business expected to be delivered and recognised in future periods and includes 2 years of Support & Maintenance revenue. At 31 December 2021 this increased to £172.5m (2020: £144.4m reported). 76% of the increase relates to the 5-year contract extension with nine universities within the Callista group in Australia. The remainder of the increase is attributable to Semestry.

Operating cash conversion
Operating cash conversion is calculated as net cash from operating activities before tax as a proportion of adjusted operating profit (EBITDA) excluding the cash outflow of £1.7m on the Veritas programme. In 2021, operating cash conversion was 104% (2020: 97% reported). In prior years' operating cash conversion was calculated using EBITA rather than EBITDA, this has been changed to align more closely with the most relevant profit measure. The 2020 comparison has been restated and excludes the one-off settlement of the platform dispute payment of £8.1m as disclosed in 2020.

Free cash flow
Free cash flow is included as a key indicator of the cash that is generated by the Group and is available for acquisition related investment, interest and finance charges and, or distribution to shareholders. It is calculated as net cash generated, before dividends, interest and finance charges, deferred consideration, and investments in subsidiaries. Free cash flow in 2021 and 2020 was consistent at £5.4m, investment in product development increased £3.1m however was offset with £3.0m proceeds on shares sold to satisfy exercises of share-based payment schemes. In prior years' free cash flow was calculated based on net cash from operating activities less capital expenditure and less capitalised development costs (excluding acquired intellectual property), the prior year comparative has been restated to reflect the change in definition. In 2020, free cash flow excluded the one-off settlement of the platform dispute of £8.1m.

Net of cash acquired, the Group paid £4.1m as initial consideration of Semestry Limited, which included £0.8m of deferred consideration paid in October 2021. The final deferred consideration relating to the Dynamics acquisition of £1.3m was paid in March 2021.

Full Time Equivalent (FTE) and staff retention

	2021	2020	Change
UK	651	587	64
Asia Pacific	317	282	35
Rest of world[1]	14	10	4
Full Time Equivalent (FTE)	982	879	103

1. Including USA, Canada and Middle East

Our overall workforce has increased by 11.7% to a total FTE of 982 from 879 at 31 December 2020. This is after adding an additional 35 heads following the acquisition of Semestry Limited and Eveoh's "My Timetable" an increase of 15 FTE in our Global Delivery Centre in Malaysia and 30 additional FTE in our Edge team as we accelerate delivery in line with the product development roadmap.

On an operational FTE basis (excluding Capitalised Product Development), the revenue per average operational FTE increased to £100.1k (2020: £99.8k constant currency, £99.2k reported).

We note, though, that despite the extent of change within the Group, our staff retention has only decreased to 87.0% (2020: 92.3%).

Items excluded from adjusted profit figures

The Group has adopted a policy of disclosing separately on the face of its Group income statement the effect of any components of financial performance considered by the Directors to be not directly related to the trading business or regarded as exceptional, and for which separate disclosure would assist in a better understanding of the financial performance achieved. A full explanation of "Other Items" is included in note 6 of the Financial Statements however the main items are as follows:

- Employee related share option charges:
  In 2021, share based payment charges (including employer related taxes) totalled £1.6m (2020: £1.8m), and are excluded from the Adjusted operating profit. On 28 June 2021, 479,591 nil-cost share options were granted to Mark Pickett (275,510) and Diane McIntyre (204,081) under the terms of the 2010 Long-Term Incentive Plan.

- Amortisation of IFRS 3 intangibles:
  The amortisation charge in relation to IFRS 3 intangible assets of £0.9m (2020: £1.0m) arose from separately identifiable assets recognised as part of previous acquisitions. The assets principally relate to software and customer relationships and are amortised over their expected life which was determined in the year the acquisition took place.

- Internal Systems Transformation Programme "Veritas":
  During 2020 and 2021 the Group has been running the Veritas Programme. This includes an upgrade to its accounting system (Microsoft Dynamics D365) and is part of a wider implementation of a new target operating model and processes to provide greater operating efficiencies and reporting functionalities. Following clarified guidance issued in relation to IAS 38, £1.7m of costs that would have previously been capitalised do not meet the criteria to be capitalised as a software intangible and have been expensed to the income statement, of which £0.2m was incurred in 2020.

Net cash and cashflow

£m	**2021**	**2020**	**Change**
Net cash flow from operating activities	13.9	5.5	8.4
Net cash outflow from investing activities	(16.9)	(9.2)	(7.7)
Net cash outflow from financing activities	(0.4)	(3.3)	2.9
Net (decrease)/increase in cash & cash equivalents	(3.4)	(7.0)	(3.5)
Cash & cash equivalents at beginning of the year	9.5	16.5	(6.9)
Cash & cash equivalents at end of period	6.1	9.5	(3.4)
Less: Effect of foreign exchange rate changes	(0.2)	-	(0.2)
Net cash & cash equivalents at end of period	5.9	9.5	(3.6)

Cash and cash equivalents at 31 December 2021 were £5.9m (2020: £9.5m).

Operating cash inflow for the period was £13.9m (2020: £5.5m). Excluding the one-off settlement of £8.2m in 2020 the cash inflow would have been £13.7m compared to £5.5m. The working capital movement in year increased to £1.4m, (2020: £0.4m excluding the one-off settlement of £8.2m) due to strong collection of trade debtors at year end.

Cash outflow from investing activities was £16.9m (2020: £9.2m). The increased headcount has seen an increase in capital expenditure spend on equipment costs (2021: £0.6m; 2020: £0.4m). Spend on product development increased to £10.2m (2020: £7.1m) in line with the Group's product investment programme. The Group made a payment of £2.1m for deferred consideration (2020: £1.7m), of which £1.3m was the final earn-out from the Dynamics acquisition, the remaining £0.8m was an initial earn out payment for Semestry. The Group made an upfront net payment of £4.2m in respect of the acquisition of Semestry Limited in April 2021.

