Company Regn No: 07176993

Learning Technologies Group plc

Annual Report for the year ended 31 December 2019

Contents **Page**

Chairman's Statement

The Board is delighted to report a year of excellent progress in its ambition to build a group of market leading businesses in the learning and talent sectors that can meet the demanding expectations of corporate and government customers. During 2019 Learning Technologies Group ('LTG') has successfully completed the integration of PeopleFluent into the Group, further improving operating practices, and providing a solid platform from which to scale the business.

LTG has continued to invest in its product development roadmap and made encouraging progress in its cross-selling initiatives. In April 2019 we announced the acquisition of BreezyHR, a fast-growing talent acquisition software business. BreezyHR has delivered exceptional growth during the year and has enabled us to significantly increase the pace of development of the Group's Talent Acquisition suite of products allowing us to service small, mid and enterprise tier clients with targeted solutions.

The Group has continued to deliver increased revenues, seeing organic revenue growth in both its Software & Platforms and Content & Services divisions (excluding the acquired PeopleFluent business). It has further improved its operating margins and has continued to deliver good cash generation.

Revenues increased by 39% to £130.1 million (2018: £93.9 million) primarily driven by the full-year contribution of PeopleFluent (acquired May 2018) and the acquisition of BreezyHR in April 2019. LTG delivered like-for-like organic revenue growth, on a constant currency basis, of 6% in our Software & Platforms division (11% on a 3 year CAGR basis; excluding the acquired PeopleFluent business) and 4% in its Content & Services division (5% on a 3 year CAGR basis; excluding the large one-off CSL contract).

The acquired PeopleFluent business delivered revenues of $93 million (2018: $96 million on a full-year basis), ahead of previously announced expectations of c$91.0 million, supported by a significantly improved retention rate for its software licences and a good sales performance by Affirmity. The Board is confident that, as guided at the time of the acquisition in 2018, the acquired PeopleFluent business is now stabilised and will return to growth as market conditions normalise.

Adjusted EBIT (refer to the Strategic Report section for definition) increased by 58% to £41.0 million (2018: £26.0 million) and adjusted EBIT margins have improved from 27.7% in 2018 to 31.5% in 2019. Adjusted diluted EPS increased by 47% to 4.736 pence (2018: 3.232 pence). In the six years since LTG listed on the London Stock Exchange the Group has delivered compound annual growth of 57% in adjusted diluted EPS.

The Group's net cash position at 31 December 2019 of £3.8 million (2018: £11.5 million net debt) was better than anticipated due to substantial cash generation in the second half of the year and places the Group on a sound footing to weather a downturn and be well positioned to invest in selective M&A opportunities as they arise.

Corporate Governance

LTG adopted the QCA Corporate Governance Code in September 2018. The Group continues to review and improve its investment in good governance initiatives and further details are provided in the Corporate Governance section of this report.

In December 2019, Claire Walsh, the Group's Head of Legal was appointed as Company Secretary to the plc Board. The Board is actively searching for a fourth Non-executive Director and I look forward to updating shareholders in due course.

Current trading and outlook

In 2019, the Group continued its track record of delivering strong margins, benefiting from enhanced leadership positions in our key markets. LTG has proven that it can successfully integrate, improve and grow the businesses we acquire, delivering excellent value for shareholders and comprehensive, innovative and industry-leading capabilities and services for our clients. These achievements would not be possible without the dedication and professionalism of all our staff across the globe and on behalf of the Board I would like to thank them for their efforts during the year.

Chairman's Statement *(continued)*

On 10 March 2020 LTG announced the proposed acquisition of the business and assets of Open LMS from Blackboard Inc for cash consideration of $31.7 million (subject to customary price adjustments), to be funded from the Group's existing cash and bank facilities. This acquisition will complement LTG's existing proprietary software solutions through the addition of expertise in the market's leading open-source Learning Management System, Moodle, and will be immediately earnings enhancing. The deal completed on 31 March 2020.

Over the past few weeks it has become evident that COVID-19 will have a marked impact on the global economy, business and the welfare of workforces and their families. LTG has experienced a good start to the current year and we have not yet seen a material impact of COVID-19 on the performance of the business. However, COVID-19 creates uncertainty for the remainder of the financial year and may result in delays to the sales pipeline, curtailment of content and services projects and delays in customer payments. LTG is underpinned by a strong balance sheet, a high proportion of recurring multi-year revenues and excellent cash generation. More details on the actions that we have taken are included in the Strategic Report section of this report.

Dividend and Annual General Meeting

LTG continued its track record of excellent cash generation in 2019. Our liquidity position is very strong, with net cash ahead of expectations and a robust balance sheet. To sustain this position of strength, in light of uncertainty for the remainder of the financial year resulting from the impact of COVID-19, the Board is adopting a prudent approach to shareholder distributions. The Board will therefore postpone the final dividend (which would have been 0.5 pence per share) until market conditions normalise.

The Annual General Meeting will be held on Friday 19 June 2020.

It is core to LTG's business model to enable corporates and governments to train and manage the performance improvement of their workforces through digital learning and talent management platforms, and we believe our clients will continue to use our platforms during these difficult times. The realisation by corporates of the necessity, appropriateness and effectiveness of digital learning and talent management solutions today will, in the Board's view, only serve to accelerate their adoption tomorrow.

The Board looks forward to updating shareholders on progress during 2020.

Andrew Brode
Chairman
15 April 2020

Strategic Report for the year ended 31 December 2019

Chief Executive's Review

Market Overview

Hiring and retaining good people is becoming an increasingly competitive pursuit across global business. This is predicted to become acute over the next decade with five forces driving the need to reskill large parts of the workforce:

- the complexity of business and work;
- the pace of change;
- unprecedented demographic shifts;
- the need to compete through productivity;
- changing relationship to work.

As a result of these forces the effectiveness of the functions within business that are tasked with developing the talent and learning of employees and the 'extended enterprise' such as HR and L&D departments are increasingly moving up the Boardroom agenda.

The pace of change presents a challenge to corporates and governments in choosing the best technologies driving workforce development, determining the most appropriate use of these technologies and addressing how this transformation is achieved. This is the market that LTG is addressing.

The global corporate training market is estimated to be worth approximately $376 billion and is growing at approximately 3% per annum. The market includes many product and service offerings ranging from traditional formats such as classroom training through various types of learning content and delivery platforms. LTG is focused on the outsourced digital learning segment of this market which is disrupting the more traditional methodologies.

The industry is highly fragmented, comprising a multitude of small operators with each offering a limited range of services. There are few providers that are able to offer clients comprehensive services, which meet their evolving requirements for data-driven solutions, and have the scale and breadth of experience to service large corporations and government organisations.

The complementary talent market is estimated to be worth more than $7 billion and growing at approximately 7% per annum. Talent management software refers to the wide array of integrated applications that companies use for recruitment, performance management, learning & development, and compensation management of employees. Talent management software plays an important role in keeping track of individual employees from the date of hiring to the complete employee lifecycle in the organisation, facilitating employee engagement and retention as well as helping companies align their business strategies with the professional development of their workforce.

The emerging market requirement is for workforce transformation; providing a data-driven mix between learning and talent to allow for greater insights and enable predictive decision-making for performance improvement.

Many organisations struggle to deliver the transformation required because there are so many interrelated parts to drive success; even the largest organisations rarely possess the range of skills, technologies and processes necessary to lead the whole change.

Strategic Goals

In November 2018 LTG set out its strategic financial objectives to achieve run-rate revenues of £200 million and run-rate EBIT of at least £55 million by the end of 2021 through a combination of organic growth and

Strategic Report for the year ended 31 December 2019 *(continued)*

strategic acquisitions that complement the current business, to be financed through the use of internally generated operating cash flows and prudent debt financing.

In addition, we will continue to evaluate strategic acquisitions of scale that may require shareholder financing and would be additive to these targets. Strict criteria will continue to be used in assessing all acquisitions including the financial effects, integration risk and prospective returns.

Investment Case

As set out above the market opportunity for LTG is attractive, driven by our clients' desire to close the gap between current and future workforce capability in an increasingly competitive market.

LTG is building a unique set of capabilities that covers services, products and a wide range of partnerships. The complexity of the requirement for workforce transformation requires a varied mix of skills and technologies matched to the culture and strategic goals of the client organisation. This is a subtle process requiring best-in-class solutions at each stage.

Each business in the LTG family brings a component of the best in class expertise required to drive strategic results for our customers. These include specialist solutions across recruitment, learning, performance, learning analytics, succession, compensation, vendor management, diversity & inclusion, immersive virtual, augmented and mixed reality experiences, as well as consulting on how to combine all these in pursuit of business performance goals.

It remains our intention to leverage the technical and professional capabilities we have already developed by deepening our presence in specific geographical markets, particularly the US; expanding our global offering in highly regulated, high consequence vertical markets, such as life sciences, healthcare, energy, automotive, finance and aviation and broadening and deepening our offering to existing customers.

LTG continues its aim to deliver strong earnings growth over the medium to long-term through a combination of top line organic growth, appropriate cost control, investment in innovation, robust operating cash conversion and strategic M&A as well as improving the operating business models and performance of the businesses that we acquire.

Strategy and Approach

LTG is creating a group of market-leading businesses providing complementary services in the growing learning and talent sectors to form an international business of size and scale that is able to meet the demanding expectations of corporate and government customers whether that be for large global corporates or mid-sized organisations looking to stand-up solutions speedily.

This strategy is being delivered through a mixture of 'best in class' acquisitions that will help us create a comprehensive solution for our customers, strategic partnerships to deliver 'blended' solutions combining digital and more traditional forms, as well as through targeted investment in internally-generated intellectual property and the extension of best working practices to deliver organic growth.

The Group's focus remains on the US and European markets where LTG already has a significant operational presence, supplemented by other regional centres that provide the Group with a differentiated service offering for companies with globalisation strategies.

We continue to pursue our strategy of helping organisations adopt learning at a strategic level. 'Moving learning to the heart of business strategy' is achieved through our end-to-end service offering which enables us to partner with global clients throughout the creation, implementation and maintenance of their learning strategies. We deliver transformational results through learning innovation and the effective use of learning and talent technology.

Strategic Report for the year ended 31 December 2019 *(continued)*

The managed service market, where organisations source the entirety of their requirement from external suppliers, is a part of the market that has been growing steadily over the past few years as organisations seek out the expertise and varied and wide-ranging skillsets to transform their organisations. LTG is well placed to partner with global organisations to help them bring about this evolution.

Investment in innovation for long-term growth

R&D

The Board continues to see R&D as a core enabler of future growth and for the fourth year in a row LTG has been identified by independent industry analyst Fosway as a strategic leader in digital learning.

Most of LTG's software solutions are well-established products developed over many years and enjoy high customer retention rates. The Group's policy is to work closely with its customers to understand their requirements in developing LTG's product roadmap. The benefits of this increased focus on customer requirements and increased efficiency and productivity in delivering change has already had a demonstrable impact in customer satisfaction and increased retention rates, particularly with the PeopleFluent product suite.

Rather than invest in speculative solutions LTG prefers to partner with clients to build and innovate solutions, using data to prove business impact results each step of the way.

As well as re-invigorating established software solutions LTG has also developed new products to address changing requirements in the marketplace. With more than 4,000 customers LTG has excellent market access which allows for realtime insights that when combined with the Group's specialist expertise and R&D capacity allow for the fast evolution of new and innovative products and services underpinned by an understanding of demand requirements. This suits large and medium sized 'traditional' businesses who are facing a substantial transformation in the coming years.

In early 2019 LTG's designers and engineers brought together powerful components of the Group technology to provide a next generation approach. The result was the launch of Instilled, a 'Learning Experience Platform' ('LXP'), that places the user experience at its heart, enabling learners to create, share and recommend content, empowering them to create their own 'learning journeys'. This has landed well both with customers and analysts, with one leading US commentator writing:

"I wish I could work for Instilled. I've been doing this for 30 years and I think Instilled has such a huge opportunity and can own a category. This happens very rarely."

The system has already been taken by such organisations as Shell, PNC Bank, Comcast and Johnson Controls.

The Group also continues to invest in its Content & Services division offering, whether that be as part of PRELOADED's award-winning work in VR and AR solutions, or LEO's strategic learning programs, combining 'blended' solutions incorporating products and services from within the Group or alongside strategic partners. Eukleia, now combined with LEO so that it can bring the benefits of its compliance capability to the broader market, has invested in new titles across the governance, risk and compliance suite which it can provide off-the-shelf or modify for specific customer requirements.

During the year LEO, PRELOADED, Instilled and Watershed, partnered with Jaguar Land Rover, to bring a new learning game to market called 'Product Genius'. This game provides an engaging way to help employees in the extended enterprise retailer network stay on top of continually evolving product and brand developments, encouraging learning and participation through elements such as competitions amongst peers.

Strategic Report for the year ended 31 December 2019 *(continued)*

Divisional review

Software & Platforms

The Software & Platforms division comprises on-premise and SaaS licenced product solutions as well as hosting, support and maintenance services.

Overview and performance

In 2019 Software & Platforms accounted for £88.6 million or 68% of Group revenues, up from £59.8 million (64%) in 2018 primarily as a result of the full-year contribution by PeopleFluent and Watershed, a post-acquisition contribution from BreezyHR and organic growth from the other Group businesses. The Software & Platforms division contributes 89% of the Group's recurring revenues. Adjusted EBIT margins increased from 32% to 36%.

For the Software & Platforms division 2019 has been a year of consolidation and focus on R&D resulting in a number of highlights.

Having merged the NetDimensions Learning Management System ('LMS') under the **PeopleFluent** brand and management team in 2018, PeopleFluent now delivers a 'best-of-breed' set of SaaS solutions encompassing talent acquisition (recruitment and onboarding), talent management (performance, succession, compensation and organisational planning) and now market leading learning management.

In 2020 the PeopleFluent product suite is being strengthened further with the **Instilled** LXP providing a world-class user-experience interface combined with the market leading Watershed Learning Analytics Platform ('LAP') underpinning the function-rich PeopleFluent Learning Management System ('LMS') to deliver a unique and powerful solution to clients.

The PeopleFluent product suite is particularly suited to complex global businesses where staff and contractors require unique and sophisticated human capital solutions, where multiple languages and other localisations are required, and which operate in regulated 'high consequence' industries where security, auditability and configurability are important requirements.

As stated at the time of the acquisition in 2018 not all of PeopleFluent's products had the same high retention rates that LTG enjoys amongst its other product offerings. Management guided that it had an ambitious goal to arrest the decline during 2019 and build the foundations for net sales growth in 2020. With our focus on product development, substantial R&D investment and an open and regular dialogue with customers, LTG has been successful in increasing retention rates from c73% prior to acquisition to c83% in 2019, well ahead of our expectations. Although new sales were slower to develop in the first half of the year, notable successes in the second half have meant that net new sales equalled lost renewals in 2019 (on an annual contract value basis) and the Board is confident that PeopleFluent will return to sales and revenue growth once the market normalises after the COVID-19 outbreak.

Rustici Software has built on its reputation as the global leader in elearning standards-based solutions (Rustici's SCORM Engine sits at the heart of more than half of the world's leading learning systems) to develop more partnership and proprietary API-based solutions. In 2019 Rustici added support for the use of Zoomi Inc's AI-powered learning tools to be used in conjunction with SCORM Cloud, began building reusable integrations between content publishing houses such as GO1 (one of the world's fastest growing course aggregators) and learning platforms using the Rustici Engine product and released an embeddable solution to allow learning platforms to leverage Watershed-powered reporting within their own application.

Rustici has continued its uninterrupted top line growth with significant wins with publishers of learning content like the SANS Institute (the largest source for information security training in the world) and AICPA (the American Institute Of Certified Public Accountants, the world's largest member association representing the accounting profession). Within LTG, Rustici was able to provide efficiencies across the Group with the

creation of a new Hosting Operations team. This team was able to take over the hosting needs of the Watershed platform and significantly reduce the burden on its development staff.

Gomo, LTG's cloud-based authoring and distribution platform which enables customers to create and deliver elearning content online, supporting team collaboration and producing rich and responsive HTML5 content that will work seamlessly on desktop, tablet and smartphone devices continues to grow its enterprise customer base with a number of major contracts in 2019 including WhatsApp, TDK and Royal Mail. AICPA, a shared client with Rustici (see above), has now published more than 3,000 courses to its 413,000 members in 143 countries using Gomo.

Watershed, headquartered in Nashville, is a SaaS business that focuses on developing learning analytics that provide actionable insights to customers who want to adapt their learning strategy, creating more effective learning experiences and ultimately generating verifiable business results.

After more than 4 years of product development and client case studies, Watershed now has a robust platform used as part of large scale global deployments by many large corporates including Visa, Caterpillar, Verizon, PwC, and Fidelity. Watershed grew revenue by 27% during 2019, marking its first year of profitability and, with many exciting pilots underway, management is confident of continued strong growth in 2020.

Affirmity returned to growth in 2019 in its platform and services business focusing on US affirmative action plans and global diversity. The business is the leader in the US market accounting for a quarter of US affirmative action plans. By separating the business from the PeopleFluent brand, giving it its own market-face and investing appropriately the business has reversed declining revenue, generating year-on-year revenue growth of 12%.

With the increased focus on global diversity and gender pay gap, Affirmity will continue to meet the expanding opportunities and grow through new diversity software and service offerings in 2020.

VectorVMS provides solutions that allow its clients to successfully manage all non-employee labour through the full sourcing and management lifecycle. VectorVMS reversed the historic slow product feature enhancement by launching a large range of new features demanded by its customers. Most notably, it launched a mobile app for use by contractors. The business continued to see a moderate revenue decline in 2019 primarily as a result of licences that were ceased prior to acquisition, however, the major product enhancements in the year helped VectorVMS secure large brand names like Strategic Staffing Solutions (S3), Energy Resources Group and SDI International.

Content & Services

The majority of Content & Services projects are delivered on a non-recurring, fixed-price basis. Through its well-tried systems and processes LTG constantly monitors the delivery of projects to ensure that they are delivered on time, to budget, and that they meet or exceed clients' expectations and as a result the division achieves consistent and industry leading margins.

Overview and performance

In 2019 the Content & Services division accounted for £41.4 million or 32% of Group revenues (2018: £34.0 million; 36%). Organic revenue was up 8% in the division's three content businesses, LEO, PRELOADED and Eukleia, in line with previous guidance. Overall, excluding the acquisitions of PeopleFluent and the Civil Service Learning ('CSL') contract, and adjusting revenues as if all businesses that were part of the Group in 2018 reported on a full year basis, organic revenue on a constant currency basis increased by 4% from £23.5 million to £24.6 million. This reflects a small revenue decline of c.£0.6 million in the services division of NetDimensions (now PeopleFluent Learning), following our strategic decision to stop further client customisation to the LMS SaaS platform, in line with established good practice. Adjusted EBIT margins increased from 20% to 23%.

Strategic Report for the year ended 31 December 2019 *(continued)*

LEO Learning ('LEO') is the Group's integrated innovative digital learning specialist, providing world-class strategic consultancy for transformation through learning, supported by creative blended learning design and content. With a continued drive to deliver measured results, LEO has worked ever more closely with clients during 2019 on creating the data-rich connected environments for learning that provide an evidenced foundation for growth. In 2019 LEO expanded its main office in Atlanta complementing its other main US office in New York, alongside its network of offices in London, Brighton and Sheffield in the UK, and Rio de Janeiro and São Paulo in Brazil.

Working across a broadening range of industries, LEO has seen an increase in services and content in the area of innovative learning journeys, social and networked learning, behaviour change programmes and supporting the complex technical integration of learning tools into more effective learning ecosystems. LEO has recently announced a new customer in Toyota Motors North America. Aimed at 45,000 people across the network this blended learning programme will support the transformation of safety culture within the business at all levels of the organisation.

In 2019 LEO integrated LTG's specialist GRC team, Eukleia, into its production and management structure bringing together a naturally close set of skills and services as well as a successful generic course catalogue.

LEO won several major awards during the year including winning the Demofest at DevLearn in Las Vegas for the fourth year in a row with one of its projects for Shell.

Eukleia has also continued its work for eight out of the top ten global banks and seven out of the top ten investment banks with its specialist expertise in governance, risk and compliance. While having a tough year in terms of the market with a lack of new compliance legislation to drive growth, the company is now deriving benefit from a re-engineered catalogue of specialist titles ranging from Financial Crime to Personal Conduct. At the end of 2019 it launched a series of courses aimed specifically at the US market. Now merged with LEO, Eukleia is responding to the market requirement for innovation in the way compliance learning is delivered. A recent joint win with one the largest global banks on 'Personal Conflicts' is testimony to the strength of the combination.

PRELOADED, the Group's multi-award-winning games studio, remains at the forefront of immersive learning content, focusing on its 'play with purpose' mission. In 2019, PRELOADED collaborated with BBC Studios on 'BBC Earth - MicroKingdoms: Senses', an educational Mixed Reality experience for the Magic Leap One headset, launching in 2020, as part of Magic Leap's prestigious Independent Creator Program. This work in the consumer learning market is helping PRELOADED, together with other LTG companies, lead the way in the corporate learning space with immersive projects for companies like Bayer and Anglo American where 'mixed reality' technologies are being used for clinical diagnosis and critical safety training. PRELOADED, which grew in 2019 by 41%, also won a coveted BAFTA Award in November 2019 for their work on 'A Brief History of Amazing Stunts by Astounding People' for Los Angeles-based WITHIN.

Cross-Selling and Partnerships

In 2019 LTG launched a Group selling initiative to more than 200 of its customer-facing staff utilising the Group's own Instilled platform and incentivised through a new Group-wide cross-selling commission plan. This learning initiative is beginning to yield results through an increase in new opportunities across the business. The Group is also leveraging off its PeopleFluent reseller network to deliver new products such as Instilled to a global market.

One notable introduction led to a new customer rising to a $3m account from a standing start in May 2019. Bringing together LEO, PeopleFluent, Instilled, Rustici and Watershed, LTG has produced a global content, system and analytics solution for a major home systems supplier, reaching more than 100,000 distributors and 70,000 contractors.

Shell continues to be a major customer for Instilled, Gomo, Rustici and LEO with on-going work winning awards for both content and new technology in 2019.

Strategic Report for the year ended 31 December 2019 *(continued)*

LTG offers 31 discrete product and service offerings. On average LTG's clients took 1.3 (2018: 1.2) of these services in 2019 compared with an average of 4.1 (2018: 3.2) across LTG's top ten clients, who together represent approximately 12% (2018: 15%) of Group revenues.