Cash outflow from financing activities decreased to £0.4m (2020: 3.3m). The Group paid a final dividend of 1.2p per share in the year with £2.5m returned to shareholders. Bank loan arrangement fees and interest in the period totalled £0.2m (2020: £0.2m). This is offset with the proceeds from the issue of shares totalling £3.2m (2020: £0.2m) to satisfy exercises of share-based payment schemes.

Funding arrangements
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 first option to extend was approved by HSBC on 15 March 2021, the second extension was approved by HSBC on 5 January 2022, effective 21 January 2022. The facility was put in place to cover general corporate and working capital requirements of the Group, as at 31 December 2021 none of the loan was utilised. The Group had a £2m committed overdraft facility in the UK and a AUD$2m committed overdraft facility in Australia, both facilities are committed for a 12-month period ending August 2022 and October 2022 respectively. At 31 December 2021 both overdrafts were available but undrawn. To offset the impact of movements in foreign exchange the Group entered into three forward contracts to hedge the movement between AUD:GBP and USD:GBP. These contracts expired in the year and generated a net change in fair value of £0.2m (2020: £0.1m). The Group will continue to manage foreign exchange exposure during 2022.

Shareholders returns and dividends
Tribal remains committed to a progressive dividend policy and the Board is pleased to propose a final dividend in respect of the year ended 31 December 2021 of 1.3p, pending approval at the AGM on 4 May 2022. The anticipated payment date is 28 July 2022, with an associated record date of 24 June 2022 and ex-dividend date of 23 June 2022. In July 2021 Tribal paid a final dividend of 1.2p per share in recognition of the year ended 31 December 2020. The Board intends to continue a progressive dividend policy, with a single dividend payment each year following annual results.

Going concern
Tribal had cash and cash equivalents of £5.9m at the end of 2021 plus access to an undrawn UK and Australian overdraft of £2.0m and $AUD 2.0m respectively. Tribal Group plc has undertaken to make adequate financial resources available to the Group to meet its current and future obligations as and when they fall due by entering a £10m facility to cover corporate merger and acquisition activity and, if required, temporary working capital requirements of the Group.

Tribal's main business is software related through the provision of Student Information Systems (SIS) to education institutions globally. Revenue is generated from the sale of software licenses and related implementation work, and the ongoing provision of support & maintenance and cloud/hosting services. The Group benefits from strong annual recurring revenues and cash generation, it also has a significant pipeline of committed income as it enters 2022 which provides a good level of protection and certainty to the business. While the Group's net current liability position has increased to £20.9m from £16.2m in 2020, it is still being driven by the recognition of IFRS 16 lease liabilities as current liabilities of £0.9m, the deferred consideration recognised relating to the Semestry and Eveoh acquisitions of £1.3m and net current contract liabilities of £17.4m relating to deferred customer revenue recognised in accordance with IFRS 15.

The Group had a positive end to the year, closing several significant sales to new and existing customers, and expanding its global footprint. The financial impact of the pandemic and the changing expectations of students, means that never has the need for cloud-based solutions for the Education market been more pressing. The investments the Group continue to make position Tribal at the forefront of this evolution in the industry.

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, considering reasonably possible changes in trading performance. In addition, management have sufficiently stress tested the latest forecasts to the point where either the Group cannot meet its liabilities or is in breach of banking covenants and have concluded that this position is so remote it does not have a significant impact on the Group's ability to continue as a going concern. Accordingly, after making enquiries and receiving confirmation of Group support as set out above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements and the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

TRIBAL

Taxation
The corporation tax on continuing operations was £2.2m (2020: £3.1m) and the adjusted effective tax rate was 16% (2020: 27%). The decrease was due to the release of uncertain tax provisions previously required, the effective tax rate before these releases was 19% (2020: 25%).

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

Share options and share capital
On 28 June 2021, 479,591 share options were granted to Mark Pickett (275,510) and Diane McIntyre (204,081) as part of their ongoing remuneration.

The shares issued during the year in order to satisfy exercises of share-based payment schemes totalled 4,676,064. The exercise cost of 5p, 79.6p and 80p per share for the LTIP's resulted in cash receipts of £3.2m.

Earnings per share (EPS)
Adjusted basic earnings per share from continuing operations before other costs and intangible asset impairment charges and amortisation, which reflects the Group's underlying trading performance, increased by 39% to 5.7p (2020: 4.1p) due to the increase in adjusted profit before tax and the reduced tax charge in the year.

Statutory basic earnings per share increased by 10% to 3.4p (2020: 3.1p) as a result of the statutory profit increase in the year to £7.0m (2020: statutory profit £6.4m).

Pension obligations
At 31 December 2021, the Group operated two defined benefit pension schemes for the benefit of certain deferred employees of its subsidiaries in the UK which are closed to new members. These schemes are administered by separate funds that are legally separated from the Parent Company and relate to a historic contract within Education Services. The trustees of the pension funds are required by law to act in the interest of the funds and of all relevant stakeholders in the schemes. The trustees of the pension funds are responsible for the investment policy with regard to the assets of the funds.

Across the pension schemes, the combined deficit calculated under IAS19 at the end of the year reduced 78% to £0.2m (2020: deficit of £0.9m), with gross assets of £8.8m and gross liabilities of £9.0m (2020: £8.3m and £9.3m respectively). Total actuarial gains/(losses) recognised in the consolidated statement of comprehensive income are £0.7m (2020: (£0.4)m).

Diane McIntyre
Chief Financial Officer

Consolidated income statement
For the year ended 31 December 2021

	Note	Adjusted £'000	Other items (see Note 6) £'000	Year ended 31 December 2021 Total £'000	Adjusted £'000	Other items (see Note 6) £'000	Year ended 31 December 2020 Total £'000
Continuing operations							
Revenue	2	81,148	–	81,148	72,954	–	72,954
Cost of sales		(39,335)	–	(39,335)	(34,322)	–	(34,322)

Gross profit		41,813	–	41,813	38,632	–	38,632
Total administrative expenses		(27,846)	(5,079)	(32,925)	(26,831)	(2,693)	(29,524)
Operating profit/(loss)		13,967	(5,079)	8,888	11,801	(2,693)	9,108
Investment income	5	255	–	255	53	–	53
Finance costs	6	(230)	(299)	(529)	(345)	(307)	(652)
Profit/(loss) before tax		13,992	(5,378)	8,614	11,509	(3,000)	8,509
Tax (charge)/credit	7	(2,240)	619	(1,621)	(3,156)	1,005	(2,151)
Profit/(loss) attributable to the owners of the parent		11,752	(4,759)	6,993	8,353	(1,995)	6,358
Earnings per share							
Basic	9	5.7p	(2.3)p	3.4p	4.1p	(1.0)p	3.1p
Diluted	9	5.5p	(2.3)p	3.2p	4.0p	(0.9)p	3.1p

All activities are from continuing operations.

Consolidated statement of comprehensive income
For the year ended 31 December 2021

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Profit for the year		6,993	6,358
Other comprehensive (expense)/income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension schemes		728	(438)
Deferred tax on measurement of defined benefit pension schemes		(131)	89
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(917)	1,120
Other comprehensive (expense)/income for the year net of tax		(320)	771
Total comprehensive income for the year attributable to equity holders of the parent		6,673	7,129

Consolidated balance sheet
As at 31 December 2021

	Note	2021 £'000	Restated* 2020 £'000
Non-current assets			

	Note	2021 £'000	Restated* 2020 £'000
Goodwill	10	28,582	26,661
Other intangible assets	11	35,947	24,376
Property, plant and equipment		962	1,069
Right-of-use assets		2,309	3,342
Net investment in lease		–	174
Deferred tax assets		5,233	4,243
Contract assets		1,610	22
		74,643	59,887
Current assets			
Trade and other receivables	12	10,602	11,036
Net investment in lease		–	46
Contract assets		6,178	3,951
Cash and cash equivalents	15	5,924	9,520
		22,704	24,553
Total assets		97,347	84,440
Current liabilities			
Trade and other payables	13	(6,081)	(4,660)
Accruals		(9,253)	(7,480)
Contract liabilities		(23,571)	(23,078)
Current tax liabilities		(2,456)	(2,861)
Lease liabilities		(878)	(1,020)
Provisions		(1,349)	(1,657)
		(43,588)	(40,756)
Net current liabilities		(20,884)	(16,203)
Non-current liabilities			
Other payables	13	(131)	(40)
Deferred tax liabilities		(2,953)	(1,250)
Contract liabilities		(1,864)	(330)
Retirement benefit obligations		(215)	(958)
Lease liabilities		(1,449)	(2,551)
Provisions		(807)	(923)

	Note	2021 £'000	Restated* 2020 £'000
		(7,419)	(6,052)
Total liabilities		(51,007)	(46,808)
Net assets		46,340	37,632
Equity			
Share capital		10,519	10,285
Share premium		18,961	15,951
Other reserves		27,978	26,926
Accumulated losses		(11,118)	(15,530)
Total equity attributable to equity holders of the parent		46,340	37,632

* Refer to Annual Report notes 20 and 21

Consolidated statement of changes in equity
For the year ended 31 December 2021

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
Balance as at 31 December 2019		9,979	15,539	26,029	(20,228)	31,319
Profit for the year		–	–	–	6,358	6,358
Other comprehensive income for the year		–	–	–	771	771
Total comprehensive income for the year		–	–	–	7,129	7,129
Issue of equity share capital		239	–	–	–	239
Equity dividend paid		–	–	–	(2,254)	(2,254)
Credit to equity for share-based payments		–	–	1,339	–	1,339
Share options exercised		67	412	(479)	–	–
Foreign exchange difference on share-based payments		–	–	37	–	37
Tax credit on credit to equity for share-based payments		–	–	–	409	409
Contributions by and distributions to owners		306	412	897	(1,845)	(230)
Balance at 31 December 2020 as previously reported		10,285	15,951	26,926	(14,944)	38,218
Impact of prior year adjustment*		–	–	–	(586)	(586)
Balance at 31 December 2020 restated		10,285	15,951	26,926	(15,530)	37,632
Profit for the year		–	–	–	6,993	6,993
Other comprehensive expense for the year		–	–	–	(320)	(320)

Total comprehensive income for the year	–	–	–	6,673	6,673
Issue of equity share capital	234	3,010	–	–	3,244
Equity dividend paid	–	–	–	(2,505)	(2,505)
Credit to equity for share-based payments	–	–	1,078	–	1,078
Foreign exchange difference on share-based payments	–	–	(26)	–	(26)
Tax credit on credit to equity for share-based payments	–	–	–	244	244
Contributions by and distributions to owners	234	3,010	1,052	(2,261)	2,035
At 31 December 2021	10,519	18,961	27,978	(11,118)	46,340

* Refer to Annual Report note 21

Consolidated cash flow statement
For the year ended 31 December 2021

	Note	Year ended 31 December 2021 £'000	Restated* Year ended 31 December 2020 £'000
Net cash from operating activities	15	13,889	5,461
Investing activities			
Interest received		–	6
Purchases of property, plant and equipment		(563)	(356)
Expenditure on intangible assets		(10,224)	(7,129)
Payment of deferred consideration for acquisitions		(2,180)	(1,732)
Acquisition of investments in subsidiaries – cash consideration		(4,512)	–
Acquisition of investments in subsidiaries – cash acquired		317	–
Net gain on forward contracts		249	41
Net cash outflow from investing activities		(16,913)	(9,170)
Financing activities			
Interest paid		(165)	(259)
Loan arrangement fees		(45)	(65)
Loan drawdown		15,000	10,000
Loan repayment		(15,000)	(10,000)
Proceeds on issue of shares		3,244	239