Many of these cross-selling opportunities are bi-lateral between LTG's business units but more are now multilateral.

Group Services

The Board believes that by building a comprehensive offering of scale that it can better deliver the services and solutions that companies and governments demand and require. LTG has the scale to deliver large complex projects across numerous geographies, to thousands of people in a myriad of languages and through many delivery platforms.

The Software & Platforms and Content & Services divisions of the Group are supported by 'LTG Central Services' which comprises HR, IT, Finance, Legal, Facilities, Bid, Marketing and Hosting services.

Each department has a centre of excellence, supported by additional regional resources where appropriate. The provision of LTG Central Services liberates the MDs of the Group's businesses to pursue their sales and delivery strategies without needing to manage the support functions of their operations, and the economies of scale and expertise in the centralised functions ensures the consistent application of best practice and helps deliver cost efficiencies.

In Q4 2019 LTG appointed a Chief People Officer and a new Head of Legal to strengthen the LTG leadership team.

Acquisitions

A core part of the LTG's strategy is the execution of strategic M&A that enhances the Group's offering. During 2019 the Group completed the following acquisition;

BreezyHR

On 17 April 2019 LTG completed the acquisition of BreezyHR, a fast-growing talent acquisition software business, providing small to medium sized businesses with feature-rich, intuitive and user-friendly recruitment software to optimise their recruitment processes and maximise productivity. BreezyHR is headquartered in Jacksonville, Florida and has become a business within PeopleFluent, part of LTG's Software & Platforms division.

BreezyHR was acquired for £9.7 million in cash, funded by the Group's existing cash and bank facilities. Transaction costs charged to the income statement totalled £0.2 million. Goodwill on acquisition has been calculated at £6.3 million and acquisition-related intangibles of £3.7 million are represented by IP and customer relationships.

The SPA contains provisions for additional deferred contingent consideration, payable to the sellers of BreezyHR who remain employed by the Group, up to maximum of $17.0 million payable on ambitious revenue growth targets (the maximum being $15.0 million in FY2021) over the period 2019-2021. In addition to this, there is a contingent earn-out bonus equal to approximately 6% of the total deferred contingent consideration. The total consideration and fair value adjustments to the assets and liabilities are set out on in Note 12.

COVID-19 Update

We have not yet seen a material impact from the ongoing COVID-19 outbreak on business performance. We anticipate that our recurring revenues will continue, but that some content and services projects may be impacted and new business wins delayed. We anticipate that some customers may seek to delay payments.

Strategic Report for the year ended 31 December 2019 *(continued)*

In light of the potential impact of COVID-19, management has taken proactive measures to prioritise the strong liquidity and cash position of the Group and to follow WHO and government guidance to protect the safety of workers, customers and partners. These measures include:

- with effect from 16 March we implemented a work-from-home policy for all our staff including restrictions on travel
- we initiated a number of measures to encourage continued interaction between colleagues including regular one-on-one and team calls, on-line social events and a weekly 'all-hands' call with the Chief Executive
- we have made a number of resources available to staff including on-line welfare programs and support through the HR service desk
- we have made available to corporates, free-of-charge, LTG's new LXP 'Instilled', for a period of 3 months to enable them to connect their remote workforces. To date c.30 corporates have signed-up to this initiative
- to sustain LTG's position of financial strength:
    - the Board is adopting a prudent approach to shareholder distributions and has postponed the proposed final dividend of 0.5 pence per share until market conditions normalise
    - Directors have agreed to postpone their 2019 cash bonuses until market conditions normalise
    - all salary increases have been postponed until 2021
    - with effect from 1 May 2020 all employees have been given the option of moving to a 4-day week or remaining on a 5-day week but with pay for their fifth day deferred until market conditions normalise. Certain protections have been put in place including minimum salary levels below which employees will not see a deferral in their salary
    - a freeze on all new recruits and the termination of the majority of the contractors; UK workers have been furloughed where appropriate
    - contingent deferred consideration for BreezyHR vendors following the exceptional performance of the business in 2019 funded through shares in lieu of a cash payment of $4.0m
    - reduction in other opex items including marketing and facilities costs as well as termination of non-critical capital expenditure

The estimated combined cash savings in 2020 resulting from these actions is in excess of £20.0 million. The Board has further cash preservation measures that it is willing to implement if appropriate, recognising that maintaining our dedicated and talented workforce is a key priority in anticipation of the upturn. We have run a number of sensitised business models and the Board is confident that the Group's strong balance sheet, large proportion of recurring revenues, and diverse blue-chip customer base (both in terms of vertical markets and geographical reach) put it in a strong position to trade through this uncertain period and beyond.

LTG's gross cash at 31 March 2020 was £25.0 million (following completion of the Open LMS acquisition). The Group has supportive banks and a non-committed finance facility in place of $28.0 million.

Jonathan Satchell
Chief Executive
15 April 2020

Strategic Report for the year ended 31 December 2019 *(continued)*

Chief Financial Officer's Review

Financial results

In the year ended 31 December 2019, the Group generated revenue of £130.1 million (2018: £93.9 million), delivering a 39% year-on-year increase. Like-for-like revenues on a constant currency basis (excluding the post-acquisition contribution of BreezyHR, the acquired PeopleFluent businesses, and excluding the exceptional contribution from the Civil Service Learning ('CSL') contract) increased by 5%. On the same basis above, the Software & Platforms division grew by 6%, and the Content & Services division grew by 4%. In total, the Software & Platforms division accounted for 68% of Group revenue whilst the Content & Services division accounted for 32% of Group revenue. Further details on the divisional performance are provided in the Chief Executive's Review.

With effect from 1 January 2019 LTG has adopted the new accounting standard IFRS 16 - Leases. In addition Adjusted EBIT has been restated to include the impact of share based payments. Further details of these adjustments are provided below.

Adjusted EBIT increased by 58% to £41.0 million (2018: £26.0 million). The Group measures adjusted EBIT to provide a better understanding of the underlying operating business performance. Adjusted EBIT is defined as the Group profit or loss before tax, excluding acquisition-related deferred consideration and earn-outs, finance expenses, the Group's share of profits or losses in associates and joint ventures, integration costs and costs of acquisition and amortisation of acquired intangibles as well as other specific items. Integration, costs of acquisition, amortisation of acquired intangibles and acquisition-related deferred consideration and earn-outs are primarily driven by acquisition activity rather than by the underlying performance of the business, therefore they are excluded from adjusted EBIT to provide a more accurate reflection of the business performance.

Adjusted EBIT margins increased substantially during the year to 32% (2018: 28%) due to the inclusion of a full year's results for PeopleFluent, the successful integration of BreezyHR, a favourable adjustment of £0.9 million in 2019 relating to IFRS16, and operational synergies achieved ahead of plan. The Group continues to focus on operational best practice and tight cost control, whilst the increased economies of scale, and a change in the revenue mix of the Group towards higher margin recurring licence sales with a greater opportunity for operational leverage help underpin margins. As announced at the time of the Group's 2019 Interim results management will continue to re-invest in incremental sales initiatives to help drive organic revenue growth with the aim of delivering Adjusted EBIT margins in the high twenties or low thirties over the medium to long term.

The share-based payment charge increased from £1.3 million in 2018 to £3.1 million in 2019 primarily as a result of the increase in senior management awards following the acquisition of PeopleFluent. The Group also launched its first Employee Stock Purchase Plan ('ESPP') in the United States following the success of the UK ShareSave plan launched in 2014. It is anticipated that the annual share-based payment charge will increase further in 2020, reflecting a full annualised charge on a run-rate basis. The total number of outstanding share options at the end of 2019 was 35.3 million (2018: 28.3 million). Further details are provided in Note 25.

The amortisation charge for acquisition-related intangible assets increased to £20.9 million (2018: £15.2 million) due to a full year charge related to the acquired PeopleFluent businesses, and the BreezyHR acquisition in April 2019. Further details are set out in Note 13. The amortisation charge for internally generated development costs was £2.4 million (2018: £1.1 million) and relates to the development of the various PeopleFluent talent and learning platforms; BreezyHR's talent acquisition platform; 'Gomo', the Group's award-winning multi-device authoring and hosting platform; Instilled, the newly launched LXP; Watershed, a SaaS analytics platform; various software tools used within the Eukleia business including an internally generated library of governance, risk and compliance ('GRC') materials used to service clients; as well as internally developed software in Rustici including SCORM and xAPI tools. Whilst capitalised investment in R&D is expected to remain relatively constant on a pro-forma basis into 2020 it is anticipated

Strategic Report for the year ended 31 December 2019 *(continued)*

that the amortisation charge for internally generated development costs related to the post-acquisition PeopleFluent business will increase compared with the prior year.

Acquisition-related deferred consideration and earn-out charges of £3.5 million (2018: £3.8 million) relate primarily to the first year of BreezyHR's three year contingent earn-out agreement awarded based on achieving substantial incremental revenue growth. As anticipated BreezyHR's revenue grew approximately 60% during the year; further details are provided in Note 12. Acquisition-related deferred consideration and earn-out charges also include £0.1 million relating to the Watershed acquisition as does the finance charge on contingent consideration of £0.2 million (2018: £0.1 million). Integration costs related to the acquisition of BreezyHR were de minimus and have been included above Adjusted EBIT (2018: £2.4 million).

Statutory profit before tax was £14.3 million compared with £3.4 million in the prior year and unadjusted operating profit was £16.6 million compared to an unadjusted operating profit of £4.0 million in 2018. Statutory profit before tax is stated after costs of acquisitions in 2019 of £0.2 million related to the acquisition of BreezyHR (2018: £2.6 million), interest charges on the debt facility of £1.5 million (2018: £1.5 million), finance charges due to IFRS 16 of £0.5 million (2018: £nil) and a net foreign exchange gain of £nil million (2018: exceptional gain of £3.6 million resulting from the conversion of £72.0 million of placing proceeds into USD prior to completion of the PeopleFluent acquisition). Adjusted profit before tax (see Note 10) increased by 60% to £42.2 million in 2019 (2018: £25.6 million).

The income tax charge of £3.4 million in 2019 (2018: credit of £0.7 million) is stated after adjusting for the effect of the release of deferred tax on the amortisation of acquired intangibles and a deferred tax asset related to the anticipated vesting of share options. Further details are provided in Note 9.

Based on the average number of shares in issue, weighted average number of shares outstanding and adjusted operating profit during the year, adjusted diluted EPS increased by 47% to 4.736 pence (2018: 3.232 pence). On a statutory basis, basic earnings per share ('EPS') increased from 0.655 pence in 2018 to 1.628 pence in 2019. Further details are provided in Note 10.

The Group has a strong balance sheet with shareholders' equity at 31 December 2019 of £174.0 million, equivalent to 26.0 pence per share (2018: shareholders' equity of £168.8 million, equivalent to 25.3 pence per share).

The gross cash position at 31 December 2019 was £42.0 million (2018: £26.8 million). The Group's net cash at 31 December 2019 was £3.8 million (2018: net debt of £11.5 million). Net debt/cash is defined by gross cash less borrowings.

Net cash generated from operating activities was £37.0 million (2018: £19.7 million) equivalent to an adjusted operating cash flow conversion rate of 84% (2018: 83%). Adjusted operating cash flow conversion is defined by net operating cash flows after adjusting for acquisition-related deferred consideration and earn-out payments, transaction and integration costs, interest and tax paid, payments of lease liabilities and the movement of deferred upfront investment outflows relating to the CSL project as a proportion of adjusted EBITDA. Operating cash flows in 2018 include receipts from the CSL project whereas the upfront investment outflows were paid in 2016. Payments of lease liabilities would have been included within operating cash flows before the adoption of IFRS 16 on 1 January 2019 but are now included in cash flows from financing activities so the 2019 adjusted operating cash conversion ratio has been adjusted to include these payments.

Debtor days decreased to 81 days (2018: 97 days) reflecting the Group's effective credit control post-acquisition of PeopleFluent, whilst combined debtor, WIP and deferred income days stayed fairly constant at minus 56 days (2018: minus 57 days), reflecting the large proportion of Group revenues generated from recurring software licences where payments are received annually in advance.

Net corporation tax payments increased to £4.5 million (2018: £0.4 million receipts) primarily as a result of the acquisition of PeopleFluent in 2018. Cash outflows from investing activities were £15.1 million (2018: £111.5 million) and comprised the acquisition of BreezyHR for £8.8 million net of cash acquired (2018:

Strategic Report for the year ended 31 December 2019 *(continued)*

£107.4 million net of cash acquired), plus capitalised investment in internally generated IP and property, plant and equipment of £6.4 million (2018: £4.1 million).

Cash outflows from financing activities were £6.0 million (2018: inflows of £102.4 million). Under the newly adopted IFRS 16 accounting standard payment of lease liabilities of £3.3 million are disclosed as a financing activity. In 2018 lease payments of £2.1 million were included within net cash flows from operating activities. Cash outflows from financing activities also include proceeds from the exercise of employee share options of £0.7 million (2018: £0.9 million from employee share options and £82.8 million from a share placing) and dividend payments of £4.0 million (2018: £2.4 million). The balance of the cash flows from financing activities is made up of net loan receipts of £0.6 million (2018: net receipts £21.3 million). There were no payments of contingent deferred consideration in 2019 (2018: £0.2 million).

Impact of adoption of new accounting policies and alignment of acquisitions with Group policies

With effect from 1 January 2019 the Group has adopted the new accounting standard: IFRS 16 – Leases. As a result the Group has recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

Further, with effect from 1 January 2019 the Board has resolved to report Adjusted EBIT inclusive, rather than exclusive, of the share based payment charge. This is to align the Group with guidance from the FRC's Corporate Reporting Thematic Review and to recognise that share based payment charges are a valid cost of the business and relieve the Group of an alternative cash expense.

The financial comparatives used for prior periods in this report are restated to reflect the impact on the financial results for the Group as if the new accounting policy with regards share based payments had been adopted in the prior year.

The modified retrospective approach has been applied to the prior period changes in respect of IFRS 16 so the financial comparatives used for prior periods have not been restated. There was a net charge to retained earnings as at 1 January 2019 of £2.5 million and a net credit to retained earnings in 2019 of £0.4 million as a result of these changes. Further details are provided in Note 4.

The table below shows the effects of these adjustments on Adjusted EBIT:

	2018	**2019**
	£'000	**£'000**
Adjusted EBIT pre accounting policy changes	27,245	43,255
Adjusted EBIT margin %	*29.0%*	*33.2%*
Share Based Payment charge adjustment	(1,254)	(3,111)
IFRS 16 adjustment	-	878
		-
Revised Adjusted EBIT	25,991	41,022
Revised Adjusted EBIT margin %	*27.7%*	*31.5%*

Strategic Report for the year ended 31 December 2019 *(continued)*

Key Performance Indicators

The Key Performance Indicators ('KPIs') are sales, profit and cash flow. The sales of the business are tracked through new wins across both divisions and retention rates and upsells in our Software & Platforms division. The profitability of the business, with its relatively low fixed-cost base, is managed primarily via the review of revenues in both divisions with secondary measures of consultant utilisation and monthly project margin reviews for the Content & Services division. Cash flow is reviewed on a Group basis aided by rolling cash flow forecasts and, linked to this KPI, working capital is reviewed by measures of debtor days and combined debtor, WIP and deferred income days.

Neil Elton
Chief Financial Officer
15 April 2020

Strategic Report for the year ended 31 December 2019 *(continued)*

Principal risks and uncertainties

In addition to the financial risks discussed in Note 30, the Directors consider that the principal risks and uncertainties facing the Group and a summary of the key measures taken to mitigate those risks are as follows:

Potential downturn in the market for outsourced talent and learning services

LTG is dependent on the markets for outsourced talent and learning services. Management seeks to keep up to date with macro-economic factors which could affect the Group and decides strategically how to respond to them. The current economic downturn caused by the global coronavirus pandemic may impact LTG's sales pipeline as it may cause customers to delay or cancel projects, and some customers may delay payments. The Group seeks to mitigate the risk of a general economic downturn risk by diversifying exposure across geographical markets and industry segments, increasing the range of services through its existing business units and through acquisition of complementary businesses. More than 70% of LTG's revenues are generated from recurring software licences and services. LTG's product and service offering is well suited to remote working allowing staff and managers to learn at a time and location to suit them. Specifically in relation to COVID-19 the Group's staff are set up to work remotely with support from the Group's own products as well as third party video conferencing, and the Group has implemented a work-from-home policy with effect from 16 March 2020. COVID-19 could lead to business interruption and disruption, and have an impact on financial performance. LTG has taken swift and proactive steps to protect its strong liquidity position by, for example, postponing the final dividend and cash bonus payment to Directors, freezing salaries in 2020, implementing a deferred salary scheme with effect from 1 May 2020, and offering shares in lieu of a cash consideration payment (with extended earn out) for BreezyHR. The Board is actively reviewing other mitigating measures.

Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Pounds Sterling. The currencies giving rise to this risk are primarily the United States Dollar and Euro.

Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group maintains a natural hedge whenever possible, by matching the cash inflows (revenue stream) and cash outflows used for purposes such as capital and operational expenditure in the respective currencies. The Group is a net generator of USD and has partly offset this exposure by drawing down its debt finance facility in USD. The Group does not currently use any foreign currency derivative hedge products.

Compliance with debt finance facility covenants

The Group is required to comply with the covenants under its debt financing facility. If the covenants were breached the lender could take action against the Group. This could include the lender using its security taken over the Group's assets to repay the outstanding debt, thus adversely impacting shareholders. The Group regularly monitors its ongoing compliance with the terms of its debt financing facility.

Attracting and retaining talented staff

As a people business we recognise that the future success of our business is dependent on attracting, developing, motivating, improving and retaining talent. LTG is a market leader and we will always strive to ensure that all our operating companies are regarded as excellent employers within the talent and learning industries. We benchmark ourselves against our peers regularly and are satisfied we offer competitive salaries and outstanding personal development opportunities that are further enhanced by LTG's ambitious growth plans. We have been successful in recruiting and retaining high calibre staff. However, we recognise we must continue our focus as competition for talented people intensifies within the learning and talent technologies sector.

Strategic Report for the year ended 31 December 2019 *(continued)*

Project overruns

Projects may overrun and/or may fail to meet specified milestones. The majority of LTG's service-based projects are contracted on a fixed price basis. Project overruns can lead to loss of margin on projects and overall profitability for the Group.

The Group seeks to mitigate this risk by operating a formal bid review process, incorporating appropriate risk premiums into agreements if appropriate, conducting regular project reviews to assess whether the revenue recognised on work-in-progress is a fair representation of actual costs incurred and estimated costs to completion, and management meetings with clients to review progress on projects.

Reputational risk

Failings in service provision are almost certainly going to be caused by human error. LTG has refined its ISO 9001 management processes over the last two decades and constantly reviews and updates them based on 'lessons learned'. Furthermore, all projects are reviewed regularly for performance against customer expectation, delivery milestones and forecast margins. Extensive work is undertaken in reviewing customer feedback and any complaints are reported to the Board.

Client contractual risks

The Group offers a wide variety of products and services with different risk profiles and in different countries, to a diverse customer base, many of which themselves operate in regulated sectors and/or will seek to contract under their own terms and conditions. The Group continues to expand through acquisition including the transfer of customer contracts from the acquired business. The Group's contracting process has therefore become increasingly complex. LTG mitigates its client contractual risks through the operation of its centralised legal function which reviews client contracts and maintains a delegated list of authorities who are able to enter into client contracts on behalf of the Group. LTG is also reviewing its approach to risk and mitigations and is creating a new contract playbook to ensure the consistent and efficient application of standards across the Group.

Integrating acquisitions

LTG aims to grow its businesses organically but also consolidate the sector by selective acquisitions of high quality companies. The challenge is to integrate them into the Group, which may require merging them with existing operations, without losing key staff or customers. LTG seeks to structure purchase terms to incentivise and retain key staff and ensure that customers receive the 'first-class customer experience' that is already a fundamental aspect of LTG's success.

Business systems and process integrity

LTG uses multiple legacy systems across its various business units. The speed of growth means that there is a risk of ineffective use of IT systems and business processes, and of systems being compromised through malware or other attack, or becoming out of date, or of misuse of software terms of use. LTG operates a central IT function which is responsible for monitoring all IT systems operated across the Group. This functions keeps the adequacy of existing systems under review and identifies and tests any replacement products, where required, as well as compliance with terms of use. The IT function are involved in the due diligence and integration aspects of all acquisitions. Business processes are kept under review. The IT function carries out internal and external audits which include testing the Group's disaster recovery and business continuity plans.

Strategic Report for the year ended 31 December 2019 *(continued)*

Regulatory changes including the General Data Protection Regulation (GDPR), the California Consumer Privacy Act (CCPA), the impact of the UK's departure from the European Union and the Streamlined Energy and Carbon Reporting legislation

The Group's executive team and legal team identify and monitor legislative and regulatory changes that will impact the business. The executive team develop and deliver strategies to ensure ongoing compliance with new legislation. The Group has strategies in place to monitor compliance with new European and US data privacy legislation, changes resulting from 'Brexit', and new carbon reporting regulation.

In addition to the principal risks and uncertainties above, the Group faces other risks that include but are not limited to:

- Increased competition
- Failure to retain customer contracts
- Technology leadership
- Counterparty risk

The Company continues to monitor the impact of COVID-19.

Strategic Report for the year ended 31 December 2019 *(continued)*

Corporate Social Responsibility

Introduction

At LTG, the Board has overall responsibility for Corporate Social Responsibility ("CSR") with development and initiatives being led by the Chief Executive.

LTG has established a CSR Committee which meets regularly to oversee and co-ordinate Environmental, Social and Governance ('ESG') initiatives and implement the recommendations of the Board. The CSR Committee includes, amongst others, the Group's Director of Operations, Chief People Officer and Head of Legal.

The Committee communicates best practice and achievements across the Group through the implementation of policies and training and regular staff communications including a dedicated intranet portal.

LTG seeks to work to the Ten Principles of the United Nations Global Compact ('UNGC') which encompass principles regarding human and labour rights, anti-corruption and the environment.

LTG follows these values and principles in all locations where it carries out business and seeks to combine appropriate Group initiatives whilst enabling and championing local initiatives that support and celebrate the contribution of its employees to CSR projects in their communities.