Payment of lease liabilities	(987)	(980)
Proceeds from sub-leases	52	52
Equity dividend paid	(2,505)	(2,254)
Net cash used in financing activities	(406)	(3,267)
Net decrease in cash and cash equivalents	(3,430)	(6,976)
Cash and cash equivalents at beginning of year	9,520	16,463
Effect of foreign exchange rate changes	(166)	33
Cash and cash equivalents at end of year	5,924	9,520

* Refer to Annual Report note 19

Notes to the financial statements

1. General information

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

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2021 or 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies and those for 2021 will be delivered following the Company's annual general meeting. The auditor BDO LLP has reported on the statutory financial statements for the year ended 31 December 2021and the audit report was unqualified.

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

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

The full financial statements which comply with IFRSs will be communicated to shareholders via their selected preference and are available to members of the public at the registered office of the Company from that date and are now available on the Company's website: www.tribalgroup.com.

2. Revenue for contracts with customers

The Group has split revenue into various categories which is intended to enable users to understand the relationship with revenue segment information. For 2021 reporting Asset Management, Software Solutions and Information Managed Services revenue is now included in SIS as it more closely aligns with the Software side of the business. This totals £2.7m and was previously included within Education Services. 2020 has been updated for comparison with £2.6m revenue being reassigned.

31 December 2021	UK £000	Australia £000	Other APAC £000	North America and Rest of the world £000	Total £000
Foundation - Support & Maintenance	15,945	7,375	1,709	925	25,954
Foundation - Software	4,927	81	324	71	5,403
Cloud Services	5,097	1,326	237	145	6,805

Edge	2,903	363	125	3	3,394
Professional Services	8,004	2,153	2,338	173	12,668
Core SIS	36,876	11,298	4,733	1,317	54,224
Other software & services	4,266	8,816	–	–	13,082
Total SIS	41,142	20,114	4,733	1,317	67,306
Schools inspections & other related services (QAS)	6,888	–	–	4,181	11,069
i-graduate survey & data analytics	945	371	1,091	366	2,773
Total ES	7,833	371	1,091	4,547	13,842
Total	48,975	20,485	5,824	5,864	81,148

31 December 2020	UK £000	Australia £000	Other APAC £000	North America and Rest of the world £000	Total £000
Foundation - Support & Maintenance	15,529	7,316	1,455	916	25,216
Foundation - Software	4,119	79	146	103	4,447
Cloud Services	4,211	772	42	134	5,159
Edge	1,522	104	–	–	1,626
Professional Services	5,778	2,322	635	465	9,200
Core SIS	31,159	10,593	2,278	1,618	45,648
Other software & services	3,754	10,008	23	13	13,798
Total SIS	34,913	20,601	2,301	1,631	59,446
Schools inspections & other related services (QAS)	6,976	–	–	4,377	11,353
i-graduate survey & data analytics	574	249	1,066	266	2,155
Total ES	7,550	249	1,066	4,643	13,508
Total	42,465	20,850	3,366	6,273	72,954

Net contract liabilities

	Contract asset/(liability) 2021 £000	Contract asset/(liability) 2020 £000

Opening contract balance	(19,435)	(19,025)
Of which released to income statement	19,128	18,750
New billings and cash in excess of revenue recognised	(17,340)	(19,160)
Closing contract balance	(17,647)	(19,435)

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

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

The amount of incremental costs to obtain a contract which extends over a period of more than 12 months has been recognised as an asset in prepayments totalling £0.5m (2020: £0.3m) and will be released in line with the total contract revenue. No amount has been impaired at 31 December 2021 or 2020.

Remaining performance obligations

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

At 31 December 2021

	2022 £000	2023 £000	2024 £000	Thereafter £000	Total £000
Foundation - Support & Maintenance	24,814	24,063	16,191	12,609	77,677
Foundation - Licence	4,563	3,438	2,764	2,068	12,833
Cloud Services	7,557	6,982	4,816	4,283	23,638
Edge	4,132	4,012	2,890	1,724	12,758
Professional Services	12,694	1,062	107	127	13,990
Core SIS	53,760	39,557	26,768	20,811	140,896
Other software & services	9,873	4,000	2,542	677	17,092
Total SIS	63,633	43,557	29,310	21,488	157,988
Schools inspections & other related services (QAS)	6,756	2,136	660	–	9,552
i-graduate survey & data analytics	1,501	1,157	978	1,279	4,915
Total ES	8,257	3,293	1,638	1,279	14,467
TOTAL	71,890	46,850	30,948	22,767	172,455

At 31 December 2020

	2021 £000	2022 £000	2023 £000	Thereafter £000	Total £000
Foundation - Support & Maintenance	25,374	18,197	10,310	738	54,619
Foundation - Licence	3,498	2,692	2,065	470	8,725

Cloud	6,093	5,644	3,562	2,972	18,271
Edge	2,087	2,118	1,695	285	6,185
Professional Services	11,272	7,061	146	–	18,479
Core SIS	48,324	35,712	17,778	4,465	106,279
Other software & services	9,154	5,488	1,477	13	16,132
Total SIS	57,478	41,200	19,255	4,478	122,411
Schools inspections & other related services (QAS)	12,374	4,098	2,113	1,308	19,893
i-graduate survey & data analytics	1,534	414	128	23	2,099
Total ES	13,908	4,511	2,241	1,331	21,991
TOTAL	71,386	45,712	21,496	5,809	144,403

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

	2021 £'000	2020 £'000
Continuing operations		
Sales of services	81,148	72,954
Total revenue	81,148	72,954

Further details of the nature of the services provided are disclosed in the Annual Report. Sales of goods are not material and are therefore not shown separately. Included in sales of services is £0.8m (2020: £0.5m) related to software license revenues recognised as a result of a periodic review of our license entitlement resulting from changes in our customers' enrolled student numbers.

There is no revenue in respect of discontinued operations.

3. Business segments

Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance is focused on the nature of each type of activity. For 2021 reporting Asset Management, Software Solutions and Information Managed Services revenue is now included in SIS as it more closely aligns with the Software side of the business. This totals £2.7m and was previously included within ES. 2020 has been updated for comparison with £2.6m revenue being reassigned. The Group's reportable segments and principal activities under IFRS 8 are detailed below:

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

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

	Revenue	Adjusted segment operating profit

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Student Information Systems	67,306	59,446	22,404	20,851
Education Services	13,842	13,508	2,229	2,047
Total	81,148	72,954	24,633	22,898
Unallocated corporate expenses			(10,666)	(11,097)
Adjusted operating profit			13,967	11,801
Amortisation of software and customer contracts & relationships (see Note 6)			(947)	(1,021)
Other items (see Note 6)			(4,132)	(1,672)
Operating profit			8,888	9,108
Investment income			255	53
Finance costs			(529)	(652)
Profit before tax			8,614	8,509
Tax charge			(1,621)	(2,151)
Profit after tax			6,993	6,358

Associated depreciation and amortisation is allocated to segment profits and is included in adjusted segment operating profit as above. The amount included in SIS is £1.1m (2020: £1.4m) and within Education Services £nil (2020: £0.1m).

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

Within Education Services revenues of approximately 4% (2020: 6%) have arisen from the segment's largest customer; within SIS revenues of approximately 4% (2020: 6%) have arisen from the segment's largest customer.

Geographical information

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

	2021 £'000	2020 £'000
UK	48,975	42,465
Australia	20,485	20,850
Other Asia Pacific	5,824	3,366
North America	3,149	2,572
Rest of the world	2,715	3,701
	81,148	72,954

Non-current assets (excluding deferred tax)

	2021 £'000	2020 £'000

UK	54,314	39,632
Australia	13,391	15,214
Other Asia Pacific	1,637	695
North America	68	88
Rest of the world	–	15
	69,410	55,644

4. Other items

	2021 £'000	2020 £'000
Acquisition related costs	(765)	814
Employee related share option charges (including employer related taxes)	(1,628)	(1,815)
– Internal systems transformation programme "VERITAS"	(1,715)	–
– Legacy defined benefit schemes	–	(123)
– Other legal costs	–	(36)
– Restructuring and associated costs	(24)	(512)
Other items	(1,739)	(671)
Amortisation of software and customer contracts & relationships	(947)	(1,021)
Total administrative expenses	(5,079)	(2,693)
Other financing costs	(299)	(307)
Total other items before tax	(5,378)	(3,000)
Tax on other items	619	1,005
Total other items after tax	(4,759)	(1,995)

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

Acquisition related costs: Amounts relating to the legal and due diligence costs of the acquisition of Semestry Limited, and the acquisition of Eveoh BV's assets into Semestry Netherlands BV in the period total £832,000 (2020: £nil). Under IFRS 3 these amounts were expensed as they are not eligible for capitalisation. These are considered to be one-off costs in the year. In 2021 accounting for changes in the fair value of the contingent deferred consideration have been remeasured at relevant reporting dates as part of the earn-out agreement with Tribal Dynamics Limited, and the corresponding gain has been recognised in the income statement (2021: £(67,000): 2020: £(814,000))

- Employee related share option charges. The numbers above include:
- share-based payments plus foreign exchange (2021: £27,000: 2020: £(37,000));
- the movement in associated employers taxes accrual (2021: £494,000: 2020: £153,000);

- the amounts accrued and paid on dividends on share options that have met performance conditions (2021: £(10,000): 2020: £195,000). When the Company declares a cash dividend, some option holders are entitled to a 'dividend equivalent'. This is a payment in cash and/or additional shares with a value determined by reference to the dividends that would have been paid on the vested shares in respect of dividend record dates occurring during the period between the grant of the Award and the date on which it becomes exercisable; and
- a nominal value paid to employees as a bonus (2021: £65,000: 2020: £128,000). Under Companies Act 2006 rules a nominal value must be paid to issue new shares, however under the rules of the LTIP and Matching Shares Schemes the Company will pay the nominal value to the participants as a bonus.

Other items are detailed below:

- during 2020 and 2021 the Group has been running the Veritas Programme. This includes an upgrade to its accounting system (Microsoft Dynamics D365) and is part of a wider implementation of a new target operating model and processes to provide greater operating efficiencies and reporting functionalities. Following clarified guidance issued in relation to IAS 38, £181,000 of costs capitalised in 2020 have been expensed to the income statement alongside £1,534,000 of costs in 2021. The upgrade is material and non-recurring in nature;
- legacy defined benefit schemes relate to the Prudential Platinum and Federated Pension Funds to which no current Tribal employee is a member. Costs arising relate to additional funding and administration charges (2021: £nil: 2020: £123,000);
- legal costs associated with the data breach in Tribal Campus, an Australian subsidiary of the Group, announced on 12 August 2019, amounted to £36,000 in 2020. The amounts expensed are the excess not covered by the Group's Insurance policy. All costs were fully settled in 2020; and
- restructuring and associated costs relate to the restructuring of the Group's operations (2021: £24,000: 2020: £512,000).

Amortisation of software and customer contracts and relationships: Amortisation arising on the fair value of intangible assets acquired is separately disclosed. (2021: £947,000: 2020: £1,021,000).