LTG's CSR initiatives can be summarised in four key areas:

1. Environmental sustainability
2. Taking care of our people
3. Investing in our communities
4. Meeting the expectations of stakeholders

Environmental sustainability

LTG's policy with regards the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities. The Group's operations are conducted such that compliance is maintained with legal requirements relating to the environment in areas where the Group conducts its business. During the period covered by this report LTG has not breached any environmental regulations.

LTG in the learning and talent management market

LTG is a global leader in the learning and talent management market. Traditionally this market has been dominated by carbon intensive practices in the training and development of corporate and government employees and their extended enterprises. This includes the extensive use of offsite and residential training facilities, travel, accommodation and subsistence, and the production of hard copy training materials.

Over the past few years the market has seen a shift to a 'blended' approach that allows for an increased use of remote e-learning and talent management solutions enabled by the rapid development of technologies such as powerful smartphones and tablets, Wi-Fi, 4G and 5G, and SaaS software solutions including learning and talent management systems and authoring and analytics tools. LTG is at the forefront of this Clean-Tech revolution helping to reduce the environmental impact of learning and talent management practices.

A focus on internal corporate practices

Although LTG's position in the market means that it is a leading catalyst in the shift to a lower carbon-economy the Company is aware of its responsibilities to ensure that it minimises its impact on the environment through its own business practices in how we develop, market, sell and deliver our products and services to customers. LTG has reviewed the key priority areas where it believes it impacts the environment. These are:

Strategic Report for the year ended 31 December 2019 *(continued)*

- Office facilities
- Data centre facilities
- Corporate travel
- Staff travel

The Group is in the process of implementing a group-wide environmental management system that will assist in monitoring our attainment of our ESG goals and we look forward to updating shareholders later in the year.

Office facilities

LTG is a high growth business with offices in the UK, Europe, North America and Hong Kong. As part of its integration program LTG looks for opportunities to rationalise its network of office locations and where appropriate accommodate remote working practices and centralisation of practices around 'core' office hubs. For example, following the acquisition of PeopleFluent in 2018, LTG combined its Eukleia, PeopleFluent and Head Office functions into one office in London, closed offices in New Orleans and Reston in the US, and reduced its rental space in Hong Kong.

LTG makes recycling facilities available in all of its office locations and encourages staff to minimise the use of paper. Other initiatives have included ceasing use of disposal cups in office refreshment areas.

The Group is undertaking a review of the energy consumption and utility contracting practices across its estate and will update shareholders later in the year.

Data centre facilities

LTG operates a number of software platforms for clients across its learning and talent management businesses. These platforms are operated on servers that consume electricity and therefore LTG considers its use of servers a key consideration when reviewing its ESG policies. Over the past 3 years the Group has undertaken a program of rationalising its estate of data centres and where appropriate has closed down its own-hosted servers and transferred these to outsourced providers, where they benefit from economies of scale and greater flexibility of deployment. LTG operates rigorous review processes in order to ensure that the business does contract for excess data centre capacity.

The Group is undertaking a review of the energy consumption and utility contracting practices across its data centre estate and will update shareholders later in the year.

Corporate travel

LTG is a global company with operations across North America, Europe and APAC and it services customers based around the world. The Group encourages regular interactions and communications between its staff, its clients, suppliers and other stakeholders and in the majority of instances this is achieved through a variety of communication media made available to all staff including email, video-conferencing, phone and social media. Where appropriate staff will travel to meet with stakeholders. The Group has in place a process for the pre-approval by line-managers of any travel and as a result of introducing these practices it has dramatically reduced the number of flights taken in its acquired businesses.

Staff travel

The majority of LTG's staff outside of North America use public transport to travel to and from the workplace and in most locations LTG offers only bike spaces for staff. The Group offers season ticket travel loans. Where the availability of public transport is limited we encourage staff to car share and we allow for flexible working from LTG's various office sites or from home where appropriate.

LTG does not make company cars available to its staff, or offer a car allowance as part of our employee benefits package.

Strategic Report for the year ended 31 December 2019 *(continued)*

The Group is undertaking a review of the environmental impact of its travel policies and will update shareholders later in the year.

Taking care of our people

LTG is dependent upon the qualities and skills of its employees, and the commitment of its staff plays a major role in the Group's business success.

Support programs

LTG is in the process of developing an employee Wellness Programme called 'Let's Talk'. Many of the programs are already in place with the aim to launch the remainder in 2020. Areas covered include:

- Mental health
- Physical health
- Health and safety
- Personal development
- Social connections
- Social contributions

We have some core policies and approaches already in place including Employee Assistance Programmes in the US and UK providing staff with support in a range of areas, including well-being support, financial advice and legal advice through confidential helplines.

Communications

We communicate with our staff on a regular basis keeping them informed of business activities, changes in practices and procedures, and business performance. This includes a monthly newsletter ('LTGazette') and a Group wide resources platform. In response to COVID-19, the Group created a dedicated support page on its intranet for staff use which is being kept updated.

The Group also undertakes regular staff surveys and feeds back the findings and actions to staff.

Incentives

Employees' performance is aligned to the Group's goals through an annual performance review process and via LTG's incentive programmes. All LTG staff are eligible for a commission or annual performance bonus scheme linked with achieving LTG's strategic objectives.

The Group launched its sixth successive annual Sharesave scheme in the UK that allows all staff to participate in the Group's equity journey and launched its first US Employee Stock Purchase Plan (ESPP) so that staff in the US and Canada could also participate. There has been an impressive take-up of these plans since their launch.

In addition, the Group operates a share option scheme for senior managers that rewards achievement of demanding performance targets. Options usually vest over a period of four years.

LTG also launched a number of other staff awards to recognise outstanding achievements in product and service innovation and cross-selling initiatives.

Training and Talent Management

The Group invests in training and developing its staff through internally arranged knowledge sharing events, through external courses, and an internal staff portal. LTG has a dedicated team who develop bespoke learning programs for staff, leveraging off LTG's own expertise and learning solutions.

Strategic Report for the year ended 31 December 2019 *(continued)*

In September 2019 we launched a new approach to talent management through the 'Aspire' programme leveraging LTG's own PeopleFluent Talent Management Platform which will be used to administer our annual appraisal process, including the evaluation of staff goals and behaviours, helping to set development activities for 2020.

A staggered roll-out will make sure all staff achieve the same level of familiarity with our new approach, regardless of their previous exposure.

Health and Safety

LTG endeavours to ensure that the working environment is safe and conducive to healthy, safe and content employees who are able to balance work and family commitments. The Group has a Health and Safety at Work policy which is reviewed regularly by the Board and established a Group wide QHSE department in 2018, responsible for implementing health and safety and environmental policy, and monitoring our environmental and health and safety efforts. The Board Executive Director responsible for health and safety is the Chief Executive.

We believe that a more proactive, innovative and wide-ranging approach has distinct benefits. It's seen by employees as a way to build trust and improve productivity and efficiency, which in turn increases staff engagement, boosts staff retention and helps employees to stay happy, healthy and productive.

An example of the priority we place on staff wellbeing was our swift response to the COVID-19 outbreak, closing European and US offices on 13 March 2020 and banning all international travel.

The QHSE team coordinate activities across the Group and draw on the expertise of other departments including Legal and Facilities. As well as ensuring that we comply with the relevant health and safety legislation, the QHSE team take a more proactive approach to health and safety management, which includes gathering feedback from employees. The Group operates a service desk that allows employees to:

- report health and safety accidents and near misses
- request a risk assessment
- log environmental incidents and hazards
- give suggestions about service and facility improvements

Diversity and inclusion

LTG believes that the diversity of our workforce is a key point of strength, making the Group a more vibrant and dynamic place to work. We welcome all employees regardless of their age, gender, faith, disability, ethnic or racial origin, sexual orientation or gender identity.

We take great care to ensure that our employment policies are non-discriminatory and that all appointments (whether external hires or internal promotions) are made solely on the basis of merit.

We believe that all our people have a fundamental right to respect and dignity in the workplace and do not tolerate harassment or discrimination in any form, whether intentional or unintentional.

We will continually review how we can best promote and advance a culture in which all staff feel comfortable being themselves in the workplace. Every year our employees propose new ideas for strengthening that culture of inclusion and we welcome their observations, insights and ideas which can be provided either to line managers or to our HR service desk.

Strategic Report for the year ended 31 December 2019 *(continued)*

Investing in our communities

LTG undertakes a number of local charitable initiatives each year, with the Group often matching contributions raised by staff. In 2019, local charitable initiatives included raising funds for MacMillan Cancer Support, Shooting Star Children's Hospices, the UK Poppy Appeal, Crisis UK, the Boys and Girls Clubs of America, Cancer Research UK, the American Heart Association and Dress for Success.

LTG continued to sponsor Learn Appeal, a charity providing learning to disadvantaged communities in the UK and sub-Saharan Africa as well as providing them with systems that enable access to learning content through early generation smartphones.

In 2019 the Group supported charitable activities by staff which raised a total of £3,000 (2018: £8,000) making total charitable contributions totalling £25,000 during the year (2018: £57,000).

Meeting the expectations of stakeholders

We recognise the importance of trust in meeting or exceeding the expectations of our customers and stakeholders. Our compliance with all applicable laws and regulations is of paramount importance, not just to ourselves, but also to our partner organizations, clients, and other stakeholders. Non-compliance with applicable laws in the value-chain can lead to severe losses to organizations due to reputational damages or fines. Our clients are looking for suppliers that take the highest levels of ethics and business conduct into account, to give them assurance of their compliance with all relevant laws and regulations and the measures that they have implemented to warrant this.

In order to live up to these standards, and to be seen as an organisation that other organisations would like to be associated with, LTG implemented the following measures with which we expect all of our employees, directors and contractors to comply:

Code of Conduct

In 2019, we launched a new Code of Business Conduct. We have rolled out a business ethics training programme to all staff in support of the new Code.

As part of LTG's compliance obligations, LTG's Legal Department, HR Department and Senior Management Team have established a company policy framework applicable to all staff, supported by a knowledge centre on the Group's intranet.

We have specific staff policies on:

- Anti-corruption, anti-bribery, anti-slavery and business ethics
- Health & Safety
- Data Protection

Federal Contractor Status

Where businesses contract with federal agencies in the US they may be determined to be 'Federal Contractors'. This status brings with it specific governance requirements. Where our US business has federal contractor status, we comply with these additional obligations which include ensuring that our recruitment practices support the hiring of a diverse workforce.

Strategic Report for the year ended 31 December 2019 *(continued)*

Data security standards

As a number of our Group companies provide clients with Software-as-a-Service ('SaaS') and hosted solutions, LTG understands the importance of data privacy and security measures in relation to its services. LTG is committed to providing appropriate security measures, and to continuously improving the security provisions we are able to provide to clients. Each of our Group companies has implemented comprehensive security programmes, appropriate to the levels of risk involved in processing data as part of our services, which include the implementation and maintenance of:

(i) information security policies and standards;
(ii) physical security measures;
(iii) organisational security measures;
(iv) network security measures;
(v) logical access controls;
(vi) virus and malware protection;
(vii) mandatory data protection and data security training for all employees;
(viii) disaster management and business continuity plans;
(ix) regular security testing and risk assessments.

The responsibility for the implementation of these security programmes is shared between the LTG legal team, the LTG IT team, the LTG QHSE team and the security and hosting teams at each of our Group companies. We provide comprehensive internal security testing at regular intervals in accordance with the legislative and regulatory requirements upon each of the Group companies. In addition to this, we have implemented external audits of our security measures at a number of our Group companies to ensure that we are going above and beyond our legal obligations in relation to security.

In 2019 Rustici and PeopleFluent underwent and successfully passed ISO 27001 audits, LEO successfully renewed its Cyber Essentials Plus certification (as described below), and PeopleFluent undertook and passed its SSAE 18 SOC 2 audit. LEO and Eukleia hold ISO 9001 certification. The management team are contemplating rolling out additional external security audits across the group, and look to continuously improve the ways in which LTG identifies and addresses potential security risks.

Cyber Essentials

Cyber Essentials is a UK Government-backed, industry-supported scheme to help organisations protect themselves against common online threats. Certification must be renewed annually. A number of LTG's clients require that we achieve Cyber Essentials Plus certification to show that we adhere to a certain set of cybersecurity requirements. Organisations that require Cyber Essentials Plus for ongoing work and/or new work tend to be governmental bodies or organisations that tender governmental contracts. However, it is not reserved for governmental bodies and some private businesses will request certification as it gives confidence that we are handling their data diligently.

Cyber Essentials Plus covers:

- Firewalls - boundary firewalls; desktop computers; laptop computers; routers; servers
- Secure configuration - email, web, and application servers; desktop computers; laptop computers; tablets; mobile phones; firewalls; routers
- User access control - email, web and application servers; desktop computers; laptop computers; tablets; mobile phones
- Malware protection - desktop computers; laptop computers; tablets; mobile phones
- Patch management - web, email and application servers; desktop computers; laptop computers; tablets; mobile phones; firewalls; routers

Strategic Report for the year ended 31 December 2019 *(continued)*

GDPR

Following the completion of our 'General Data Protection Regulation' ('GDPR') compliance programme, we keep our processes under regular review, including with regard to the transfer of data within our Group companies following the UK's imminent departure from the European Union.

CCPA

We have rolled out compliance initiatives for the California Consumer Privacy Act (CCPA) across our Group companies and continue to keep these under regular review.

Privacy Shield

Privacy Shield is a framework for adherence to European Union data protection laws for companies that deal with the personal data of E.U. citizens that is transferred to the United States. Our PeopleFluent, Affirmity and VectorVMS businesses have obtained Privacy Shield certification.

Strategic Report for the year ended 31 December 2019 *(continued)*

Section 172(1) Statement

The Directors of the Group must act in accordance with a set of general duties. These duties are detailed in section 172(1) of the UK Companies Act 2006, which is summarised as follows:

'A Director of a Company must act in the way he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a. The likely consequences of any decision in the long term
b. The interests of the Company's employees
c. The need to foster the Company's business relationships with suppliers, customers and others
d. The impact of the Company's operations on the community and the environment
e. The desirability of the Company maintaining a reputation for high standards of business conduct, and
f. The need to act fairly as between members of the Company.'

The Directors of Learning Technologies Group plc consider that they have fulfilled their duties in accordance with section 172(1) of the UK Companies Act 2006 and have acted in a way in which is most likely to promote the success of the Group for the benefit of its stakeholders as a whole in the following ways:

Shareholders

The directors seek to build on a mutual understanding of objectives between LTG and its shareholders by meeting to discuss long-term issues and receive feedback, communicating regularly throughout the year. For further details see page 27.

Employees

LTG is dependent upon the qualities and skills of its employees, and the commitment of its staff plays a major role in the Group's business success. For further details on how the Group is managing and developing the talent of its people, as well as communicating decisions within the Group, see the "Taking care of our people" section on pages 20 to 21.

The safety of staff is also of utmost importance to the Board, resulting in the decision to implement a work-from-home policy for all staff from 16 March in light of the COVID-19 outbreak, with further restrictions on all travel. See page 10 for details of other proactive measures taken by the Board in response to this crisis.

Customers and Suppliers

LTG has refined its ISO 9001 management processes over the last two decades and all projects are reviewed regularly for performance against customer expectation. Extensive work is undertaken in reviewing customer feedback and any complaints are reported to the Board. See page 16 for further details.

LTG services customers around the world, and encourages regular interactions and communications between its staff, its clients, suppliers and other stakeholders and in the majority of instances this is achieved through a variety of communication media made available to all staff including email, video-conferencing, phone and social media.

Community and Environment

At LTG, the Board has overall responsibility for Corporate Social Responsibility ("CSR") with development and initiatives being led by the Chief Executive. LTG has established a CSR Committee which meets regularly to oversee and co-ordinate Environmental, Social and Governance ('ESG') initiatives and implement the

Strategic Report for the year ended 31 December 2019 *(continued)*

recommendations of the Board. The CSR Committee includes, amongst others, the Group's Director of Operations, Chief People Officer and Head of Legal.

The Committee communicates best practice and achievements across the Group through the implementation of policies and training and regular staff communications including a dedicated intranet portal.

The Group is also in the process of implementing a group-wide environmental management system that will assist in monitoring our attainment of our ESG goals.

LTG also undertakes a number of local charitable initiatives each year, with the Group often matching contributions raised by staff.

For further details on LTG's community and environmental interactions, see pages 18 and 22.

Decision-making, Risk Management and Governance and Performance Oversight

The Board met 13 times during 2019 and all board members were present for at least part of the meeting by invitation. There were also 3 Audit & Risk Committee meetings and a Remuneration Committee meeting. Please see page 31 for further details.

The meetings are structured so that the Board can make an educated and informed decision, with a monthly board pack including financial results both at a consolidated Group level and individual business unit level circulated a few days prior to each of the Board meetings. This board pack also contains commentary on key events from the Director of Operations and each of the Managing Directors, giving the Board a rounded view of the entire Group, both financial and otherwise.

As of December 2019, Claire Walsh was appointed Company Secretary and joined the executive team, helping to provide advice on legal requirements to the Board.

On 17 April 2019 LTG acquired BreezyHR, which was deemed by the Board to be a beneficial acquisition for both shareholders and the PeopleFluent organisation, under which BreezyHR is now operating. BreezyHR complements LTG's existing portfolio of companies, and also allows for the expansion into the small and medium-sized business market, providing feature-rich, intuitive and user-friendly recruitment software to small and medium-sized businesses. See page 9 for further details.

Culture and Values

LTG promotes a culture of honesty, integrity, trust and respect and all members of staff are expected to operate in an ethical manner, in all their dealings, whether internal or external. We do not tolerate behaviour which goes against this or which could result in reputational damage to the business. To achieve this LTG has in place a number of policies and corporate training that encompasses Anti-bribery and Corruption, Ethics and Anti-Slavery.

The Strategic Report for the year ended 31 December 2019 has been signed on behalf of the Board of Directors by:

Jonathan Satchell
Chief Executive
15 April 2020

Corporate Governance Report

Introduction from the Chairman

As a Board, we believe that practising good Corporate Governance is essential for building a successful and sustainable business in the long-term interests of all LTG stakeholders. LTG's shares are listed on the Alternative Investment Market ('AIM') of the London Stock Exchange.

With effect from September 2018 LTG has adopted the QCA Corporate Governance Code. The Company has adopted a share dealing code for the Board and employees of the Company which is in conformity with the requirements of Rule 21 of the AIM Rules for Companies. The Company takes steps to ensure compliance by the Board and applicable employees with the terms of such code.

The following pages outline the structures, processes and procedures by which the Board ensures that high standards of corporate governance are maintained throughout the Group. Further details can be found on the LTG website at www.ltgplc.com/investor-information/corporate-governance/.

Promoting long-term value for shareholders

LTG's strategy and business model is to build a dynamic portfolio of complementary businesses and an international full-service digital learning and talent management business of scale, through a combination of organic growth as well as strategic acquisitions that complement the current business. Further details are provided in the Strategic Report on pages 3 to 26.

Relations with shareholders

The Directors seek to build on a mutual understanding of objectives between LTG and its shareholders by meeting to discuss long-term issues and receive feedback, communicating regularly throughout the year.

The primary means of shareholder communications are through our Annual Report and Accounts and Interim Report, trading updates and Capital Market Days. The Chief Executive and Chief Financial Officer hold regular meetings throughout the year with investors and the Board communicates with private investors through the Annual General Meeting and through our investor email at investorenquiries@ltgplc.com.

Promoting corporate culture based on ethical values and behaviour

The Board recognises that its prime responsibility is to promote the success of the Group for the benefit of its members as a whole. The Board also understands that it has a responsibility towards employees, partners, customers and suppliers. The Group has a strong ethical culture, always challenging itself to improve and always seeking to meet or exceed the expectations of employees, partners, customers, suppliers and shareholders. Further details of some of the Group's initiatives are included in the Corporate Social Responsibility statement on pages 18 to 24.

Board of Directors

The Directors of the Company who served during the year were:

Director	Role at 31 December 2019	Date of (re-) appointment	Retired	Board Committee	
Andrew Brode	Non-executive Chairman	05/06/2019			
Leslie-Ann Reed	Non-executive Director	05/06/2019		A	R
Aimie Chapple	Non-executive Director	05/06/2019		A	R
Jonathan Satchell	Chief Executive	05/06/2019			
Neil Elton	Chief Financial Officer	05/06/2019			
Piers Lea	Chief Strategy Officer	05/06/2019			

Corporate Governance Report *(continued)*

Board Committee abbreviations are as follows: A = Audit & Risk Committee; R = Remuneration Committee

Andrew Brode – Non-executive Chairman

Andrew Brode is a Chartered Accountant and a former chief executive of Wolters Kluwer (UK) plc. In 1990, he led the management buy-out of the Eclipse Group, which was sold to Reed Elsevier in 2000. In 1995, he led the management buy-in, and is Executive Chairman of RWS Group plc, Europe's largest technical translations group, listed in the Top 10 of AIM companies.

He is also Non-executive Chairman of AIM quoted GRC International Group. He acquired Epic Group Limited ('Epic') together with Jonathan Satchell in 2008.

Leslie-Ann Reed – Independent Non-executive Director / Audit & Risk Committee Chair / Remuneration Committee

Leslie-Ann Reed is a Chartered Accountant and was formerly CFO of the online auctioneer Go Industry plc. Prior to this, she served as CFO of the B2B media group Metal Bulletin plc, and as an adviser to Marwyn Investment Management. After a career at Arthur Andersen, she held senior finance roles both in the UK and internationally at Universal Pictures, Polygram Music, Warner Communications Inc. and EMI Music. Her current Non-executive Directorships include Bloomsbury Publishing plc; Induction Healthcare Group plc and Centaur Media plc for which she also serves as Chair of the Audit Committee.

Aimie Chapple – Independent Non-executive Director / Remuneration Committee Chair / Audit & Risk Committee

Aimie Chapple was a Senior Partner at Accenture, working with clients in the UK, US and around the world for over 25 years. In 2019, Aimie was appointed Divisional Chief Executive Officer Capita Customer Management with teams in the UK, Germany, Switzerland, Ireland, Poland, India and South Africa. She also continues to be active in the wellness area, and works as a coach with a number of tech and wellness entrepreneurs and start-up organisations.