Other financing charges: Consistent with the treatment of movements in deferred consideration, the unwind of the discount on deferred consideration is separately presented as other financing costs in the income statement (2021: £299,000: 2020: £307,000).

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

5. Investment income

	2021 £'000	2020 £'000
Other interest receivable	–	6
Fair value movement on forward exchange contract	249	41
Interest receivable on leased assets	6	6
Total investment income	255	53

6. Finance costs

	2021 £'000	2020 £'000
Interest on bank overdrafts and loans	70	147

Loan arrangement fees	45	65
Net interest payable on retirement benefit obligations	14	10
Interest expense on lease liabilities	101	123
Adjusted finance costs	230	345
Unwinding of discounts	299	307
Other finance costs	299	307
Total finance costs	529	652

7. Tax

	2021 £'000	2020 £'000
Current tax		
UK corporation tax	(319)	67
Overseas tax	2,017	1,800
Adjustments in respect of prior years	(103)	33
	1,595	1,900
Deferred tax		
Current year	(2)	188
Adjustments in respect of prior years	28	63
	26	251
Tax charge on profits	1,621	2,151

The continuing tax charge can be reconciled to the profit from continuing operations per the income statement as follows:

	2021 £'000	2020 £'000
Profit before tax on continuing operations	8,614	8,509
Tax charge at standard UK rate of 19% (2020: 19%)	1,637	1,617
Effects of:		
Overseas tax rates	688	654
Expenses not deductible for tax purposes	190	134
Adjustments in respect of prior years	(74)	96
Additional deduction for R&D expenditure	(13)	(11)
Share scheme costs	(174)	30
Fixed assets ineligible depreciation	(47)	(47)
Utilisation of unrecognised tax losses	84	5

Movement in tax provision	(371)	–
Effect of changes in tax rates	(299)	(327)
Tax expense for the year	1,621	2,151

In addition to the amount charged to the income statement a current tax credit of £53,000 (2020: £66,000) and a deferred tax charge of £395,000 (2020: credit of £343,000) together with the prior year deferred tax credit of £586,000 (relating to a reduction in the 2020 deferred tax asset due to the reduced expected future deductions available in relation to Share Schemes) has been recognised directly in equity during the year in relation to Share Schemes.

A deferred tax charge of £131,000 (2020: credit of £89,000) has been recognised in the Consolidated Statement of Comprehensive Income in relation to defined benefit pension schemes.

The Group continues to hold an appropriate corporation tax provision in relation to the Group relief claimed from Care UK for the year ended 31 March 2007, together with other appropriate Group provisions. There has been no progress in the Care UK case in the year to 31 December 2021. Under IFRIC 23 management have reviewed this uncertain tax provision and do not consider it appropriate to make any adjustments due to the lack of progression in the year.

The income tax expense for the year is based on the UK statutory rate of corporation tax for the period of 19% (2020: 19%). Tax for other jurisdictions is calculated at the prevailing rates in the respective jurisdictions.

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. As the rate of 25% has been substantively enacted at the balance sheet date, the deferred tax balances have been calculated at 25%. Where the underlying timing differences are expected to unwind before 1 April 2023, the deferred tax on those balances have continued to be calculated at 19%.

8. Dividends

	2021 £'000	2020 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2020 of 1.2 pence (Interim dividend for the year ended 31 December 2020: 1.1 pence) per share	2,505	2,254
Proposed final dividend:		
Proposed final dividend for the year ended 31 December 2021 of 1.3 pence (year ended 31 December 2020: 1.2 pence) per share	2,735	2,470

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

9. Earnings per share

Basic earnings per share and diluted earnings per share are calculated by reference to a weighted average number of Ordinary Shares calculated as follows:

	2021 thousands	2020 thousands
Weighted average number of shares outstanding:		
Basic weighted average number of shares in issue	207,934	203,986
Weighted average number of employee share options	7,047	4,230
Weighted average number of shares outstanding for dilution calculations	214,981	208,216

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

The maximum number of potentially dilutive shares, based on options that have been granted but have not yet met vesting criteria, is 7,125,172 (2020: 12,796,406). This includes 876,512 options in the 2019 SAYE Scheme (2020: 1,028,396).

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

	2021 £'000	2020 £'000
Net profit	6,993	6,358
Earnings per share		
Basic	3.4p	3.1p
Diluted	3.2p	3.1p
Adjusted net profit	11,752	8,353
Adjusted earnings per share		
Basic	5.7p	4.1p
Diluted	5.5p	4.0p

	Profit for the year		Earnings per share	
		2021 £'000	2020 £'000	2021 £'000
Profit for the year attributable to equity shareholders	6,993	6,358	3.4p	3.1p
Add back:				
Amortisation of IFRS intangibles	1,083	800	–	–
Share-based payments	1,400	1,376	–	–
Internal systems transformation programme "VERITAS"	1,460	–	–	–
Unwinding of discounts	299	307	–	–
Movement in deferred consideration	(67)	(814)	–	–
Other acquisition costs	832	–	–	–
Other items (net of tax)	(248)	326	–	–
Total adjusting items	4,759	1,995	2.3p	1.0p
Adjusted earnings	11,752	8,353	5.7p	4.1p

10. Goodwill

	2021 £'000	2020 £'000
Cost		
At beginning of year	107,892	107,110

Additions	2,543	–
Exchange differences	(622)	782
At end of year	109,813	107,892
Accumulated impairment losses		
At beginning of year	81,231	81,231
At end of year	81,231	81,231
Net book value		
At end of year	28,582	26,661
At beginning of year	26,661	25,879

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

	2021 £'000	2020 £'000
Student Information Systems (SIS)	25,048	23,127
Education Services (ES)	3,534	3,534
	28,582	26,661

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

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use risk adjusted cash flow projections based on the financial budget approved by management for the period to 31 December 2022. The budget was prepared based on past experience, strategic plans and management's expectation for the markets in which they operate including adjustments for known contract ends, contract related inflationary increases and planned cost savings. The budget was extrapolated over a five-year period in line with previous calculations and to give greater clarity on future cash flows. The growth assumption is 2% per annum for SIS (2020: 2%) and 2% for ES (2020: 2%). Cash flows beyond the budget and extrapolation period were calculated into perpetuity using the same growth rates. These growth rates are in line with the expected average UK economy long-term growth rate.