Jonathan Satchell - Chief Executive

Jonathan Satchell has worked in the training industry since 1992. In 1997 he acquired EBC, which he transformed from a training video provider to a bespoke e-learning company. The company was sold to Futuremedia in 2006. He became interim MD of Epic in 2007 and the following year he acquired the Company with Andrew Brode. He oversaw the transformation of Epic from a custom content e-learning company to the global, fast growing, full service digital learning company that LTG has become.

Neil Elton – Chief Financial Officer

Neil Elton is a Chartered Accountant and was appointed as Chief Financial Officer of LTG in November 2014. An experienced Finance Director, he has helped successfully build a number of fast-growing listed companies. He joined from Science Group plc, a Cambridge-based technology research and development company, where he was Finance Director from 2010 to 2014. Before that he was Finance Director at Concateno plc, the European leader in drugs-of-abuse testing (2007-2010) and Mecom Group plc, the European media group (2005-2007).

Piers Lea - Chief Strategy Officer

Piers Lea founded LINE Communications Holdings Limited in 1989, which was acquired by LTG in April 2014. He has over 30 years' experience in distance learning and communications and is widely considered a thought leader in the field of e-learning. He sits on the advisory boards of ELIG ('European Learning Industry Group) and the LPI ('Learning and Performance Institute').

Corporate Governance Report *(continued)*

Claire Walsh – Company Secretary

Claire Walsh was admitted as a Solicitor in 2006 and is Head of Legal at LTG. Claire was appointed as Company Secretary on 1 December 2019. Her prior experience includes advising on corporate, technology and data protection matters as a Partner at City law firm Cannings Connolly, and serving as Deputy General Counsel and director at Liquidity Services, Inc. (NASDAQ: LQDT).

The Workings of the Board

Board Composition and Roles

The role of the Board is to establish the vision and corporate strategy for LTG in order to promote and deliver long-term sustainable shareholder value. The Board comprises the Non-Executive Chairman, the Chief Executive, Chief Financial Officer and Chief Strategy Officer, and the two Non-Executive Directors and is responsible to shareholders for the proper management of the Group.

The Chairman is primarily responsible for the working of the Board of LTG. The Chief Executive is primarily responsible for the running of the business and implementation of the Board strategy and policy. The Chief Executive is assisted in the managing of the business on a day-to-day basis by the Managing Directors of the operating businesses, the Chief Financial Officer and the Executive Board of LTG.

Given the rapidly increasing size and complexity of the Group the Board, assisted by the Executive Board, continually review the appropriateness of the management structure and governance framework. Particularly with the acquisition of PeopleFluent and greater proportion of revenues and staff in the US the Company has made a number of changes to the management and governance structures, ensuring that a number of senior roles are based outside the UK and reporting lines reviewed. The Group continues to review and improve its investment in good governance initiatives and in December 2019, Claire Walsh, the Group's Head of Legal was appointed as Company Secretary to the plc Board. The Board is actively searching for a fourth Non-executive Director.

The biographies of all the Directors appear on page 28.

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. High-level strategic decisions are discussed and taken by the full Board. Investment decisions (above a de minimis level) are taken by the full Board. Operational decisions are taken by the Executive Board and Managing Directors within the framework approved in the annual financial plan and within a framework of Board-approved authorisation levels.

The Board meets at least 10 times a year and met 13 times during 2019 (2018: 12).

It is the responsibility of the Chairman and the Company Secretary to ensure that Board members receive sufficient and timely information regarding corporate and business issues to enable them to discharge their duties.

Appointments

Vacancies on the Board are filled following rigorous evaluation of suitable candidates possessing an appropriate balance of skills, knowledge and experience. The use of recruitment consultants is considered on a case-by-case basis. New Directors receive formal guidance about the workings of the Board and its Committees. In addition, shortly after their appointment, they meet with the senior management of the Group and receive detailed information and presentations on Group strategy, products and services.

With effect from the 2019 AGM all Directors are subject to annual re-election by shareholders.

The service agreements for each of the Directors are available for inspection at LTG's registered office in London.

Corporate Governance Report *(continued)*

Directors' & Officers' Insurance

The Group hold appropriate insurance to cover Directors and Officers against the costs of defending themselves in civil proceedings taken against them in their capacity as a Director or Officer of the Company.

Conflicts of Interest

Directors and Officers are encouraged to make the relevant disclosures at each Board meeting on any conflicts of interest they may have with the Group. During the period ended 31 December 2019, no Director or Officer had a material interest in any contract with the Group other than their Service Contract and as set out in Note 28 on related party transactions. LTG entered into a three year contract with RWS Group Limited in November 2019 following a tender exercise supervised by the independent Non-executive Directors of the Board.

Director Independence and Training

The Chairman of the Board and his fellow Non-executive Directors bring a range of experience and judgement to bear on issues of strategy, performance, resources and standards of conduct, which are vital to the success of the Group. It is the Board's opinion that the Non-executive Directors, excluding the Chairman, are independent in character and judgement and comply with provision B.1.1. of the Code.

To enable the Board to discharge its duties, all Directors have full and timely access to all relevant information. They also have access to management and to the advice of the Company Secretary. Furthermore, all Directors are entitled to seek independent professional advice concerning the affairs of the Group at its expense, although no such advice was sought during the year. The Board members have many years of relevant experience and each is responsible for ensuring their continuing professional development to maintain their effective skills and knowledge.

To enable the Board to discharge its responsibilities effectively, all Directors are able to allocate sufficient time to the Group. The Committees of the Board have terms of reference for the conduct of their respective responsibilities. A summary of the terms of reference are detailed further in this report in addition to being noted on LTG's website. Copies of the terms of reference are also available upon request. The Board considers that there is a strong, independent Non-executive element on the Board.

Board Evaluation

In early 2019 LTG ran a formal Board Evaluation review. The review involved all members of the Executive and Non-executive Board, the Ops Board, and senior managers including business unit MDs and senior central department heads. The review comprised an on-line questionnaire and then one-to-one interviews with each of the review participants.

The key findings of the review were considered by the Board and appropriate actions taken with the results communicated to the business.

Board committees

The Board maintains two standing committees, being the Audit & Risk and Remuneration Committees. Matters normally reserved for a Nominations Committee are considered by the full Board.

The minutes of all sub-committees are circulated for review and consideration by all relevant Directors, supplemented by oral reports from the Committee Chairmen at Board meetings.

Audit & Risk Committee

The Audit & Risk Committee is chaired by Leslie-Ann Reed and currently comprises Leslie-Ann Reed and Aimie Chapple. The Audit & Risk Committee met three times during 2019 (2018: three). The Company

Corporate Governance Report *(continued)*

Secretary is invited to the Audit & Risk Committee meetings. Further details on the Audit & Risk Committee are provided in the Report of the Audit & Risk Committee.

Remuneration Committee

The Remuneration Committee is chaired by Aimie Chapple and currently comprises Aimie Chapple and Leslie-Ann Reed. The Remuneration Committee met once during 2019 (2018: once). Further details on the Remuneration Committee are provided in the Report of the Remuneration Committee.

Meetings of the Board and sub-committees during 2019 were as follows:

	Board Meetings	**Audit & Risk Committee**	**Remuneration Committee**
Number of meetings held in 2019	13	3	1
Andrew Brode	13/13	1/1*	-
Leslie-Ann Reed	13/13	3/3	1/1
Aimie Chapple	13/13	3/3	1/1
Jonathan Satchell	13/13	-	-
Neil Elton	13/13	3/3*	-
Piers Lea	13/13	-	-
Claire Walsh	1/1	-	-

*Attendance to at least part of meeting by invitation

Report of the Audit & Risk Committee

Composition

The Audit & Risk Committee comprises Leslie-Ann Reed (Chair) and Aimie Chapple. The Committee meets at least twice a year and these meetings are attended by the Group's external auditor and, through invitation, the Executive Directors and the Company Secretary.

The Committee oversees LTG's financial reporting process on behalf of the Board. LTG's management has the primary responsibility for the financial statements and for maintaining effective internal control over financial reporting. In fulfilling its oversight responsibilities, the Committee reviewed and discussed the audited consolidated financial statements in the Annual Report with the external auditor and management, including a discussion of the quality, not just the acceptability, of the accounting principles; the reasonableness of significant judgments; the clarity of disclosures in the financial statements; and for assessing the effectiveness of internal control over financial reporting.

The Board is confident that there is sufficient recent and relevant financial experience on the Committee and that as a whole, we have competence relevant to the sector in which the Company operates. We have access to the financial expertise of the Group and its auditor and can seek professional advice at the Company's expense if required. In addition, we also carry out rigorous enquiries and challenge the executive management and auditor as to internal control and risk management systems, the processes followed for the implementation and enactment of policies and best practice, providing additional detail and explanation to the Committee of each area of the audit report, and about how developments in audit practice and international accounting standards could potentially impact LTG and the effectiveness of the planning processes for such developments.

Fair, Balanced and Understandable Accounts

In fulfilling our responsibility of monitoring the integrity of financial reports to shareholders, we consider and review the accounting principles, policies and practices adopted in the preparation of public financial information and examine documentation relating to the Annual Report, Interim Report, preliminary announcements and other related reports. We have given due consideration as to whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy and can confirm that this is the case.

External Audit

We approve the external auditor's terms of engagement, scope of work, the process for the interim review and the annual audit. We also meet with the auditor to review the written reports submitted and the findings of their work. We have primary responsibility for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor.

Outside of the formal Committee meetings, members also meet with the external auditor and with individual members of the Group's executive management, principally to discuss the risks and challenges faced by the business and, most importantly, how these are being addressed.

The Committee, at least annually assesses the independence, tenure and quality of the external auditor.

In relation to the 2019 Annual Report the Committee gave particular attention to revenue recognition, impairment testing of acquired intangibles and, particularly given recent events related to COVID-19, the going concern basis for the preparation of the accounts, including reviewing sensitised forecasts.

Internal Audit

The Board as a whole have considered whether the Group's internal controls processes would be significantly enhanced by an internal audit function and has taken the view that given the size of the Group, the internal

Report of the Audit & Risk Committee *(continued)*

controls in place and significant executive involvement in the Group's day-to-day business, that an internal audit function is not required. However, the Committee and the Board will keep this under review.

Report on the Work of the Committee

We review the independence and objectivity of the external auditor prior to the proposal of a resolution to shareholders at the Annual General Meeting concerning the appointment and remuneration of the auditor. This process includes the review of audit fee proposals, investigation and approval for non-audit services' fees, tenure and audit partner rotation (based on best practice and professional standards within the United Kingdom). The Group's auditor, Crowe UK LLP, similarly consider whether there are any relationships between themselves and the Group that could have a bearing upon their independence and have confirmed their independence to us. Each year we obtain written confirmation from the auditor that it is independent.

Following careful review, we reached a recommendation to reappoint Crowe UK LLP as auditor following an assessment of the quality of service provided, the expertise and resources made available to the Group and the effectiveness of the audit process.

During the year the auditor undertook certain specific pieces of non-audit work (including work in relation to tax compliance and financial due diligence). In order to maintain Crowe UK LLP's independence and objectivity, they undertook their standard independence procedures in relation to those engagements. Further details of the non-audit fees are included in Note 6 to the financial statements. We will continue to assess the effectiveness and independence of the external auditor.

Internal Controls and Risk Management

The Group's corporate objective is to maximise long-term shareholder value. In doing so, the Directors recognise that creating value is the reward for taking business risks. The Board's policy on risk management encompasses all significant business risks to the Group, including financial, operational and compliance risks, which could undermine the achievement of business objectives. Regular monitoring of risk and control processes, across headline risk areas and other business-specific risk areas, provides the basis for regular and exception reporting to management and the Board. The risk assessment and reporting criteria is designed to provide the Board with a consistent, group-wide perspective of the key risks. The reports to the Board, which are submitted at least every twelve months, include an assessment of the likelihood and impact of risks materialising, as well as risk mitigation initiatives and their effectiveness.

The Board has overall responsibility for the Group's approach to assessing risk and systems of internal control, and for monitoring their effectiveness. Due to the limitations that are inherent in any system of internal control, such a system is designed to manage rather than eliminate the risks of failure to achieve business objectives and provides only reasonable and not absolute assurance against material misstatement or loss. The Board considers risk assessment and control to be fundamental to achieving its corporate objectives within an acceptable risk/reward profile and confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and the effectiveness of related controls.

The key features of the internal control system are described below:

Control environment – LTG is committed to high standards of business conduct and seeks to maintain these standards across all of its operations. There are also policies in place for the reporting and resolution of suspected fraudulent activities. LTG has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives.

Risk identification – management is responsible for the identification and evaluation of key risks applicable to their areas of business. These risks are assessed on a continual basis and may be associated with a variety of internal and external sources, including infringement of IP, sales channels, investment risk, staff retention, disruption in information systems, natural catastrophe and regulatory requirements.

Report of the Audit & Risk Committee *(continued)*

Information systems – Group businesses participate in periodic operational/strategic reviews and annual plans. The Board actively monitors performance against plan. Forecasts and operational results are consolidated and presented to the Board on a regular basis. Through these mechanisms, performance is continually monitored, risks identified in a timely manner, their financial implications assessed, control procedures re-evaluated and corrective actions agreed and implemented.

Main control procedures – LTG has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the exposure to loss of assets and fraud. Measures taken include segregation of duties and reviews by management.

Monitoring and corrective action – there are clear and consistent procedures in place for monitoring the system of internal financial controls.

This process was maintained throughout the financial year, and has remained in place up to the date of the approval of these Financial Statements. The Board, via the Audit & Risk Committee, has reviewed the systems and processes in place in meetings with the Chief Financial Officer and external auditors during 2019.

Report of the Remuneration Committee

Summary Statement

The members of the Remuneration Committee are Aimie Chapple (Chair) and Leslie-Ann Reed, both Independent Non-executive Directors.

The Remuneration Committee monitors the remuneration policies of LTG to ensure that they are aligned with LTG's business objectives. Its terms of reference include the recommendation and execution of policy on Executive Director remuneration. The remuneration of the Non-executive Directors is a matter for the Board, excluding the Non-executive Directors. The remuneration of the Chairman is a matter for the Remuneration Committee, although Andrew Brode has waived all remuneration. Other Non-executive Directors receive a base salary only.

Service contracts

The service contracts and letters of appointment of the Directors include the following terms:

	Date of Contract	Notice Period (months)
Executive Directors		
Jonathan Satchell	8 November 2013	6
Neil Elton	3 November 2014	6
Piers Lea	25 June 2014	6
Non-executive Directors		
Andrew Brode	8 November 2013	1
Leslie-Ann Reed	25 June 2014	1
Aimie Chapple	3 September 2018	1

There are no additional financial provisions for termination. All are rolling contracts. The Executive Directors are employed on a full-time basis and the Non-executive Directors are required to provide sufficient time to fulfil their duties including time to prepare for and attend Board and Committee meetings and to meet with shareholders and other stakeholders. With effect from the 2019 AGM all Directors put themselves up for re-election on an annual basis.

In early 2019 the Remuneration Committee reviewed the LTG Directors' Remuneration Policy and as a result of which made a number of changes which were set out in the 2018 Annual Report. In that report we stated that it was the intention of the Committee to consult with shareholders about the Directors' Remuneration Policy over the coming year and to invite shareholders to vote on the policy at the 2020 AGM.

During February and March 2020 the Committee contacted LTG's 20 largest independent shareholders which included all shareholders with a holding of more than 1% in the Company, inviting them to submit comments and queries to the Chair of the Remuneration Committee. No changes to the Directors' Remuneration Policy were requested as a result of the consultation. As a result, the Remuneration Committee has determined to leave the policy unchanged. All shareholders will be invited to vote on the policy at the 2020 AGM. The policy is set out below.

In 2019 the Remuneration Committee undertook a detailed formal Board Effectiveness Review to ensure that the Board continues to function as a well-functioning, balanced team led by the Chairman. Evaluation criteria included a review of the Group's strategy, its relationship with shareholders and other key stakeholders, the performance of the Board and the standing committees, executive remuneration and incentives, governance, and performance and succession. The results of this review have been discussed by the full Board. The Board seeks to nurture and promote talent within the business supplementing it, where appropriate, with external talent. The Board continues its search for a fourth Non-executive Director to improve the balance of the Board and the Company will make an announcement in due course.

The Committee met 1 time in 2019 (2018: 1).

Report of the Remuneration Committee *(continued)*

Annual Report on Remuneration

This Annual Report on Remuneration sets out the information about the remuneration of the Directors of the Company, for the year ended 31 December 2019 and arrangements for the year ended 31 December 2020. The Directors of the Company are considered to be the Key Management personnel of the Group.

Directors' emoluments and benefits include: (audited)

Year ended 31 December 2019	Salary or fees	Bonuses (postponed)	Pension contribution	Compensation for loss of office	Gain on exercise of share options	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Andrew Brode	-	-	-	-	-	-
Jonathan Satchell	300	216	9	-	-	525
Neil Elton	239	192	7	-	-	438
Piers Lea	200	160	6	-	-	366
Leslie-Ann Reed	50	-	-	-	-	50
Aimie Chapple	50	-	2	-	-	52
	839	568	24	-	-	1,431

Year ended 31 December 2018	Salary or fees	Bonuses	Pension contribution	Compensation for loss of office	Gain on exercise of share options	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Andrew Brode	-	-	-	-	-	-
Harry Hill	38	-	-	-	-	38
Jonathan Satchell	252	228	8	-	-	488
Neil Elton	178	161	5	-	87	431
Piers Lea	179	161	5	-	-	345
Dale Solomon	157	161	5	58	1,012	1,393
Leslie-Ann Reed	40	-	-	-	-	40
Aimie Chapple	13	-	-	-	-	13
	857	711	23	58	1,099	2,748

Key management remuneration	2019	2018
	£'000	£'000
Short-term employee benefits	1,431	1,649
Share-based payments	265	32
Total key management remuneration	**1,696**	**1,681**

Directors' emoluments and benefits are stated for the Directors of Learning Technologies Group plc only. The amounts shown were recognised as an expense during the year.

Total social security costs related to Directors during the year was £176,000 (2018: £170,000); these are excluded from the table above.

The CEO's salary in 2019 represented 4.9 times the median salary of all employees in LTG (2018: 4.3 times).

Aimie Chapple was appointed as a Non-Executive Director on 3 September 2018. Harry Hill resigned as a Non-Executive Director on 31 October 2018 and Dale Solomon resigned as Chief Operating Officer on 16 November 2018.

There were no other short-term or long-term benefits, post-employment benefits or termination benefits paid to Directors in either of the years ended 31 December 2019 or 31 December 2018.

Report of the Remuneration Committee *(continued)*

As set out in the Strategic Report section of this report, in light of the potential impact of COVID-19, management have taken a number of proactive measures to prioritise the strong liquidity of the Group. As part of this the Executive Directors have agreed to postpone their 2019 bonuses until market conditions normalise.

Furthermore, and in line with all other employees in the Group, Directors' base salaries remain unchanged with effect from 1 January 2020:

	Base Salary in 2019 £'000	Base Salary in 2020 £'000
Executive Directors		
Jonathan Satchell	300	300
Neil Elton	240	240
Piers Lea	200	200
Non-executive Directors		
Andrew Brode	-	-
Leslie-Ann Reed	50	50
Aimie Chapple	50	50

The details of the Executive Bonus Scheme 2019 are set out below and include details of the maximum and actual bonus levels achieved. Bonuses in the year were awarded based on a combination of achievement of Adjusted EBIT ('EBIT') and organic revenue growth targets for the Group, based on budget assumptions at the beginning of the year (the 'original target'). These targets are equivalent to annual bonus targets set for other LTG staff who are incentivised based on the results of the Group rather than a specific business unit. In addition, the Executive Directors were set personal targets which accounted for up to 25% of their on-target EBIT and revenue bonus achievement. An on-target achievement for each of EBIT, organic revenue growth and personal targets would result in 80% of Base Salary being awarded as a bonus. Any additional bonus is awarded wholly based on further incremental organic revenue growth, subject to on-target EBIT margins being maintained on the higher revenue achieved. The maximum bonus payable is capped at 150% of base salary. No EBIT or revenue bonus would be payable if actual EBIT was less than target EBIT. The personal target bonus would be payable irrespective of EBIT or revenue performance. The EBIT targets are adjusted at the reasonable discretion of the Remuneration Committee to account for events such as acquisitions or disposals. In 2019 the 'original target' was increased to account for the budgeted post-acquisition contribution of BreezyHR. The specific targets are not given in this report as that information is deemed commercially sensitive.

	Maximum			Achieved		
	CEO	CFO	CSO	CEO	CFO	CSO
Total as a % of Base Salary	150%	150%	150%	72%	80%	80%

The Remuneration Committee have determined to operate the 2020 Executive Bonus Scheme on a similar basis to 2019.

Directors' interests in the shares of the Company at 31 December 2019 and 31 December 2018 are as follows:

LTG Ordinary shares of £0.00375 each	Options				Shares	
	2019	2018	2019	2018	2019	2018
	Weighted Average Exercise Price (pence)		Number		Number	
Andrew Brode	-	-	-	-	116,920,080	116,920,080
Jonathan Satchell	68.400	68.400	26,315	26,315	75,139,995	75,139,995
Leslie-Ann Reed	-	-	-	-	6,458,180	6,168,730
Neil Elton	42.471	31.656	4,026,315	3,026,315	439,562	439,562
Piers Lea	-	-	-	-	8,714,030	8,714,030
	42.639	31.972	4,052,630	3,052,630	207,671,847	207,382,397

Senior managers in LTG are granted share options in the Company. Share options are generally granted over a period of four years and only vest based on challenging performance criteria. The exercise price is set at the prevailing market price at the time the options are granted.

Report of the Remuneration Committee *(continued)*

Neil Elton was granted 1,000,000 options in January 2015, 2,000,000 share options in April 2017 and 1,000,000 in July 2019 subject to vesting criteria based on a minimum share price being sustained for 30 consecutive days as set out below. 3,500,000 of the options have vested.

Date	Type	No	Minimum share price vesting requirement (pence)	Exercise Price (pence)
16 January 2015	EMI	500,000	24.000	19.000
16 January 2015	EMI	250,000	28.000	19.000
16 January 2015	EMI	250,000	32.000	19.000
5 April 2017	Unapproved	1,000,000	55.000	37.500
5 April 2017	Unapproved	1,000,000	70.000	37.500
23 July 2019	Unapproved	500,000	150.000	75.200
23 July 2019	Unapproved	500,000	180.000	75.200
		4,000,000	42.300	31.333

The balance of interest in share options for Jonathan Satchell and Neil Elton is in relation to their participation in the contributory LTG Sharesave scheme.

On 1 June 2018 Neil Elton exercised 95,744 share options under the LTG 2015 Sharesave scheme.

See Note 25 for further details on share option plans.

Dividends paid to Directors during the year were as follows.

	2019 £'000	2018 £'000
Total	1,245	837

See Note 29 for further details on dividends.

Remuneration Policy

As part of the adoption of the QCA Guidelines the Remuneration Committee has reviewed the LTG Directors' Remuneration Policy. The resulting policy is set out below.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance Measures
Base salary	The role of the base salary is to support the recruitment and retention of Executive Directors of the calibre required to deliver and develop strategy. Base salary provides fixed remuneration for the role, which reflects the size and scope of the Executive Directors' responsibilities and their experience.	The Committee sets base salary taking into account the individual's skills and experience and their performance, salary levels at equivalent peers on AIM, and pay and conditions elsewhere in the Group. Base salary is normally reviewed annually with changes effective from 1 January but may be reviewed more frequently if the Committee	While there is no maximum salary, increases will normally be in line with the typical level of increase awarded to other colleagues in the Group. However, increases may be above this level in certain circumstances such as where a new Executive Director has been appointed to the Board at a lower than typical market	n/a

Report of the Remuneration Committee *(continued)*

		determines this is appropriate.	salary to allow for growth in the role then larger increases may be awarded to move salary positioning closer to typical market level as the Executive Director gains experience.	
Pension	To provide an appropriate level of retirement benefit as part of a holistic benefit package.	Executive Directors are entitled to receive up to a 3% matched company contribution to their personal pension plan. This is line with all other LTG UK employees and minimum legislated requirement.	3% of salary.	n/a
Benefits	To provide a market-competitive level of benefits for the Executive Directors.	In line with other LTG UK employees including 26 days annual holiday in addition to public holidays.	n/a	n/a
Annual bonus	The role of the annual bonus is to reward Executive Directors for the delivery of our annual financial, operational and strategic goals. The performance measures have been selected as they are considered to be key to delivering long-term shareholder value creation.	The annual bonus is normally payable in cash following completion of the audit of the Annual Report and Accounts. Performance is assessed over a financial year. The Committee determines the level of bonus taking into account performance against targets and the underlying performance of the business.	Maximum annual bonus opportunity of 150% of base salary. For details of award levels for prior years see the Annual Report on Remuneration.	The annual bonus may be based on a mix of financial, operational, strategic and individual performance measures. At least 70% of the bonus will be based on financial performance. The Committee determines the exact metrics each year depending on the key goals for the forthcoming year. Normally around 50% of the maximum bonus is paid for threshold performance with the full bonus being paid for delivering stretching levels of performance.

Report of the Remuneration Committee *(continued)*

				These vesting levels may vary each year depending on the stretch of targets set. The Committee sets bonus targets each year to ensure that they are appropriately stretching in the context of the business plan.
LTIPs	The role of the LTIPs is to reward Executive Directors for achieving LTG's long-term strategy and creating sustainable shareholder value, to align the economic interests of Executive Directors and shareholders, and to act as a retention tool.	Awards normally vest based on performance over a period of not less than four years (unless the Committee determines otherwise). The Committee has the discretion to amend the final vesting level if it does not consider that it reflects the underlying performance of the Company. LTIP awards are normally awarded in the form of options over shares but may be awarded in other forms. Vested options may normally be exercised until the tenth anniversary of the date at grant.	The maximum initial award is 3 million share options. Further options may be granted once the initial vesting period has elapsed.	The Committee sets targets at the time of each award so that targets are stretching and represent value creation for shareholders while remaining motivational for management.

Directors' Report for the year ended 31 December 2019

The Directors present their report on the Group, together with the audited Consolidated Financial Statements for the year ended 31 December 2019.

Principal activities

The principal activity of the Group is the provision of talent and learning solutions; content, services and digital platforms, to the corporate market. The principal activity of the Company is that of a parent holding company which manages the Group's strategic direction and underlying subsidiaries.

Cautionary statement

The review of the business and its future development in the Strategic Report has been prepared solely to provide additional information to shareholders to assess the Group's strategy and the potential for this strategy to succeed. It should not be relied on by any other party for any other purpose. The review contains forward-looking statements which are made by the Directors in good faith based on information available to them up to the time of the approval of the reports and should be treated with caution due to the inherent uncertainties associated with such statements.

Results and dividends

The results of the Group are set out in detail on page 50.

At the time of LTG's admission to AIM in November 2013, the Board stated that they would pursue a progressive dividend policy. On 8 November 2019, the Company paid an interim dividend of 0.25 pence per share (2018: 0.15 pence per share). The Directors propose to pay a final dividend of 0.50 pence per share for the year ended 31 December 2019, equating to a total payout in respect of the year of 0.75 pence per share (2018: 0.50 pence per share), representing a 50% annual increase.

However, given the potential impact of COVID-19, the Board is adopting a prudent approach to shareholder distributions, and will postpone the final dividend until market conditions stabilise.

Business review and future developments

Details of the business activities and acquisitions made during the year can be found in the Strategic Report on pages 3 to 26 and in Note 12 to the Consolidated Financial Statements respectively.

Political donations

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

Financial instruments and risk management

Disclosures regarding financial instruments are provided within the Strategic Report and Note 30 to the Financial Statements.

Capital Structure

Details of the Company's share capital, together with details of the movements therein are set out in Note 24 to the Financial Statements. The Company has one class of ordinary share which carries no right to fixed income.

Research and development

The main areas of research and development for the Group has been the continuing development of the PeopleFluent, Gomo and Watershed software platforms, Rustici's interoperability software and xAPI enabled analytical software tools, the new Learning Experience Platform ('LXP') Instilled launched in 2019, the newly acquired BreezyHR talent acquisition platform, as well as various virtual and augmented reality applications, as covered in the Strategic Report on pages 3 to 26.

Directors' Report for the year ended 31 December 2019 *(continued)*

Post balance sheet events

Details of post balance sheet events can be found in Note 31 to the Consolidated Financial Statements.

Workforce Policies and Employment Engagement

We are committed to the investment in our staff at all levels to ensure a culture of continuous improvement. In order to attract and retain a high calibre of employees we provide various employee benefit packages including performance related bonuses and Sharesave plans in order to align employee interests with the long-term strategic objectives of the Group. We are committed to our equality and diversity policies and seek regular feedback and engagement from our workforce. Further information regarding our work policies and engagement can be found on page 20.

Directors' interests in shares and contracts

Directors' interests in the shares of LTG at 31 December 2019 and 31 December 2018 are disclosed in the Report of the Remuneration Committee on page 35. Directors' interests in contracts of significance to which LTG was a party during the financial year are disclosed in Note 28.

Substantial interests

As at the date of this report, LTG has been advised of the following significant interests (greater than 3%) in its ordinary share capital:

Shareholder	Ordinary shares held	% held
Andrew Brode	116,902,080	17.41
Jonathan Satchell	75,139,995	11.19
Kabouter Management	47,662,499	7.10
Merian Global Investors	45,468,498	6.77
Liontrust Asset Management	42,544,938	6.34
BlackRock	34,728,062	5.17
Janus Henderson Investors	33,455,263	4.98
Liontrust Sustainable Investments	24,579,371	3.66

Except as referred to above, the Directors are not aware of any person who held an interest of 3% or more of the issued share capital of the company or could directly or indirectly, jointly or severally, exercise control.

Annual General Meeting

The Annual General Meeting ('AGM') will be held at 11am on 19 June 2020. The notice of the AGM which will be sent to shareholders in advance of the meeting will contain the full text of the resolutions to be proposed and the venue for the meeting.

Independent auditors

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Crowe UK LLP be re-appointed will be proposed at the Annual General Meeting.

Provision of information to auditors

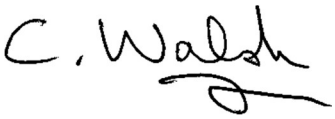
Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- So far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

Directors' Report for the year ended 31 December 2019 *(continued)*

- That Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Signed by order of the Board



Claire Walsh
Company Secretary
15 April 2020

Directors' Responsibilities Statement in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report, Annual Report and the Group and parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law and the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102. The Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the Strategic Report and the Directors' Report and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Learning Technologies Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in Annual Reports may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Learning Technologies Group plc

Opinion

We have audited the financial statements of Learning Technologies Group plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2019, which comprise:

- the Consolidated statement of comprehensive income for the year ended 31 December 2019;
- the Consolidated and Company statements of financial position as at 31 December 2019;
- the Consolidated statement of cash flows for the year then ended;
- the Consolidated and Company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We

used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £750,000 (2018 £700,000), based on approximately 2% of adjusted EBIT, the key performance measure used by the Group.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £35,000 (2018: £15,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The significant components of the UK operations are accounted for from one central operating location in Brighton. Our audit was conducted from this main operating location and all the Group companies accounted for from this location were within the scope of our audit testing.

The Group also has significant components accounted for out of Raleigh (USA), being the PeopleFluent business and NetDimensions (Holdings) Limited. A member of the Crowe Global international network was engaged to perform procedures locally under our direction and review. Audit instructions were issued to the component auditors, detailing the significant risks to be addressed through the audit procedures and indicating the information we required to be reported back to the group audit team. Part of the group audit team performed a site visit to the US to meet with local management and review component auditor working papers.

The group audit team had adequate communication with all component auditors throughout the planning, fieldwork and concluding stages of local audits.

Key Audit Matters

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

This is not a complete list of all risks identified by our audit.

Key audit matter	***How the scope of our audit addressed the key audit matter***
Revenue recognition The Group enters into a range of client contract types. The revenue recognition policy varies depending on the underlying contract and could result in revenue being recognised at a point in time, over time or on a percentage	We designed procedures to test each different revenue stream and to consider whether the revenue recognition policy applied to the revenue stream was consistent and appropriate. Our testing in this area included examining contract terms, obtaining evidence of delivery of software licence keys, recalculating deferred revenue and obtaining evidence to support the percentage of completeness and the budgeted margin.

complete basis where certain conditions are met. Compliance with IFRS 15 was considered to be a significant audit risk.	We also considered whether the accounting policies are appropriate and in line with the IFRS. We considered the key controls present in the process of revenue recognition, and ensured existence of mitigating controls where areas of weakness were identified.
Carrying value of goodwill and other intangible assets The Group has a significant amount of intangible assets at 31 December 2019 and there is a risk that these may be impaired. As described in note 13, impairment is assessed based on discounted cash flow projections. Estimating and discounting the cash flows requires significant judgement. The assumptions requiring the most significant judgement vary by asset or cash generating unit ('CGU').	We obtained management's discounted cash flow models supporting the intangible asset valuation. We challenged the key assumptions into the model, including the forecast EBITDA, discount rates and growth rates. We compared cash flow forecasts used in the impairment review to historical performance, and challenged where forecasts indicated performance that deviated significantly from historical performance, in the absence of significant changes in the business or market environment. Discount rates and terminal growth rates were benchmarked to externally derived data and our knowledge of sector performance, to evaluate the reasonableness of these assumptions. Sensitivity analysis was performed on the key assumptions such as forecast period, growth and discount rates to identify assumptions that the goodwill or intangible asset valuation was highly sensitive to.
Acquisition accounting During the year, the Group acquired Breezy HR for initial cash consideration of $12.7m. Accounting for business combinations is complex and requires the recognition of both consideration paid and acquired assets and liabilities at the acquisition date at fair values, which can involve significant judgement and estimates. There is a risk that inappropriate assumptions could result in material errors in the acquisition accounting.	We reviewed the share purchase agreement to understand the terms of the transaction and we agreed the consideration paid. We audited the acquisition balance sheet to ensure that assets and liabilities were appropriately recognised at fair value. A third party valuation specialist calculated the fair value of the intangible assets identified at the acquisition date. We challenged the assumptions used in the calculation including having the report reviewed by our in house valuation team. This included performing sensitivity analysis on key inputs and benchmarking the valuation against external sources of evidence.
Going concern and COVID-19 As at December 2019 the Group had cash and cash equivalents of £42m and borrowing facilities in place until April 2023 as disclosed in note 22.	We obtained LTG's assessment of the going concern basis formed after a detailed re-forecasting exercise and performed the following procedures: • Discussion of key assumptions and the impact of COVID-19 to date with Management; • Reviewing the mathematical accuracy of the model;

We considered the risk that the COVID-19 pandemic and the resulting economic consequences would adversely impact the Group and its ability to continue as a going concern.	• Considering continued compliance with banking covenants and considering the stress required to the model to indicate a breach; • Reviewing the financial steps taken by Management to conserve cash; and Considering the appropriateness of the disclosure made in respect of going concern and ensuring it is consistent with our knowledge of the business and the re-forecasting exercise.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

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

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 44, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Matthew Stallabrass (Senior Statutory Auditor)
for and on behalf of

Crowe U.K. LLP
Statutory Auditor
London
15 April 2020

Consolidated Statement of Comprehensive Income
Year ended 31 December 2019

	Note	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 (restated) £'000
Revenue	5	130,103	93,891
Operating expenses (excluding acquisition-related deferred consideration and earn-outs and share based payments)		(106,842)	(84,917)
Operating profit (before acquisition-related deferred consideration and earn-outs and share based payment charge)		23,261	8,974
Acquisition-related deferred consideration and earn-outs		(3,509)	(3,761)
Share based payment charge		(3,111)	(1,254)
Operating profit		16,641	3,959
Adjusted EBIT		41,022	25,991
Amortisation of acquired intangibles	13	(20,872)	(15,193)
Acquired intangibles written down		-	(681)
Integration costs		-	(2,397)
Acquisition-related deferred consideration and earn-outs	6	(3,509)	(3,761)
Operating profit		16,641	3,959
Fair value movement on contingent consideration	6	-	183
Costs of acquisition	12	(249)	(2,621)
Share of losses on associates/joint ventures	14	-	(132)
Loss on disposal of fixed assets		(2)	-
Finance expense:			
Charge on contingent consideration	6	(248)	(54)
Interest on borrowings	6	(1,487)	(1,512)
Net foreign exchange differences		-	3,608
IFRS 16 finance expense	6	(468)	-
Interest receivable	6	111	10
Profit before taxation	6	14,298	3,441
Income tax (expense)/credit	9	(3,426)	730
Profit for the year		10,872	4,171

Consolidated Statement of Comprehensive Income
Year ended 31 December 2019 *(continued)*

		Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 (restated) £'000
Profit attributable to owners of the Parent		10,872	4,171
Earnings per share attributable to owners of the parent:			
Basic (pence)	10	1.628	0.655
Diluted (pence)	10	1.584	0.641
Adjusted earnings per share:			
Basic (pence)	10	4.865	3.300
Diluted (pence)	10	4.736	3.232
Profit for the year		10,872	4,171
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		(4,293)	6,231
Total comprehensive income for the year attributable to owners of the parent Company		6,579	10,402

Consolidated Statement of Financial Position

	Note	31 Dec 2019 £'000	31 Dec 2018 £'000
Non-current assets			
Property, plant and equipment	11	1,687	2,144
Right of use assets	11	9,864	-
Intangible assets	13	228,468	242,458
Deferred tax assets	19	4,761	2,858
Investments accounted for under the equity method	14	-	-
Other receivables, deposits and prepayments	16	120	161
Amounts recoverable on contracts	17	713	421
		245,613	248,042
Current assets			
Trade receivables	15	28,911	34,314
Other receivables, deposits and prepayments	16	2,478	3,897
Amounts recoverable on contracts	17	4,699	3,397
Amount owing from related parties	28	18	7
Cash and bank balances	18	42,032	26,794
Restricted cash balances		330	336
		78,468	68,745
Total assets		**324,081**	**316,787**
Current liabilities			
Lease liabilities	22	2,880	-
Trade and other payables	20	62,791	72,470
Borrowings	22	6,344	6,602
Corporation tax		2,386	1,631
ESPP scheme liability	25	203	-
		74,604	80,703
Non-current liabilities			
Lease liabilities	22	9,077	-
Deferred tax liabilities	19	25,257	26,299
Other long-term liabilities	21	8,443	9,008
Borrowings	22	31,858	31,657
Provisions	23	853	301
		75,488	67,265
Total liabilities		**150,092**	**147,968**
Net assets		**173,989**	**168,819**
Shareholders' equity			
Share capital	24	2,509	2,501
Share premium account	27	148,216	147,560
Merger reserve	27	31,983	31,983
Reverse acquisition reserve	27	(22,933)	(22,933)
Share-based payment reserve	27	4,413	1,608
Foreign exchange translation reserve	27	(352)	3,941
Accumulated profits		10,153	4,159
Total equity attributable to the owners of the parent		**173,989**	**168,819**

The Notes on pages 56 to 103 form an integral part of these Consolidated Financial Statements
The Financial Statements on pages 50 to 103 were approved and authorised for issue by the Board of Directors on 15 April 2020 and signed on its behalf by

Neil Elton
Chief Financial Officer
15 April 2020

Consolidated Statement of Changes in Equity
Year ended 31 December 2019

	Note	Share capital	Share premium	Merger reserve	Reverse acquisition reserve	Share-based payments reserve	Translation reserve	Retained earnings	Total equity
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018		**2,145**	**64,208**	**31,983**	**(22,933)**	**1,092**	**(2,290)**	**1,220**	**75,425**
Profit for the period		-	-	-	-	-	-	4,171	4,171
Exchange differences on translating foreign operations		-	-	-	-	-	6,231	-	6,231
Total comprehensive loss for the period		**-**	**-**	**-**	**-**	**-**	**6,231**	**4,171**	**10,402**
Issue of shares		356	85,521	-	-	-	-	-	85,877
Costs of issuing shares		-	(2,169)	-	-	-	-	-	(2,169)
Share-based payment charge credited to equity		-	-	-	-	1,254	-	-	1,254
Tax credit on share options		-	-	-	-	-	-	425	425
Transfer on exercise and lapse of options		-	-	-	-	(738)	-	738	-
Dividends paid		-	-	-	-	-	-	(2,395)	(2,395)
Transactions with owners		**356**	**83,352**	**-**	**-**	**516**	**-**	**(1,232)**	**82,992**
Balance at 31 December 2018		**2,501**	**147,560**	**31,983**	**(22,933)**	**1,608**	**3,941**	**4,159**	**168,819**
1 January 2019 restatement for IFRS 16	**4**							**(2,529)**	**(2,529)**
Profit for the period		-	-	-	-	-	-	10,872	10,872
Exchange differences on translating foreign operations		-	-	-	-	-	(4,293)	-	(4,293)
Total comprehensive profit for the period		**-**	**-**	**-**	**-**	**-**	**(4,293)**	**10,872**	**6,579**
Issue of shares		8	656	-	-	-	-	-	664
Share-based payment charge credited to equity		-	-	-	-	3,111	-	-	3,111
Tax credit on share options		-	-	-	-	-	-	1,352	1,352
Transfer on exercise and lapse of options		-	-	-	-	(306)	-	306	-
Dividends paid		-	-	-	-	-	-	(4,007)	(4,007)
Transactions with owners		**8**	**656**	**-**	**-**	**2,805**	**-**	**(2,349)**	**1,120**
Balance at 31 December 2019		**2,509**	**148,216**	**31,983**	**(22,933)**	**4,413**	**(352)**	**10,153**	**173,989**

Consolidated Statement of Cash Flows

	Note	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Cash flows from operating activities			
Profit before taxation		14,298	3,441
Adjustments for:			
Loss on disposal of PPE		2	-
Share-based payment charge		3,111	1,254
Amortisation of intangible assets		23,305	16,300
Depreciation of plant and equipment		3,672	1,000
Share of loss of joint venture/investment		-	132
Finance expense (including IFRS 16 charge)		716	54
Interest on borrowings		1,487	1,512
Fair value movement on contingent consideration		-	(183)
Acquisition-related deferred consideration and earn-outs		3,509	3,761
Payment of acquisition-related deferred consideration and earn-outs		(2,321)	(3,166)
Impairment of acquired intangibles		-	681
Interest income		(111)	(10)
Operating cash flows before working capital changes		47,668	24,776
(Increase)/decrease in trade and other receivables		7,392	(9,740)
(Increase)/decrease in amount recoverable on contracts		(1,593)	424
Increase/(decrease) in payables		(10,633)	5,064
		42,834	20,524
Interest paid		(1,449)	(1,224)
Interest received		111	10
Income tax received/(paid)		(4,518)	422
Net cash flows from operating activities		36,978	19,732
Cash flows used in investing activities			
Purchase of property, plant and equipment		(687)	(778)
Development of intangible assets		(5,690)	(3,304)
Acquisition of subsidiaries, net of cash acquired		(8,764)	(107,436)
Net cash flows in investing activities		(15,141)	(111,518)

Consolidated Statement of Cash Flows *(Continued)*

Cash flows from financing activities	**Note**		
Dividends paid		(4,007)	(2,395)
Proceeds from borrowings		16,057	47,110
Issue of ordinary share capital net of share issue costs		664	83,708
Repayment of bank loans		(15,468)	(25,803)
Contingent consideration payments in the period		-	(193)
Payment of lease liabilities (IFRS 16)		(3,275)	-
Net cash flows from financing Activities		(6,029)	102,427
Net increase in cash and cash equivalents		15,808	10,641
Cash and cash equivalents at beginning of the year		26,794	15,662
Exchange gains/(losses) on cash		(570)	491
Cash and cash equivalents at end of the year	18	42,032	26,794

The notes on pages 56 to 103 form an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

1. General information

Learning Technologies Group plc ('the Company') and its subsidiaries (together, 'the Group') provide a range of talent and learning solutions; content, services and digital platforms, to corporate and government clients. The principal activity of the Company is that of a holding company for the Group, as well as performing all administrative, corporate finance, strategic and governance functions of the Group.

The Company is a public limited company, which is listed on the AIM Market of the London Stock Exchange and domiciled in England and incorporated and registered in England and Wales. The address of its registered office is 15 Fetter Lane, London, EC4A 1BW. The registered number of the Company is 07176993.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied unless otherwise stated.

a) Basis of preparation

The Consolidated Financial Statements of Learning Technologies Group plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), issued by the International Accounting Standards Board (IASB), including interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and the Companies Act 2006 applicable to companies reporting under IFRS. The Consolidated Financial Statements have been prepared under the historical cost convention, as modified for any financial instruments which are stated at fair value through profit or loss. The Consolidated Financial Statements are presented in pounds sterling, the functional currency of Learning Technologies Group plc and figures have been rounded to the nearest thousand.