The cash flows projections are discounted at a pre-tax discount rate of 10.8% (2020: 11.0%). The single discount rate, which is consistently applied for both CGUs, is determined with reference to internal measures and available industry information and reflects specific risks relevant to the Group.

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

A rise in discount rate to 31% and 301% would trigger an impairment in SIS and ES respectively. A decline in growth rate to (22%) in SIS and (110%) in ES would result in an impairment. Management does not consider these changes possible but considers a slight increase in discount rate to 12% and zero growth may be possible as a result of the current economic environment. As a result of the analysis, there is headroom of £103.9 million and £16.5 million in SIS and ES respectively.

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

11. Other intangible assets

	Acquired Software £'000	Acquired Customer contracts & relationships £'000	Acquired intellectual property £'000	Development costs £'000	Business systems £'000	Software licenses £'000	Total £'000
Cost							
At 1 January 2020	9,831	8,424	1,873	36,513	5,083	1,489	63,213
Additions	–	–	–	6,902	227	–	7,129
Exchange differences	462	196	–	204	9	–	871
At 31 December 2020 and 1 January 2021	10,293	8,620	1,873	43,619	5,319	1,489	71,213
Acquisitions	2,305	1,289	–	1,237	–	–	4,831
Additions	–	–	–	10,224	–	–	10,224
Disposals	–	–	–	(905)	(4,496)	–	(5,401)
Exchange differences	(365)	(156)	–	(162)	(5)	(1)	(689)
At 31 December 2021	12,233	9,753	1,873	54,013	818	1,488	80,178
Amortisation							
At 1 January 2020	7,137	5,677	659	23,893	4,893	1,485	43,744
Charge for the year	535	486	75	1,170	20	3	2,289
Exchange differences	469	136	–	192	7	–	804
At 31 December 2020 and 1 January 2021	8,141	6,299	734	25,255	4,920	1,488	46,837
Acquisitions	–	–	–	366	–	–	366
Charge for the year	529	418	75	933	24	1	1,980
Disposals	–	–	–	–	(4,315)	–	(4,315)
Exchange differences	(365)	(111)	–	(155)	(5)	(1)	(637)
At 31 December 2021	8,305	6,606	809	26,399	624	1,488	44,231
Carrying amount							
At 31 December 2021	3,928	3,147	1,064	27,614	194	–	35,947
At 31 December 2020	2,152	2,321	1,139	18,364	399	1	24,376

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

Included within Business systems are finance systems with a carrying value of £0.2m (2020: £0.4m). Phase I of the D365 implementation was fully capitalised and is being amortised over a period of ten years. The Veritas programme commenced in October 2020 and is part of a wider implementation of a new target operating model and processes to provide greater operating efficiencies and reporting functionalities across the Group. In line with IAS 38 £181,000 of costs capitalised in 2020 no longer meet the criteria to be capitalised as a software intangible and have been expensed to the 2021 income statement. All costs in 2021 have also been expensed in 2021.

In addition a review of all business systems was undertaken in the year and £4.3m of fully depreciated assets have been written off as no longer in use.

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

A review of the Group's capitalisation to date has been undertaken resulting in £0.9m of early capitalised costs being expensed, as the Group now has clarity on the future Edge offering. The "Dynamics" product has now been incorporated into Edge (included within development costs) and the amortisation time frame of this is expected to be fifteen years in line with the rest of Edge. Subsequently management have changed the UEL of this asset from 5 to 15 years in accordance with IAS 8.36. This has been treated as a change in accounting estimate from 1 January 2021 and therefore prior periods have not been adjusted as it is not considered practical to do so. The net impact of this change in accounting estimate is a reduction in the amortisation charge of £88,000. The future impact of this change is not considered material.

The impairment testing allocates all assets relating to specific CGUs, including goodwill, other intangibles, property, plant and equipment and net current assets and liabilities. Semestry and Eveoh acquired assets have been allocated to the SIS CGU.

12. Trade and other receivables

	2021 £'000	2020 £'000
Amounts receivable for the sale of services	5,629	7,701
Less: loss allowance	(187)	(231)
	5,442	7,470
Other receivables	693	413
Prepayments	4,467	3,153
	10,602	11,036

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

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

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

13. Trade and other payables

	2021 £'000	2020 £'000
Current		
Trade payables	1,712	892
Other taxation and social security	2,728	2,522
Other payables	1,641	1,246
	6,081	4,660

Non-current		
Other payables	131	40
	131	40
Total	6,212	4,700

The average credit period taken for trade purchases is 17 days (2020: 12 days). For most suppliers, no interest is charged on the trade payables for the first 30 days from the date of invoice. Thereafter, in some cases, interest may be charged on the outstanding balances due to certain suppliers at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within a reasonable time frame. The Directors consider that the carrying amount of trade and other payables approximates their fair value.

Other payables are split as follows:

	2021 £'000	2020 £'000
Goods received not invoiced	826	564
Other creditors	815	682
	1,641	1,246

14. Borrowings

The Group had a £2m committed overdraft facility in the UK and a AUD$2m committed overdraft facility in Australia, both facilities are committed for a 12-month period ending August 2022 and October 2022 respectively. As at 31 December 2021, the Group had cash and cash equivalents of £5.9m (2020: £9.5m).