Going concern

At 31 December 2019 the Group had £42.0 million of gross cash and strong cash generation. Furthermore, as at 31 March 2020, following the completion of the acquisition of Open LMS, the Group had £25.0m of gross cash. Given the current COVID-19 pandemic and resulting market uncertainty, in addition to the 2020 annual budgeting exercise undertaken at the end of 2019, management have prepared a detailed reforecast during April 2020 that extends beyond 2020 into 2021.

This reforecast has modelled for varying degrees of reductions in content & services project revenues, delay in new sales wins, extended customer payment days and various cost reductions, most of which are set out in the Strategic Report. Management have reviewed the impact this reforecast has on gross cash, net debt and bank covenants under the existing facilities agreement. Based on this reforecast and relevant stress tests the Group is forecast to remain highly profitable and have sufficient gross cash to continue as a going concern without recourse to additional financing.

As a result of this detailed review, the Group's strong balance sheet, high levels of multi-year recurring revenues, a diversified business model across a number of geographies and vertical markets, with clients predominantly comprising blue-chip corporates and government bodies, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

Adoption of new and revised International Financial Reporting Standards

The Group has adopted IFRS 16 Leases from 1 January 2019.

IFRS 16 Leases

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The incremental borrowing rate used was based on the 3 month LIBOR rates in the respective asset territories (98% of which were based in either the US or UK) plus a 1.6% margin commensurate with the margin payable under the Group's current debt finance facility as at 1 January 2019.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

i) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
ii) Reliance on previous assessments on whether leases are onerous;
iii) The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
iv) The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
v) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

A modified retrospective approach has been used meaning comparatives have not been restated but an adjustment has been made to opening equity.

The Group has taken the accounting policy choice to measure the right of use assets as if IFRS 16 had applied since the inception of the lease.

The Directors do not expect that the adoption of any new standards currently in issue but not in force will have a material impact on the financial statements of the company in future periods.

(b) Basis of consolidation

A subsidiary is defined as an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations other than the share for share acquisition of Epic Group Limited by In-Deed Online plc in 2013 are accounted for under the acquisition method and merger relief has been taken on recognising the shares issued on acquisition, where applicable.

Under the acquisition method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Consolidated Financial Statements. The cost of acquisition is measured at the aggregate of the fair values at

the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Any excess of the purchase consideration of the business combination over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill. Goodwill, if any, is not amortised but reviewed for impairment at least annually. If the consideration is less than the fair value of assets and liabilities acquired, the difference is recognised directly in the statement of comprehensive income. Acquisition-related costs are expensed as incurred.

Intra-group transactions, balances and unrealised gains on transactions are eliminated. Intragroup losses may indicate an impairment which may require recognition in the consolidated financial statements. Where necessary, adjustments are made to the Financial Statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(c) Joint arrangements and associates

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures and they are, along with the Group's associates, accounted for using the equity method.

Interests in joint ventures and associates are recognised at cost adjusted by the Group's share of the post-acquisition profits or losses and any impairments, where appropriate. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures and associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of joint ventures and associates.

(d) Intangible assets

All intangible assets, except goodwill, are stated at cost less accumulated amortisation and any accumulated impairment losses.

Goodwill

Goodwill represents the amount by which the fair value of the cost of a business combination exceeds the fair value of the net assets acquired. Goodwill is not amortised and is stated at cost less any accumulated impairment losses.

The recoverable amount of goodwill is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired. Impairment charges are deducted from the carrying value and recognised immediately in the income statement. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Acquisition-related intangible assets

Net assets acquired as part of a business combination includes an assessment of the fair value of separately identifiable acquisition-related intangible assets, in addition to other assets, liabilities and contingent liabilities purchased. These are amortised on a straight-line basis over their useful lives which are individually assessed.

Branding	2-10 years
Customer contracts and relationships	2-8 years
Intellectual Property	2-10 years

Research and development expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised only if it meets the criteria for capitalisation under IAS 38.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in subsequent periods.

Capitalised development expenditure is amortised on a straight-line method over a period of between three and five years when the products or services are ready for sale or use. In the event that it is no longer probable that the expected future economic benefits will be recovered, the development expenditure is written down to its recoverable amount. The amortisation charge is recognised within operating expenses.

(e) Functional and foreign currencies

(i) Functional and presentation currency

The individual Financial Statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The Consolidated Financial Statements are presented in Pounds Sterling, which is the Group's presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(iii) Foreign operations

Assets and liabilities of foreign operations are translated to Pounds Sterling at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at the average rate of exchange. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under the foreign exchange translation reserve. On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional

currency of the foreign operations and translated at the closing rate at the end of the reporting period. Exchange differences are recognised in other comprehensive income.

(f) Financial instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(i) Financial assets

On initial recognition, financial assets are classified as financial assets at fair value through profit or loss, unless criteria are met for classifying and measuring the asset at either amortised cost or fair value through other comprehensive income.

Management determines the classification of its financial assets at initial recognition.

- *Loans and receivables financial assets*

  Trade receivables and other receivables are held within a business model whose objective is to collect contractual cash flows which are solely payments of principals and interest and therefore classified as subsequently measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The Group's loans and receivables financial assets comprise 'trade and other receivables' and cash and cash equivalents included in the Consolidated Statement of Financial Position.

ii) Financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through the profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as fair value through profit or loss unless they are designated as hedges.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

(iii) Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds. Dividends on ordinary shares are recognised when paid.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are included in the asset's carrying amount only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. The principal annual rates used for this purpose are:

Computer equipment	33%
Furniture and fittings	20%
Office equipment	20%
Leasehold improvements	Over the shorter of the remaining useful life and life of the lease

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

(h) Impairment

(i) Impairment of financial assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period based on the deterioration of credit risk since initial recognition. An allowance for credit losses is recognised based on potential shortfalls in future cash flows discounted to present value multiplied by the likelihood of the shortfalls occurring.

An impairment loss in respect of loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The Group has adopted the simplified expected credit loss model for its trade receivables and contract assets, as required by IFRS 9 to assess impairment, for further information

see Note 30.

(ii) Impairment of non-financial assets

The carrying values of intangible assets are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is recognised in profit or loss immediately.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

(i) Income taxes

Income tax for each reporting period comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, deposits with financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

(k) Employee benefits

(i) *Short-term benefits*

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further amounts if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate.

(l) Provisions, contingent liabilities

Provisions for property lease dilapidations are recognised when the Group has a present or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each financial reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

A contingent liability is not recognised but is disclosed in the Notes to the Financial Statements when there is a possible obligation which arises from past events whose outcome is uncertain or when it is not probable that there will be an outflow of economic resources. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(m) Revenue from contracts with customers and other income

Group revenue represents the fair value of the consideration received or receivable for the rendering of services and sale of software licencing, net of value added tax and other similar sales based taxes, rebates and discounts after eliminating intercompany sales.

(i) Content & Services

Revenue within the Group's Content & Services division comprises of content, consulting, platform development and the provision of training which are provided under fixed-price and time and materials contracts. Fixed-price contracts are recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case contract revenue is only recognised to the extent of contract costs incurred that are recoverable. This is because either the Group is creating an asset with no alternative use to it and the contract contains the right to payment for work completed to date, or the customer is simultaneously receiving and consuming the benefits of the Group's services as it performs. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss. The stage of completion is determined based on the proportion of contract costs incurred compared to total estimated contract costs.

The cost-based method is used to determine the percentage of completion because as management have significant expertise in this approach they are able to assess the stage of completion and margin of a project on an accurate and consistent basis.

Business development costs incurred as part of our bid or tender process are expensed as incurred. Only if and when a project is won and contracted are project costs accounted for within long-term contracts through Cost of Sale. There are no material costs incurred during the period between the contract being awarded and service delivery commencing.

For fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, an amount recoverable on contracts asset is recognised. Conversely, if the payments exceed the services rendered, a liability is recognised. If the contract is time and materials based and includes an hourly fee, revenue is recognised over time in the amount to which the Group has the right to invoice.

Contract work in progress is stated at costs incurred, less those amounts transferred to profit or loss, after deducting foreseeable losses and payments on account not matched with revenue.

Amounts recoverable on contracts are included in current assets and represent revenue recognised in excess of payments on account.

(ii) Software & Platforms

Revenue from subscriptions such as SaaS, “right to access” licences, hosting and support and maintenance is recognised evenly over the contractual period of the licence as the customer simultaneously receives and consumes the benefits of the Group’s services.

Perpetual licences and on-premise software licences where all material obligations of the Group to the customer have been met on the delivery of the licence are recognised at the point in time when the software has been delivered to the customer as these meet the definition of “right to use” licences.

Some contracts include multiple deliverables, such as professional service fees with the delivery of a licence. However, the professional services do not significantly customise the software and the promises in the contract are not highly interdependent, so these are recognised as separate performance obligations. Contracts may also include an on-premise software licence with support and maintenance services. The customer can benefit from both services on their own or with other readily-available resources and the software is functional upon transfer of the licence key, so these are recognised as separate performance obligations. Where multiple deliverables are concluded not to be distinct, they are combined with another deliverable until the distinct performance obligation definition is met. Where a contract includes multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices where available. Where these are not directly observable, they are estimated based on expected cost plus margin.

Incremental contract costs are capitalised and amortised on a consistent basis with the pattern of transfer of the service to which the asset relates.

Critical accounting estimates and judgements

For services revenue, the stage of completion is determined based on the proportion of contract costs incurred compared to total estimated contract costs. The outcome of a development project can be determined with reasonable certainty when a project budget is agreed which sets out milestones and costs for all project deliverables. Staff and contractors record their actual time and external costs spent on each project which is regularly reviewed against budget.

In making its estimation as to the amounts recoverable on contracts, management considers estimates of anticipated revenues and costs from each contract and monitors the need for any provisions for losses arising from adjustments to underlying assumptions if this indicates it is appropriate. The amount of profit or loss recognised on a contract has a direct impact on the Group's results and carrying value of amounts recoverable on contracts. The Directors are satisfied that their judgement is based on a reasonable assessment of the future prospects for each contract.

During the year to 31 December 2019 management reviewed the contracts in place and did not note any contracts where there was specific increased estimation uncertainty. Management have reviewed contracts that were ongoing at the prior year end and there were no significant adjustments to the budgeted margin.

Where the stand-alone selling price of support and maintenance services bundled in an on-premise licence contract are not observable, management allocates the transaction price to the distinct performance obligations based on expected cost plus margin, the basis of this calculation is derived from historic experience and data.

(n) Operating segments

The Group operates as three reportable segments, the Software & Platforms division, the Content & Services division and the Other segment which includes rental income. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(o) Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 25 to the Consolidated Financial Statements.

3. Summary of critical accounting estimates and judgements

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies which are detailed above. These judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

(i) Judgements

Revenue recognition

See Note 2 (m).

Valuation of intangible assets

The determination of the fair value of assets and liabilities including goodwill arising on the acquisition of businesses, the acquisition of industry-specific knowledge, software technology, branding and customer relationships, whether arising from separate purchases or from the acquisition as part of business combinations, and development expenditure which is expected to generate future economic benefits, are based, to a considerable extent, on management's estimations.

The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.

During the year to 31 December 2019, the Group acquired BreezyHR Inc. ('BreezyHR'), see Note 12. On acquisition the Group recognised intangible assets of £3.7m, the most significant of which related to the intellectual property held by BreezyHR. Management used a replacement cost model to establish the fair value. The significant assumptions used in this model were the time needed to rebuild the asset in the state it was acquired and the average employee salaries and other costs incurred in the rebuild.

If the time needed to rebuild the asset was adjusted by 10% then the impact on the value of the asset would be plus or minus £0.2 million. If the average employee salaries were adjusted by 20% then the impact on the value of the asset would be plus or minus £0.4 million.

(ii) Estimates

Useful Economic Lives of Acquired Intangibles

On acquisition, the useful economic lives of acquired intangibles, which are key estimates, are assessed by management. The BreezyHR acquisition during the year gave rise to the following acquired intangible assets with their associated estimated useful economic lives.

Customer Relationships	*5 years*
Intellectual Property	*4 years*

The useful economic life of the customer relationships was based on the historical length of relationships with top customers as well as observed attrition rates. The net present value of economic benefits to be derived from the asset beyond this period appeared to be immaterial.

In assessing the useful economic lives of the intellectual property management took factors into account such as how often the software is changing and developing and the historical change in the software code as well as external factors such as how the development framework is supported by third parties.

The brand's useful economic life was based on how long management expects to derive economic benefits from the asset, and the net present value of economic benefits beyond this life appear to be immaterial.

All useful economic lives were benchmarked against other guideline companies.

Impairment reviews

IFRS requires management to undertake an annual test for impairment of indefinite lived assets (goodwill) and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Goodwill impairment testing is an area involving management estimates, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- Growth in adjusted EBIT;
- Long-term growth rates; and
- The selection of discount rates to reflect the risks involved.

The adjusted EBIT is calculated on the same basis as the adjusted EBIT within the Statement of Comprehensive Income. The Group prepares and approves a detailed annual budget, three-year strategic plan and five-year management plan for its operations, which are used in the value in use calculations.

See Note 13 for details of how these estimates and judgements have been applied.

Deferred Tax

Income tax expense, deferred tax assets and liabilities and liabilities for unrecognised tax benefits reflect management's best estimate of current and future taxes to be paid. The Group is subject to income taxes in the UK and several other foreign jurisdictions.

The deferred tax balances relate to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax assets are recognised to the extent that it is probable that the future taxable profits will allow the deferred tax assets to be recovered. In evaluating the Group's ability to recover deferred tax assets in the jurisdiction from which they arise, management consider all available positive and negative evidence, including historic and projected future performance, and external market factors.

See Note 19 for details of how these estimates and judgements have been applied.

4. Changes in accounting policies

As noted above, the Group has adopted IFRS 16 Leases from 1 January 2019.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to the lease liabilities recognised under IFRS 16 was 3.5%. The incremental borrowing rate used was based on the 3 month LIBOR rates in the respective asset territories (98% of which were based in either the US or UK) plus a 1.6% margin commensurate with the margin payable under the Group's current debt finance facility as at 1 January 2019.

See Note 2 (a) for details on the practical expedients and accounting policy choices taken.

The change in accounting policy affected the following items in the balance sheet as at 1 January 2019 and 31 December 2019:

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

	As at 31 December 2019 £'000	As at 1 January 2019 £'000
Right-of-use asset	**9,864**	**11,938**
Lease liability:		
- Current lease liability	2,880	2,831
- Non-current lease liability	9,077	11,634
Total lease liability	**11,957**	**14,465**

	Year ended 31 December 2019 £'000
Rental lease expense under IAS 17	3,378
Replaced by:	
Depreciation of right-of-use asset	(2,489)
Adjustment for sublease	(11)
Finance charges on lease liability	(468)
Total expense to profit and loss	(2,968)
Net reduction in expense	410

The net impact on retained earnings on 1 January 2019 was a decrease of £2.5 million.

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

	£'000
Total operating lease commitments disclosed at 31 December 2018 (restated)	15,366
Recognition exemptions:	
- Leases with remaining lease terms of less than 12 months	(33)
Operating lease liabilities before discounting	**15,333**
Discounted using incremental borrowing rate at 1 January 2019 (3.5%)	14,465
Total lease liabilities recognised under IFRS 16 at 1 January 2019	**14,465**

The operating lease commitments disclosed at 31 December 2018 per the Annual Report 2018 were £12,724,000, which was an error due to a missing property lease not included within this figure. The balance has been corrected in the reconciliation above. No further financial statement line items have been affected by this error.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

Additional profit or loss and cash flow information

	Year ended 31 December 2019 £'000
Income from subleasing office premises	210
Total cash outflow in respect of leases in the year	(3,275)
Expense related to short term leases not accounted for under IFRS 16	(77)

Additions to right of use assets during 2019 totalled £429,000.

See Notes 11, 22 and 30 for further details on IFRS 16.

5. Segment analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (which takes the form of the Board of Directors of the Company), in order to allocate resources to the segment and to assess its performance.

The Directors of the Company consider there to be three reportable segments, being the Software & Platforms division, the Content & Services division, and an Other segment which includes rental income. A majority of sales were generated by the operations in the United States in the year ended 31 December 2019 and in the year ended 31 December 2018.

Income and expenses relating to the Group's administrative functions have been apportioned to the operating segments identified.

Geographical information

The Group's revenue from external customers and non-current assets by geographical location are detailed below.

	UK £'000	Mainland Europe £'000	United States £'000	Canada £'000	Asia Pacific £'000	Rest of the world £'000	Total £'000
31 Dec 2019							
Revenue	25,808	8,738	84,454	5,165	2,459	3,479	130,103
Non-current assets	31,029	-	194,658	29	15,136	-	240,852
31 Dec 2018							
Revenue	24,859	7,263	52,912	3,766	2,253	2,838	93,891
Non-current assets	28,412	-	197,969	68	18,735	-	245,184

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

Revenue by nature

The Group's revenue by nature is analysed as follows:

	Software & Platforms				Content & Services				Other	
	On-premise Software Licences	Hosting & SaaS	Support & Maintenance	Total	Content	Platform Development	Consulting & Other	Total	Rental Income	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000
31 December 2019										
Recurring	13,861	67,014	4,666	**85,541**	-	1,623	9,298	**10,921**	**101**	**96,563**
Non-Recurring	1,633	759	697	**3,089**	18,345	6,903	5,203	**30,451**	**-**	**33,540**
	15,494	**67,773**	**5,363**	**88,630**	**18,345**	**8,526**	**14,501**	**41,372**	**101**	**130,103**
Depreciation & amortisation				(4,162)				(1,943)	-	(6,105)
EBIT				**31,577**				**9,344**	**101**	**41,022**
Amortisation of acquired intangibles				(15,771)				(5,101)	-	(20,872)
Share of losses of associates				-				-	-	-
Profit / (Loss) before tax				**10,309**				**3,888**	**101**	**14,298**
Additions to intangible assets				15,729				-	-	15,729
Total Assets				**223,987**				**100,094**	**-**	**324,081**
31 December 2018										
Recurring	12,572	41,328	4,088	**57,988**	-	1,071	4,963	**6,034**	**58**	**64,080**
Non-Recurring	1,166	4	676	**1,846**	19,262	5,765	2,938	**27,965**	**-**	**29,811**
	13,738	**41,332**	**4,764**	**59,834**	**19,262**	**6,836**	**7,901**	**33,999**	**-**	**93,891**
Depreciation & amortisation				(1,746)				(361)	-	(2,107)
EBIT				**19,111**				**6,822**	**58**	**25,991**
Amortisation of acquired intangibles				(11,873)				(3,320)	-	(15,193)

Share of losses of associates	(132)	-	-	(132)
Profit / (Loss) before tax	**(274)**	**3,657**	**58**	**3,441**
Additions to intangible assets	162,071	3,972	-	166,043
Total Assets	**279,928**	**36,859**	**-**	**316,787**

Information about major customers

In the year ended 31 December 2019 and the year ended 31 December 2018, no customer accounted for more than 10 per cent of reported revenues.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

6. Profit/(loss) before taxation

Profit before taxation is arrived at after charging/(crediting): -

	Note	31 Dec 2019 £'000	31 Dec 2018 £'000
Costs of acquisition	12	249	2,621
Integration costs		-	2,397
Amortisation of acquired intangible assets	13	20,872	15,193
Amortisation of software development costs	13	2,433	1,107
Fees repayable to the company's auditor and its associates for the audit of the Group's annual accounts		204	203
Other fees payable to auditors			
- Corporate finance services		81	182
- Taxation		32	19
Depreciation	11	3,672	1,000
Directors' fees (including compensation for loss of office)	8	839	915
Directors' pension contributions	8	24	23
Staff costs (including Directors):			
- Salaries, allowances and bonuses	7	49,168	38,330
- Social security costs	7	4,104	3,073
- Defined contribution pension plan costs	7	1,083	764
Rental of offices		-	2,290
Rent of offices – short term leases exempt from IFRS 16		77	-
Finance charges on IFRS 16		468	-
Finance charges on contingent consideration		248	54
Finance charges on borrowings		1,487	1,512
Fair value movement on contingent consideration		-	(183)
Acquisition-related deferred consideration and earn-outs		3,509	3,761
Interest income		(111)	(10)

	31 Dec 2019 £'000	31 Dec 2018 £'000
Total research & development costs	17,932	12,670
Of which capitalised development costs	5,690	3,304
Capitalisation ratio	*32%*	*26%*
Amortisation of capitalised development costs	2,436	1,107
(Profit) or loss on disposal	-	178
Research & development costs recognised in P&L	14,678	10,651

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

7. Staff costs

	Year ended 31 Dec 2019 No.	Year ended 31 Dec 2018 No.
The average monthly number of employees was:		
Production	626	519
Administration	100	97
Management	6	7
	732	623

	31 Dec 2019 £'000	31 Dec 2018 £'000
Aggregate remuneration (including Directors):		
Wages and salaries (including bonuses)	49,168	38,330
Social security costs	4,104	3,073
Share-based payments	3,111	1,254
Pension costs	1,083	764
	57,466	43,421

8. Directors' remuneration, interests and transactions

Directors' remuneration, interests and transactions are disclosed in the Report of the Remuneration Committee.

9. Income tax

	31 Dec 2019 £'000	31 Dec 2018 £'000
Current tax expense:		
- UK Current Tax on profits for the year	511	1,179
- Adjustments in respect to prior years	706	(416)
- Foreign Current Tax on profits for the year	4,156	1,682
Total current tax	5,373	2,445
Deferred tax (Note 19):		
- Origination and reversal of temporary differences	(1,369)	(2,395)
- Adjustments in respect to prior years	(662)	(780)
Change in deferred tax rate	84	-
Total deferred tax	(1,947)	(3,175)
Income tax expense/(credit)	3,426	(730)

Adjustments in respect to prior years primarily relates to the 2018 tax charge for Learning Technologies Group (Hong Kong) Limited (formally known as NetDimensions Limited) of £611,000. The remaining

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

difference relates to other minor variances between prior period provisions and final tax returns, and changes in the market value of LTG shares when calculating the share-based payment deferred tax assets.

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to the income tax expense at the effective tax rate of the Group is as follows:

	31 Dec 2019 £'000	**31 Dec 2018 £'000**
Profit before taxation	14,298	3,441
Tax calculated at the domestic tax rate of 19.00% (2018: 19.00%):	2,717	654
Tax effects of: -		
Income not subject to tax	(1,036)	(184)
Expenses not deductible for tax purposes	188	1,325
Joint venture/associate results reported net of tax	-	25
Tax deductions not recognised as an expense	(246)	(232)
Utilisation of previously unrecognised or acquired tax losses	-	(1,475)
Tax losses in the year for which no deferred tax is recognised	1	125
Difference between deferred and current tax rate	1,030	-
Adjustments in respect to prior years	44	(1,196)
Difference in foreign exchange rates	(70)	-
Effect of different international tax rates	882	228
Changes in deferred tax rate	(84)	-
	3,426	(730)

The aggregate current and deferred tax directly credited to equity amounted to £1,352,000 (2018: £425,000).

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

10. Earnings per share

	31 Dec 2019 Pence	31 Dec 2018 Pence
Basic profit per share	1.628	0.655
Diluted profit per share	1.584	0.641
Adjusted basic earnings per share	4.865	3.300
Adjusted diluted earnings per share	4.736	3.232

Basic earnings per share is calculated by dividing the profit/loss after tax attributable to the equity holders of the Group by the weighted average number of shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive shares, namely share options or deferred consideration payable in shares where the contingent conditions have been met.

In order to give a better understanding of the underlying operating performance of the Group, an adjusted earnings per share comparative has been included. Adjusted earnings per share is stated after adjusting the profit after tax attributable to equity holders of the Group for certain charges as set out in the table below. Adjusted diluted earnings per share has been calculated to also include the contingent shares payable as deferred consideration on acquisitions where the future conditions have not yet been met, as shown below.

The calculation of earnings per share is based on the following earnings and number of shares.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

	2019			2018		
	Profit after tax £'000	**Weighted average number of shares '000**	**Pence per share**	**Profit after tax £'000**	**Weighted average number of shares '000**	**Pence per share**
Basic earnings per ordinary share attributable to the owners of the parent	**10,872**	**668,045**	**1.628**	**4,171**	**637,326**	**0.655**
Effect of adjustments:						
Amortisation of acquired intangibles	20,872			15,193		
Acquired intangibles written down	-			681		
Share-based payment costs	3,111			1,254		
Integration costs	-			2,397		
Cost of acquisitions	249			2,621		
Fair value movement on contingent consideration	-			(183)		
Deferred consideration and earn-outs from acquisitions	3,509			3,761		
Net foreign exchange differences on financing activities	-			(3,608)		
Interest receivable	(111)			(10)		
Finance expense	248			54		
Income tax expense	3,426			(730)		
Effect of adjustments	31,304	-	4.686	21,430	-	3.362
Adjusted profit before tax	**42,176**	-	-	**25,601**	-	-
Tax impact after adjustments	(9,674)	-	(1.449)	(4,572)	-	(0.717)
Adjusted basic earnings per ordinary share	**32,502**	**668,045**	**4.865**	**21,029**	**637,326**	**3.300**
Effect of dilutive potential ordinary shares:						
Share options	-	18,233	(0.129)	-	13,267	(0.068)
Deferred consideration payable (conditions met)	-	-	-	-	-	-
Deferred consideration payable (contingent)	-	-	-	-	-	-
Adjusted diluted earnings per ordinary share	**32,502**	**686,278**	**4.736**	**21,029**	**650,593**	**3.232**
Diluted earnings per ordinary share attributable to the owners of the parent	**10,872**	**686,278**	**1.584**	**4,171**	**650,593**	**0.641**

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

11. Property, plant and equipment

					Right of use assets		
	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Leasehold Improve-ments £'000	Computer equipment £'000	Property £'000	Total £'000
Cost							
At 1 January 2018	1,997	611	8	261	-	-	2,877
Additions on acquisitions	1,417	74	-	59	-	-	1,550
Additions	216	384	-	178	-	-	778
Foreign exchange differences	51	25	-	4	-	-	80
Disposals	(129)	(116)	(8)	(136)	-	-	(389)
At 31 December 2018	3,552	978	-	366	-	-	4,896
Additions on transition to IFRS 16	-	-	-	-	83	11,855	11,938
Additions on acquisitions	18	11	-	-	-	266	295
Additions	506	55	-	126	-	163	850
Foreign exchange differences	(9)	(18)	-	18	-	94	85
Disposals	(1,477)	(180)	-	(220)	-	(123)	(2,000)
At 31 December 2019	2,590	846	-	290	83	12,255	16,064
Accumulated Depreciation							
At 1 January 2018	1,359	460	8	208	-	-	2,035
Charge for the year	844	99	-	57	-	-	1,000
Disposals	(58)	(116)	(8)	(136)	-	-	(283)
At 31 December 2018	2,145	478	-	129	-	-	2,752
Charge for the year	898	180	-	93	60	2,441	3,672
Disposals	(1,385)	(284)	-	(215)	-	(27)	(1,911)
At 31 December 2019	1,658	374	-	7	60	2,414	4,513
Net book value							
At 31 December 2018	1,407	500	-	237	-	-	2,144
At 31 December 2019	932	472	-	283	23	9,841	11,551

12. Acquisitions

Breezy HR, Inc.

On 17 April 2019, LTG announced the acquisition of Breezy HR ('BreezyHR') for initial cash consideration of $12.7 million funded by the Group's existing cash and bank facilities. The acquisition supported LTG's strategic goal to achieve run-rate EBIT of at least £55 million by the end of 2021.

BreezyHR is a fast-growing talent acquisition software business, providing small to medium sized

businesses (SMB) with feature-rich, intuitive and user-friendly recruitment software to optimise their recruitment processes and maximise productivity. BreezyHR now operates as a separate business within PeopleFluent.

Further performance based payments, capped at $17.0 million are payable in cash to the BreezyHR sellers based on ambitious revenue growth targets in each of the years ending 31 December 2019, 2020 and 2021. In addition to this, there is a contingent earn-out bonus equal to approximately 6% of the above payable to staff. These payments are linked to continuous employment so are excluded from the acquisition consideration and instead are recognised as an expense over the service period within the Statement of Comprehensive Income.

The following table summarises the consideration paid for BreezyHR, the fair value of assets acquired and liabilities assumed at the acquisition date.

	Fair value
Consideration	**£'000**
Cash paid	9,726
Total consideration	**9,726**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	962
Property, plant and equipment	20
Trade and other receivables	138
Trade and other payables	(597)
Impact of IFRS 16 adjustments on acquisition	(9)
Deferred tax assets on acquisition	134
Deferred tax liabilities on acquisition	(961)
Intangible assets identified on acquisition	3,698
Total identifiable net assets	**3,385**
Goodwill	**6,341**
Total	**9,726**

The goodwill arising is attributable to the acquired workforce, anticipated future profit from expansion opportunities and synergies of the business. The goodwill arising from the acquisition has been allocated to the BreezyHR CGU. Fair value adjustments have been recognised for acquisition-related intangible assets and related deferred tax as well as future liabilities which are in alignment with accounting policies.

Acquisition-related intangible assets of £1.5 million relate to the valuation of the customer relationships which are amortised over a period of five years, and £2.2 million relates to the value of the acquired intellectual property and software development which is amortised over four years.

Acquisition costs of £0.2 million have been charged to the statement of comprehensive income in the year relating to the acquisition of BreezyHR.

A deferred tax liability of £1.0 million in respect of the acquisition-related intangible assets was established on acquisition (refer to Note 19).

BreezyHR contributed £3.5 million of revenue for the period between the date of acquisition and the reporting date and £0.7 million of statutory profit before tax. This excludes the effect on the Group profit before tax of increased amortisation of acquired intangibles. If the acquisition of BreezyHR had been completed on the first day of the financial year, Group revenues would have been £1.0 million higher and Group profit attributable to equity holders of the parent would have been £1.6 million lower including

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

adjustments to include a full year of amortisation on acquired intangibles.

Details regarding the strategic decisions to acquire BreezyHR can be found in the Chairman's statement and Strategic Report on pages 1 and 3 respectively.

13. Intangible assets

	Goodwill	Customer contracts and relationships	Branding	Acquired IP	Internal Software Development	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2018	46,050	45,020	1,788	1,445	3,410	97,713
Additions on acquisitions	80,968	44,635	1,723	35,413	-	162,739
Additions	-	-	-	-	3,304	3,304
Disposals/impairment	-	-	(1,048)	-	(178)	(1,226)
Foreign exchange differences	5,240	3,084	114	1,574	153	10,165
At 31 December 2018	132,258	92,739	2,577	38,432	6,689	272,695
Additions on acquisition	6,341	1,454	-	2,244	-	10,039
Additions	-	-	-	-	5,690	5,690
Foreign exchange differences	(3,614)	(1,661)	(53)	(996)	(90)	(6,414)
At 31 December 2019	134,985	92,532	2,524	39,680	12,289	282,010
Accumulated amortisation						
At 1 January 2018	-	11,813	590	464	1,437	14,304
Amortisation charged in year	-	11,956	447	2,790	1,107	16,300
Disposals/impairment	-	-	(367)	-	-	(367)
At 31 December 2018	-	23,769	670	3,254	2,544	30,237
Amortisation charged in year	-	15,125	298	5,449	2,433	23,305
At 31 December 2019	-	38,894	968	8,703	4,977	53,542
Carrying amount						
At 31 December 2018	**132,258**	**68,970**	**1,907**	**35,178**	**4,145**	**242,458**
At 31 December 2019	**134,985**	**53,638**	**1,556**	**30,977**	**7,312**	**228,468**

Goodwill and acquisition-related intangible assets recognised have arisen from acquisitions. Refer to Note 12 for further details of acquisitions undertaken during the year. Internal software development reflects the recognition of development work undertaken in-house.

The amortisation charge for the year of £23.3 million includes £20.9 million relating to acquired intangibles. Amortisation is included within operating expenses in the Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

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

CGU	Goodwill		Growth rate		Pre-tax discount rate	
	2019 £'000	2018 £'000	2019 %	2018 %	2019 %	2018 %
LEO	7,742*	7,435	4%	4%	11.0%	11.0%
Preloaded	2,180	2,180	4%	4%	12.5%	12.5%
Eukleia	2,764	2,764	4%	4%	12.5%	12.5%
Rustici	13,280	13,726	9%	9%	12.5%	12.5%
PeopleFluent	42,761	43,875	7%	7%	11.5%	11.5%
Affirmity	18,864	19,496	4%	4%	11.0%	11.0%
VectorVMS	37,300	38,552	4%	4%	10.0%	10.0%
Gomo	1,381*	1,746	7%	7%	14.0%	14.0%
Watershed	2,404	2,484	12%	-	12.5%	-
BreezyHR	6,309	-	12%	-	12.0%	-
	134,985	132,258				

*Part of the acquired Gomo business on the acquisition of PeopleFluent has been reallocated to the LEO CGU.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use. The key assumptions for the value in use calculations are those regarding the discount rates (being the companies cost of capital), growth rates (based on past experience and pipeline in place) and future EBIT margins (which are based on past experience). The Group monitors its pre-tax Weighted Average Cost of Capital and those of its competitors using market data. In considering the discount rates applying to CGUs, the Directors have considered the relative sizes, risks and the inter-dependencies of its CGUs. The impairment reviews use a discount rate adjusted for pre-tax cash flows. The Group prepares cash flow forecasts derived from the most recent financial plan approved by the Board and extrapolates revenues, net margins and cash flows for the following four years based on forecast growth rates of the CGUs. Cash flows beyond this five-year period are also considered in assessing the need for any impairment provisions. The growth rates are based on internal growth forecasts of between 4% and 12% for the first five years. The terminal rate used for the value in use calculation thereafter is 2.5%.

In the case of the recently acquired Watershed and BreezyHR CGUs, the businesses are at an early stage of development. Although the CGUs generated revenue growth of c30% and c60% respectively in 2019 management has cautiously assumed average annual growth rates of only 12% during the next 5 years. In the case of VectorVMS CGU revenues declined c10% in 2019 and are anticipated to decline by c3% in 2020 primarily as a result of multi-year licences terminated prior to acquisition. Management have assumed the business will grow by an average rate of 4% over the next five years.

Management have assessed that there is a reasonably possible change to the discount rate assumption for VectorVMS that could give rise to an impairment in the next 12 months. If the discount rate were to increase to 11.5% an impairment would be indicated.

Customer contracts, relationships, branding and Acquired IP

These intangible assets include the Group's aggregate amounts spent on the acquisition of industry-specific knowledge, software technology, branding and customer relationships. These assets arose from acquisition as part of business combinations.

The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists.

The cost of these intangible assets is amortised over the estimated useful life of each separate asset of between two and ten years.

Internal software development

Internal software development costs principally comprise expenditure incurred on major software development projects and the production of generic e-learning content where it is reasonably anticipated that the costs will be recovered through future commercial activity.

Capitalised development costs are amortised over the estimated useful life of between two and ten years.

14. Investments accounted for using the equity method

Joint ventures

The joint venture has share capital consisting solely of ordinary shares, which are held directly by the Group. The nature of the investment at 31 December 2018 and 31 December 2019 is listed below.

Name of entity	Country of Registration or Incorporation	Principal activity	Percentage of ordinary shares held by Group
LEO Brasil Tecnologia Educacional Ltda (formerly Epic Brasil Tecnologia Educacional Ltda)	Brazil	Bespoke e-learning	38%

On 27 August 2018, the Group entered into a debt for equity swap agreement whereby Epic Group Limited and the other 50% investor agreed to convert debts due from Leo Brasil Tecnologia Educacional Ltda ('LEO Brazil') to equity in the proportion to amounts owed at that date. Epic Group Limited had a total of $268,000 (equivalent to approximately £200,000) converted to equity and, following such conversion, its shareholding was reduced from 50% to 38%. As all amounts receivable from the investee had been written off by the Group, there was no financial impact, either on the carrying value of the investment or the results for the year.

LEO Brazil is a private company and there is no quoted market price available for its shares.

The accounting reference date of LEO Brazil is coterminous with that of the Company.

There are no contingent liabilities or commitments relating to the Group's interest in LEO Brazil.

Where the Group's share of losses in LEO Brazil exceeds its interests in the company, the Group does not recognise further losses as it has no further obligation to make payments on behalf of the company.

No further disclosures are provided on the grounds of materiality.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

Associates

The movements in associate investments is as follows:

	31 Dec 2019 £'000	31 Dec 2018 £'000
Balance at beginning of year	**-**	**1,689**
Share of losses for the year	-	(132)
Disposal on acquisition of 100% holding	-	(1,557)
	-	**-**

The Group acquired a 27.27% interest in Watershed on 28 January 2016, for a total consideration of $3.0 million (approximately £2.1 million). The Group increased its holding to 100% in November 2018 and since this date Watershed has been accounted for as a subsidiary rather than as an associate.

15. Trade receivables

	31 Dec 2019 £'000	31 Dec 2018 £'000
Trade receivables	29,815	35,646
Allowance for impairment losses	(904)	(1,332)
	28,911	34,314

Impairment losses:

At 1 January	**1,332**	**186**
Additions on acquisition	-	570
Additions/(disposals)	(418)	545
Foreign exchange	(10)	31
At 31 December	**904**	**1,332**

The Group's normal trade credit term is 30 days. Other credit terms are assessed and approved on a case-by-case basis.

The fair value of trade receivables approximates their carrying amount, as the impact of discounting is not significant. No interest has been charged to date on overdue receivables.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

16. Other receivables, deposits and prepayments

Current assets

	31 Dec 2019 £'000	31 Dec 2018 £'000
Sundry receivables	326	1,118
Prepayments	2,152	2,779
	2,478	3,897

Non-current assets

	31 Dec 2019 £'000	31 Dec 2018 £'000
Sundry receivables	120	161
	120	161

Sundry receivables includes rent deposits and other sundry receivables.

17. Amount recoverable on contracts

	31 Dec 2019 £'000	31 Dec 2018 £'000
Current assets		
Contract assets	4,699	3,397
	4,699	3,397
Non-current assets		
Contract assets	713	421
	713	421

18. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	31 Dec 2019 £'000	31 Dec 2018 £'000
Cash and bank balances	42,032	26,794

Included within the cash balance the Company holds £203,000 on behalf of participants in the LTG US Employee Stock Purchase Plan (2018: £nil) the liability for which is included within current liabilities.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

19. Deferred tax assets/(liabilities)

Deferred tax assets	Share options £'000	Tax losses £'000	Short-term timing differences £'000	Total £'000
At 1 January 2018	1,404	521	280	2,205
Acquisition of subsidiaries	-	778	-	778
Deferred tax charge directly to the income statement	(15)	337	61	383
Deferred tax charged directly to equity	425	-	-	425
Exercise of share options	(1,084)	-	-	(1,084)
Exchange rate differences	-	67	84	151
At 31 December 2018	730	1,703	425	2,858
Acquisition of subsidiaries	-	134	-	134
Deferred tax charged directly to the income statement	441	(202)	362	601
Deferred tax charged directly to equity	1,352	-	-	1,352
Exercise of share options	(183)	-	(1)	(184)
Exchange rate differences				
Changes in tax rate				
At 31 December 2019	2,340	1,635	786	4,761

Deferred tax liabilities	Intangibles £'000	Accelerated tax depreciation £'000	Short-term timing differences £'000	Total £'000
At 1 January 2018	(6,273)	(204)	-	(6,477)
Deferred tax on acquired intangibles and via acquisition	(21,251)	(124)	(236)	(21,611)
Deferred tax charge directly to the income statement	3,250	(694)	236	2,792
Exchange rate differences	(1,177)	174	-	(1,003)
At 31 December 2018	(25,451)	(848)	-	(26,299)
Deferred tax on acquired intangibles and via acquisition	(961)	-	-	(961)
Deferred tax charge directly to the income statement	4,772	(1,180)	(2,246)	1,346
Exchange rate differences	657	-	-	657
At 31 December 2019	(20,983)	(2,028)	(2,246)	(25,257)

The deferred tax balances relate to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax assets are recognised to the extent that it is probable that the future taxable profits will allow the deferred tax assets to be recovered.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

Deferred tax assets of £20.0m (2018: £0.3m) relating to carried forward tax losses have not been recognised as it is not probable that future taxable profits will allow these deferred tax assets to be recovered. The Group has performed a continuing evaluation of its deferred tax asset valuation allowance on an annual basis to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets.

On the basis of this evaluation, as of 31 December 2019, the Group has concluded that it is not likely that PeopleFluent Inc and the wider Group will generate sufficient taxable income within the applicable net operating loss carry-forward periods to realise a portion of its deferred tax assets. This conclusion, and the resulting partial reversal of the deferred tax asset valuation allowance, is based upon consideration of a number of factors; particularly the impact of COVID-19 on the wider market.

20. Trade and other payables

	31 Dec 2019 £'000	31 Dec 2018 £'000
Trade payables	1,508	924
Deferred income	49,219	56,417
Tax and social security	603	2,109
Contingent consideration	-	8
Acquisition-related deferred consideration and earn-outs	3,230	3,205
Accruals	8,231	9,807
	62,791	72,470

The acquisition-related deferred consideration and earn-outs balance in 2019 relates wholly to the acquisition of BreezyHR. The balance in 2018 relates partly to the acquisition of Rustici Software LLC and partly to the acquisition of Watershed Systems Inc. This is treated as post-combination remuneration and is accrued over the service period.

The deferred income balance relates mainly to the Group's right to access licences, support and maintenance and hosting contracts which are recognised over the contract term as the customer receives and consumes the benefits of the service. All of the current liability deferred income balance at 31 December 2018 was recognised as revenue in 2019 and the currently liability deferred income balance at 31 December 2019 is expected to be recognised as revenue in 2020.

21. Other long-term liabilities

	31 Dec 2019 £'000	31 Dec 2018 £'000
Acquisition-related deferred consideration and earn-outs	165	20
Contingent consideration	2,542	2,378
Contract liabilities	5,449	6,603
Other long-term liabilities	287	7
	8,443	9,008

The contingent consideration relates wholly to the acquisition of Watershed Systems Inc and is a financial instrument held at fair value within the scope of IFRS 9 repayable during 2020, 2021 and 2022.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

The acquisition-related deferred consideration and earn-outs balance in 2019 relates partly to the acquisition of Watershed Systems Inc and partly to the acquisition of BreezyHR. The acquisition-related deferred consideration and earn-outs balance in 2018 relates wholly to the acquisition of Watershed Systems Inc. This is treated as post-combination remuneration and is accrued over the service period.

The contract liabilities balance relates mainly to the Group's right to access licences, support and maintenance and hosting contracts which are recognised over the contract term as the customer receives and consumes the benefits of the service. The non-current contract liabilities balance at 31 December 2019 is expected to be recognised during 2021 and 2022.

22. Borrowings

On the acquisition of PeopleFluent Holdings Corp. in 2018 the existing debt facility with Silicon Valley Bank ('SVB') was repaid and a new debt facility with SVB and Barclays was entered into for a total of $63.0 million.

This is made up of a $42.0 million term loan and a $21.0 million multicurrency revolving credit facility, both available to the Group for 5 years. The facility attracts variable interest based on LIBOR for the currency of the loan plus a margin of between 1.6% and 2.1%, based on the Group's leverage.

The term loan is repayable with quarterly instalments of $2.1 million with the balance repayable on the expiry of the loan in April 2023.

The bank loan is secured by a fixed and floating charge over the assets of the Group and is subject to various financial covenants.

The lease liabilities have arisen on adoption of IFRS 16 and are secured by the related underlying assets. See Note 30 for the undiscounted maturity analysis of lease liabilities at 31 December 2019.

	31 Dec 2019 £'000	31 Dec 2018 £'000
Current interest-bearing loans and borrowings	6,344	6,602
Non-current interest-bearing loans and borrowings	31,858	31,657
Current lease liabilities	2,880	-
Non-current lease liabilities	9,077	-
	50,159	38,259

23. Provisions

	31 Dec 2019 £'000	31 Dec 2018 £'000
At 1 January – brought forward	301	257
Paid in the year	(50)	-
Addition	602	44
Total	853	301

Provisions primarily relate to regulatory and legal costs that management consider are likely to be incurred as a result of historic events in the ordinary course of business. These include the Group's share of dilapidation costs in respect of costs to be incurred at the end of property leases.