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

On 21 January 2020 the Group entered into a three-year £10m multi-currency revolving facility with HSBC with the option to extend to a further two years. The first option to extend was approved by HSBC on 15 March 2021, the second extension was approved by HSBC on 5 January 2022, effective 21 January 2022. The loan was fully drawn down in 2021 and repaid in full before 31 December 2021. The facility was put in place to cover general corporate and working capital requirements of the Group.

15. Notes to the cash flow statement

	2021 £'000	2020 £'000
Operating profit from continuing operations	8,888	9,108
Depreciation of property, plant and equipment	650	734
Depreciation of right-of-use assets	985	1,059
Amortisation and impairment of other intangible assets	1,980	2,289
Share-based payments	1,078	1,339
Movement in contingent deferred consideration	(67)	(815)
Research and development tax credit	(204)	(214)

Net pension credit	(29)	(30)
Other non-cash items	874	552
Operating cash flows before movements in working capital	14,155	14,022
Increase in receivables	(3,093)	(255)
Increase/(decrease) in payables	4,472	(7,461)
Net cash from operating activities before tax	15,534	6,306
Net tax paid	(1,645)	(845)
Net cash from operating activities	13,889	5,461

Net cash from operating activities before tax can be analysed as follows:

	2021 £'000	2020 £'000
Continuing operations	15,534	6,306

16. Acquisition of subsidiary

On 1 April 2021, the Tribal Group plc acquired 71.25% of the issued share capital of Semestry Limited (Semestry), a company incorporated in the UK that is a leading supplier of cloud based scheduling and timetabling software to the higher education market. On 4 May 2021, the Group acquired the remaining 28.75 %.

The Acquisition expands Tribal's product portfolio, adding Scheduling and Timetabling capability to the Group's Tribal Edge ecosystem of Higher Education solutions; this provides additional upsell opportunity to the Group's existing and new customers as well as cross-sell opportunities for Tribal's existing applications into Semestry's existing customer base.

This transaction has been accounted for by the acquisition method of accounting. This comprises an initial cash consideration of £4.5m and a deferred contingent cash consideration of £1.5m (the discounted figure at acquisition being £1.1m) which is payable on the annual recurring revenue (ARR) growth of the acquired business. As per the Sale and Purchase agreement, deferred contingent consideration can be satisfied over a two year period from completion. The first payment of £854,000 was made in October 2021 after review of the ARR growth in the period to September 2021.

The carrying amount of each class of Semestry Limited's assets before combination is set out below:

	Book value £'000	Fair value adjustments £'000	Acquisition adjustments £'000	Provisional fair value £'000
Intangible assets	871	–	2,874	3,745
Tangible assets	14	(14)	–	–
Trade and other receivables	357	46	–	403
Cash and cash equivalents	317	–	–	317
Trade and other payables	(173)	(52)		(225)
Contract liabilities	(466)	–	–	(466)
Deferred tax liabilities	–	–	(546)	(546)
Net assets/(liabilities) acquired	920	(20)	2,328	3,228
Goodwill arising on acquisition				2,383

Consideration - Satisfied by	
Initial cash consideration	4,466
Deferred contingent consideration	1,145
	5,611

The initial consideration paid to Semestry was satisfied through existing cash balances. The acquisition led to a net cash out-flow taking into account the cash acquired of £4,149,000.

Intangible assets arising on acquisition are in respect of customer relationships and contracts £1.0m and software £1.9m, together with £0.9m of assets that relate to the net book value of the capitalised development costs of the Semestry product.

The goodwill arising on acquisition is attributable to synergies, the assembled workforce, and potential relationships.

Semestry Limited contributed revenue of £1.1m and operating profit of £0.7m to the Group for the period between the date of acquisition and the balance sheet date. Acquisition related costs amounted to £0.7m and have been expensed through the income statement.

Had the acquisition occurred on 1 January 2021, the Group's revenue would have increased by £0.3m and its operating profit increased by £0.1m.

Tribal Group incorporated a Dutch legal entity on 14 September 2021 (Semestry Netherlands BV) for the purpose of acquiring the assets and business of Eveoh BV on 1 October 2021. Eveoh BV is a supplier of cloud timetabling software to the higher education market. The software allows institutions to publish personalised student and staff timetables, via the web or their mobile device and is currently in use at more than forty institutions in Europe and the UK.

The software will be integrated with the recently acquired Semestry timetabling and scheduling solutions and will be applicable across Tribal's extensive customer base, as universities seek to increase engagement with their students and offer more personalised experiences.

The transaction has been accounted for by the acquisition method of accounting. This comprises an initial cash consideration of £0.1m and a deferred contingent cash consideration of £0.7m (the discounted figure at acquisition being £0.5m) which is payable on the annual recurring revenue (ARR) growth of the acquired business. Deferred contingent consideration is expected to be satisfied in 2021 and 2022.

The carrying amount of each class of Eveoh BV assets before combination is set out below:

	Book value £'000	Fair value adjustments £'000	Acquisition adjustments £'000	Provisional fair value £'000
Intangible assets		–	720	720
Tangible assets	9	(9)	–	–
Trade and other payables		(17)		(17)
Contract liabilities	(126)	–	–	(126)
Deferred tax liabilities	–	–	(197)	(197)
Net assets/(liabilities) acquired	(117)	(26)	523	380
Goodwill arising on acquisition				160
Consideration - Satisfied by				
Initial cash consideration				46

Deferred contingent consideration	494
	540

The initial consideration paid was satisfied through existing cash balances. The acquisition led to a net cash out-flow.

Intangible assets arising on acquisition are in respect of customer relationships and contracts £298,000 and software £422,000.

The goodwill arising on acquisition is attributable to synergies, the assembled workforce, and potential relationships.

Semestry Netherlands BV contributed revenue of £74,000 and operating loss of £25,000 to the Group for the period between the date of acquisition and the balance sheet date. Acquisition related costs amounted to £145,000 and have been expensed through the income statement.