24. Share capital

Shares were issued during the year as follows:

	Number of shares	Share capital £'000	Share premium £'000	Merger reserve £'000	Total £'000
At 1 January 2019	666,892,349	2,501	147,560	31,983	182,044
Shares issued on the exercise of options	2,227,739	8	656	-	664
At 31 December 2019	669,120,088	2,509	148,216	31,983	182,708

The par value of all shares is £0.00375. All shares in issue were allotted, called up and fully paid.

On 3 March 2015 the Group incorporated Learning Technologies Group (Trustee) Limited, a wholly owned subsidiary of the Company. The purpose of the company is to act as an Employee Benefit Trust ('EBT') for the benefit of current and previous employees of the Group. At 31 December 2019 the EBT holds 404,340 ordinary shares in the Company. These shares are held in treasury.

A total of 2,227,739 ordinary shares were issued during the course of the year as a result of the exercise of employee share options.

25. Share-based payment transactions

The Group operates an Approved and Unapproved share option plan and Sharesave option scheme. The Group's share-based payment arrangements are summarised below.

(a) Share option plans

As part of its strategy for executive and key employee remuneration, on Admission to AIM the Company established a Share Option Scheme under which share options may be granted to officers and employees or members of the Group. Under the rules of the Share Option Scheme, the Company may grant EMI options and/or unapproved options. Prior to the reverse takeover by LTG in November 2013, Epic Group Limited ran their own share option scheme. Option holders in this plan either exercised their options or modified them into share options in the new scheme, such that they had a neutral effect on the option holders immediately before and after the amendment of the options.

There is no limit on the number of shares, or the percentage of issued share capital, that can be used by the Company for share options. The rules of the Share Option Scheme do not comply with the ABI's guidelines on policies and practices in respect of executive remuneration.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

Approved share option plan - Enterprise Management Incentive ('EMI'):

	2019		2018	
	Number of options	**Weighted average exercise price (pence)**	**Number of options**	**Weighted average exercise price (pence)**
At 1 January	3,939,044	17.794	12,144,513	11.446
Options granted by Company	-	-	-	-
Forfeited	-	-	(1,638,331)	19.449
Exercised during the year	(680,000)	20.415	(6,567,138)	5.642
At 31 December	3,259,044	17.247	3,939,044	17.794

EMI options are granted to employees of the Group and vesting criteria are subject to challenging performance targets such as share price growth or other criteria such as annual sales. Except where agreed by the Board, options will lapse if an option holder ceases to be an employee of the Group. All EMI options are settled by equity.

Unapproved share option plan:

	2019		2018	
	Number of options	**Weighted average exercise price (pence)**	**Number of options**	**Weighted average exercise price (pence)**
At 1 January	22,059,901	70.441	12,809,901	39.295
Granted by Company	12,833,334	79.913	15,200,000	93.679
Forfeited	(4,766,667)	71.427	(4,800,000)	69.079
Exercised during the year	(1,300,000)	34.500	(1,150,000)	36.326
At 31 December	28,826,568	76.116	22,059,901	70.441

Unapproved options are granted to employees of the Group and vesting criteria are subject to challenging performance targets such as share price growth or other criteria such as annual sales. Except where agreed by the Board, options will lapse if an option holder ceases to be an employee of the Group. All unapproved options are settled by equity.

(b) Sharesave option scheme

The Company established the 2016, 2017, 2018 and 2019 Learning Technologies Group plc Sharesave Scheme in April 2016, April 2017, April 2018 and April 2019 respectively. The scheme enables UK permanent employees of the Group to buy shares in the Company at a discount on maturity of a three-year savings contract, unless they are made redundant, in which case they can exercise their options, at the time of redundancy. The savings are held with the Yorkshire Building Society.

Each member of the scheme may save a fixed amount of up to £500 per month for three years at the end of which period, each employee may buy shares at a fixed price of 29.6, 40.8, 68.4 and 55.0 pence per share respectively (the 'Option Price'), being a discount of 20% on the share price as of 26 April 2016, 20 April 2017, 11 April 2018 and 9 April 2019 respectively. At the end of three years, an employee may either opt to buy shares at the Option Price or take the savings in cash.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

	2019 Number of options	2019 Weighted average exercise price (pence)	2018 Number of options	2018 Weighted average exercise price (pence)
Sharesave Option Scheme:				
At 1 January	2,297,473	53.844	1,620,950	33.436
Granted by Company	764,189	51.000	1,198,038	68.400
Forfeited	(514,966)	66.044	(81,525)	43.862
Exercised during the year	(247,750)	30.973	(439,990)	20.146
At 31 December	2,298,946	53.993	2,297,473	53.844

(c) Employee stock purchase plan

The Company established the Learning Technologies Group plc U.S. and Canada Employee Stock Purchase Plan (ESPP) in May 2019. The scheme enables US and Canadian permanent employees of the Group to buy shares in the Company at a discount on maturity of a two-year savings contract. The savings are held by PeopleFluent Inc and treated as restricted cash.

Each member of the scheme may save a fixed amount each month over the two-year period, at the end of which each employee may buy shares at a fixed price of 70.6p per share (the 'Option Price'), being a discount of 15% on the share price as of 17 May 2019. No participant may purchase more than 40,000 shares during an offering period. At the end of two years, a participant's option to purchase shares will be exercised automatically on the purchase date provided that the fair market value of the shares is greater than the purchase price, otherwise the accumulated payroll deductions held on behalf of a participant will be repaid promptly.

	2019 Number of options	2019 Weighted average exercise price (pence)	2018 Number of options	2018 Weighted average exercise price (pence)
Employee Stock Purchase Plan:				
At 1 January	-	-	-	-
Granted by Company	1,043,094	70.550	-	-
Forfeited	(100,473)	70.550	-	-
Exercised during the year	-	-	-	-
At 31 December	942,621	70.550	-	-

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

At 31 December 2019, options granted to subscribe for ordinary shares of the Company, and the valuation criteria, are as follows:

Date of grant	Number of shares under option							
	Approved Scheme	Unapproved scheme	Sharesave Scheme / ESPP	Exercise Price (pence)	Remaining vesting period	Fair value of options (pence)	Life (years)	Volatility
Jun 2013	343,945	-	-	2.718	-	11.96	10	45%
Mar 2014	200,000	-	-	15.500	-	8.76	10	45%
Nov 2014	1,075,000	-	-	17.625	-	9.96	10	45%
Jan 2015	1,000,000	-	-	19.000	-	2.59 - 8.81	10	45%
Dec 2015	50,000	-	-	20.250	-	4.22 – 8.18	10	45%
Dec 2015	590,099	609,901	-	25.250	-	9.40	10	45%
Aug 2016	-	200,000	-	28.500	-	16.11	10	45%
Aug 2016	-	200,000	-	28.500	-	16.11	10	45%
Aug 2016	-	450,000	-	28.500	Dec 2020	16.11	10	45%
Aug 2016	-	200,000	-	28.500	Dec 2021	16.11	10	45%
Mar 2017	-	200,000	-	42.500	-	19.63	10	34%
Mar 2017	-	200,000	-	42.500	Jan 2020	19.63	10	34%
Mar 2017	-	200,000	-	42.500	Jan 2021	19.63	10	34%
Mar 2017	-	200,000	-	42.500	Jan 2022	19.63	10	34%
Apr 2017	-	2,000,000	-	37.500	-	5.2 - 13.86	10	34%
Apr 2017	-	-	841,295	40.800	-	17.63	3	34%
May 2017	-	600,000	-	37.500	-	29.63	10	34%
May 2017	-	1,000,000	-	37.500	Jan 2021	29.63	10	34%
Jun 2017	-	200,000	-	42.500	-	20.46	10	36%
Jun 2017	-	200,000	-	42.500	Jan 2020	20.46	10	36%
Jun 2017	-	200,000	-	42.500	Jan 2021	20.46	10	36%
Jun 2017	-	200,000	-	42.500	Jan 2022	20.46	10	36%
Dec 2017	-	100,000	-	60.114	Jan 2020	30.10	10	38%
Dec 2017	-	300,000	-	60.114	Jan 2021	30.10	10	38%
Dec 2017	-	300,000	-	60.114	Jan 2022	30.10	10	38%
Dec 2017	-	300,000	-	60.114	Jan 2023	30.10	10	38%
Jan 2018	-	200,000	-	60.114	-	32.35	10	38%
Apr 2018	-	-	713,060	68.400	-	32.15	3	40%
Jul 2018	-	150,000		102.000	Jan 2020	52.61	10	38%
Jul 2018	-	275,000		102.000	Jan 2021	52.61	10	38%
Jul 2018	-	275,000		102.000	Jan 2022	52.61	10	38%
Jul 2018	-	300,000		102.000	Jan 2023	52.61	10	38%
Aug 2018	-	1,800,000		103.490	Jan 2021	56.14	10	40%
Aug 2018	-	2,000,000		103.490	Jan 2022	56.14	10	40%
Aug 2018	-	2,200,000		103.490	Jan 2023	56.14	10	40%
Aug 2018	-	2,000,000		103.490	Jan 2024	56.14	10	40%
Apr 2019	-	-	744,591	55.100	-	35.12	3	66%
Apr 2019	-	-	942,621	70.550	-	44.37	2	68%
Apr 2019	-	2,291,666	-	75.200	Jan 2021	55.64	10	68%
Apr 2019	-	2,291,667	-	75.200	Jan 2022	55.64	10	68%
Apr 2019	-	2,291,667	-	75.200	Jan 2023	55.64	10	68%
Apr 2019	-	2,291,667	-	75.200	Jan 2024	55.64	10	68%
Jul 2019	-	500,000	-	75.200	-	92.09	10	71%
Jul 2019	-	500,000	-	75.200	-	92.09	10	71%
Nov 2019	-	200,000	-	113.000	Jan 2022	75.10	10	57%
Nov 2019	-	200,000	-	113.000	Jan 2023	75.10	10	57%
Nov 2019	-	200,000	-	113.000	Jan 2024	75.10	10	57%
Nov 2019	-	200,000	-	113.000	Jan 2025	75.10	10	57%
Dec 2019	-	200,000	-	113.000	Jan 2022	88.04	10	52%
Dec 2019	-	200,000	-	113.000	Jan 2023	88.04	10	52%
Dec 2019	-	200,000	-	113.000	Jan 2024	88.04	10	52%
Dec 2019	-	200,000	-	113.000	Jan 2025	88.04	10	52%
Totals	**3,259,044**	**28,826,568**	**3,241,567**					

An option-holder has no voting or dividend rights in the Company before the exercise of a Share option.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

The weighted average share price at grant date of options granted during the year in the Unapproved Share Option Scheme at grant date was £0.841 (2018: £1.007) and the estimated fair value of each share option granted was £0.617 (2018: £0.348).

The weighted average share price at grant date of the Sharesave Scheme was £0.688 (2018: £0.855) and the estimated fair value of each share option was £0.351 (2018: £0.322). It is assumed that 50% of members will remain in the Group after three years.

The weighted average share price at grant date of the ESPP was £0.830 (2018: N/A) and the estimated fair value of each share option was £0.444 (2018: N/A). It is assumed that 50% of members will remain in the Group after two years.

A 1.78% (2018: 1.78%) risk-free interest rate has been assumed for all three schemes.

This estimated fair value was calculated by applying a Black-Scholes option pricing model. The expected volatility of the Group's share price is calculated based on an assumption of historical volatility. The option life factored into the model for EMI and Unapproved options is 10 years, for Sharesave scheme options 3 years and for ESPP options 2 years.

The expense and equity reserve arising from share-based payment transactions recognised in the year ended 31 December 2019 was £3,111,000 (year ended 31 December 2018: £1,254,000).

The weighted average share price at the date of exercise of options under the EMI Share Option Scheme was £1.016.

The weighted average share price at the date of exercise of options under the Unapproved Share Option Scheme was £0.860.

The weighted average share price at the date of exercise of options under the Sharesave Scheme was £1.008.

The number of options that are exercisable at 31 December 2019 is 7,468,945 (2018: 5,898,945).

26. Subsidiaries of the Group

The subsidiaries of the Group, all of which are private companies limited by shares, as at 31 December 2019, are as follows:

Company	Country of Registration or Incorporation	Registered Office	Principal Activity	Percentage of ordinary shares held by Group
Learning Technologies Group Holdings (UK) Limited *(previously named Epic Group Limited)*	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	Holding company	100%
Gomo Learning Limited	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	Mobile e-learning	100%
Leo Learning Limited *(renamed Learning Technologies Group*	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	Bespoke e-learning	100%

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

(UK) Limited in January 2020)				
Leo Learning Inc	USA	11 Broadway, Suite 466, New York, New York, 10004, USA	Bespoke e-learning	100%
Preloaded Limited	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	Educational Games	100%
Learning Technologies Group (Trustee) Limited	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	Employee Benefit Trust	100%
Eukleia Training Limited	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	Bespoke e-learning	100%
Rustici Software LLC	USA	210 Gothic CT # 100, Franklin, TN 37067-8256, USA	e-learning interoperability	100%
Learning Technologies Group (Hong Kong) Limited *(previously known as NetDimensions Limited)*	Hong Kong	17/F, Sui on Center, 188 Lockhart Road, Wan Chai, Hong Kong	e-learning software licencing and services	100%
NetDimensions, Inc.	USA	c/o The Corporation Trust Company (Delaware), 1209 Orange Street, New Castle, DE 19801, USA	e-learning software licencing and services	100%
NetDimensions (UK) Limited	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	e-learning software licencing and services	100%
NetDimensions (China) Limited	Hong Kong	17/F, Sui on Center, 188 Lockhart Road, Wan Chai, Hong Kong	e-learning software licencing and services	100%
NetDimensions (Australia) Pty Limited *(renamed Learning Technologies Group Pty Limited in January 2020)*	Australia	19 Northcote Street, Haberfield, NSW 2015, Australia	e-learning software licencing and services	100%
NetDimensions Asia Limited	Hong Kong/Philippines	17/F, Sui on Center, 188 Lockhart Road, Wan Chai, Hong Kong	e-learning software licencing and services	100%
Learning Technologies Group GmbH *(previously known as NetDimensions Germany GmbH)*	Germany	Arcisstr. 32, c/o Taxon GmbH, 80799 Munchen, Germany	e-learning software licencing and services	100%
Learning Technologies Group Holdings Limited *(previously named NetDimensions Holdings (UK) Limited)*	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	Holding company	100%

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

NetDimensions (Holdings) Limited	Cayman Islands	Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Catman, KY1-1104, Cayman Islands	Dormant	100%
Line Communications Holdings Limited	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	Dormant	100%
Line Communications Group Limited	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	Dormant	100%
PeopleFluent Holdings Corp.	USA	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808	Holding company	100%
Learning Technologies Group Inc. *(previously known as PeopleFluent Inc)*	USA	The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle DE 19801	Integrated talent management and learning solutions	100%
Learning Technologies Group (Canada) Inc *(previously known as Strategia Communications Inc)*	Canada	554-1111 RUE St-Charles O, Longueuil Québec J4K5G4, Canada	Integrated talent management and learning solutions	100%
Bedford HCIT Holdings Corp	USA	The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle DE 19801	Holding company	100%
KZO Innovations Inc	USA	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808	Video distribution software	100%
PeopleClick Limited	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	Integrated talent management and learning solutions	100%
PeopleFluent Limited	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	Integrated talent management and learning solutions	100%
Learning Technologies Acquisition Corp	USA	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808	Holding company	100%
Watershed Systems, Inc.	USA	c/o National Registered Agents Inc. 160 Greentree Dr STE 101, Dover, Kent, DE, 19904	SaaS Learning Analytics Platform	100%
Breezy HR, Inc.	USA	Corporation Trust Company, Corporation	SaaS Talent Acquisition Platform	100%

Trust Centre, 1209
Orange Street,
Wilmington, New
Castle DE 19801

The accounting reference date of each of the subsidiaries is coterminous with that of the Company with the exception of PeopleClick Limited whose accounting reference date is 30 September.

27. Reserves

The share premium account represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value and is non-distributable.

The merger reserve arose on the acquisition of Leo Learning Limited (formerly Epic Performance Improvement Limited) by Epic Group Limited in 1996, and the Company's reverse acquisition of Epic Group Limited. The merger reserve also includes the merger relief on the issue of shares to acquire Line Communications Holding Limited on 7 April 2014, Preloaded Limited on 12 May 2014, Eukleia Training Limited on 31 July 2015 and Rustici Software LLC on 29 January 2016.

The reverse acquisition reserve was created in accordance with IFRS3 'Business Combinations'. The reserve arises due to the elimination of the Company's investment in Epic Group Limited. Since the shareholders of Epic Group Limited became the majority shareholders of the enlarged group, the acquisition is accounted for as though there is a continuation of the legal subsidiary's Financial Statements. In reverse acquisition accounting, the business combination's costs are deemed to have been incurred by the legal subsidiary.

The share-based payment reserve arises from the requirement to value share options in existence at the grant date, it is the recognition of the fair value over the vesting period. (see Note 25).

The translation reserve represents cumulative foreign exchange differences arising from the translation of the Financial Statements of foreign subsidiaries and is not distributable by way of dividends.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

28. Related party transactions

	31 Dec 2019 £'000	31 Dec 2018 £'000
Amount owing (from)/to joint venture/associate:		
Current		
Trade balances with joint venture	(18)	(7)
Total	**(18)**	**(7)**

The amounts due to related parties were unsecured, interest-free and repayable on demand.

Balances and transactions between the Company and its subsidiaries are eliminated on consolidation and are not disclosed in this Note. Balances and transactions between the Group and other related parties are disclosed below.

Remuneration of Directors and other transactions

During the year there were no material transactions between the Company and the Directors, other than their emoluments (disclosed in Note 8) and the payments described below. The Directors of the Company are considered to be the key management personnel of the entity.

During the normal course of business, the Group purchased consultancy services totalling £6,000 in the year ended 31 December 2019 (2018: £nil) from Chapple by Design, owned by Aimie Chapple, a non-executive director, on an arm's length basis. The amount due/accrued to Chapple by Design at 31 December 2019 was £nil (31 December 2018: £nil).

During the normal course of business, the Group received services income during the year ended 31 December 2019 totalling £2,000 (2018: £nil) from Piers Lea, an executive director. The amount due from Piers Lea at 31 December 2019 was £2,000 (2018: £nil).

During the normal course of business, the Group purchased translation and accommodation services from RWS Group Limited totalling £428,000 in the year ended 31 December 2019 (2018: £521,000). Andrew Brode is the Chairman of RWS Group Limited. The amount due/accrued to RWS Group Limited at 31 December 2019 was £39,000 (31 December 2018: £124,000). These balances are included in trade and other payables (refer to Note 20).

Transactions with joint venture

During the normal course of business, the Group purchased graphics services from its joint venture, LEO Brazil, totalling £2,000 and received licence fee income, totalling £10,000 in the year ended 31 December 2019 (2018: 19,000 and £3,000 respectively).

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

29. Dividends paid

	31 Dec 2019 £'000	31 Dec 2018 £'000
Final dividend paid	2,337	1,396
Interim dividend paid	1,670	999
	4,007	2,395

On 8 November 2019, the Company paid an interim dividend of 0.25 pence per share (2018: 0.15 pence per share). Due to the impact of COVID-19, the Board is adopting a prudent approach to shareholder distributions and will therefore postpone the final dividend until market conditions normalise. The final dividend for the year ended 31 December 2019 would have been 0.50 pence per share, equating to a total pay-out in respect of the year of 0.75 pence per share (2018: 0.50 pence per share). The final dividend paid in 2019 relates to the year ending 31 December 2018.

30. Financial instruments

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

(a) Financial risk management policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Pounds Sterling. The currencies giving rise to this risk are primarily the United States Dollar, Canadian Dollar and Euro. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group maintains a natural hedge whenever possible, by matching the cash inflows (revenue stream) and cash outflows used for purposes such as capital and operational expenditure in the respective currencies.

The carrying amounts of the Group's foreign currency denominated financial assets and liabilities at the end of year were as follows:

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

	United States Dollar £'000	Hong Kong Dollar £'000	Euro £'000	Swiss Francs £'000	Canadian Dollar £'000	Australian Dollar £'000	Philippine Peso £'000	Total £'000
31 Dec 2019								
Financial assets	55,520	579	5,435	482	1,354	569	5	63,944
Financial liabilities	38,767	-	7	-	-	-	-	38,774
31 Dec 2018								
Financial assets	33,564	274	7,048	170	1,695	409	12	43,172
Financial liabilities	39,615	37	10	-	3	-	2	39,667

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to possible changes in the relative values of foreign currencies to which the Group is exposed as at the end of each year, with all other variables held constant:

	31 December 2019 increase/ (decrease) £'000	31 December 2018 increase/ (decrease) £'000
Effects on profit after taxation/equity		
United States Dollar		
- Strengthened by 10%	1,675	(605)
- Weakened by 10%	(1,675)	605
Hong Kong Dollar:		
- Strengthened by 10%	58	24
- Weakened by 10%	(58)	(24)
Euro:		
- Strengthened by 10%	543	704
- Weakened by 10%	(543)	(704)
Swiss Franc:		
- Strengthened by 10%	48	17
- Weakened by 10%	(48)	(17)
Canadian Dollar:		
- Strengthened by 10%	135	169
- Weakened by 10%	(135)	(169)
Australian Dollar:		
- Strengthened by 10%	57	41
- Weakened by 10%	(57)	(41)

Philippine Peso:		
- Strengthened by 10%	1	1
- Weakened by 10%	(1)	(1)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk sensitivity analysis

The Group's external borrowings at the balance sheet date comprise loan facilities on floating interest rates. The Group considers the exposure to interest rate risk acceptable.

If the interest rates had been 50 basis points higher and all other variables were held constant, the Group's profit for the year ended 31 December 2019 and net assets at that date would decrease by £177,000 (2018: £104,000). This is attributable to the Group's exposure to movements in interest rate on its variable borrowings.

(ii) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on the shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have a low risk profile as the Group has the right to bill the customer for work completed to date.

The expected loss rates are based on the historic payment profiles of sales and the credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information. Different loss rates have been calculated and applied to different business units, products and geography. The loss allowance calculated is detailed in Note 15.

Credit risk concentration profile

The Group did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics (2018: No significant credit risk exposure). The Group defines major credit risk as exposure to a concentration exceeding 10% of a total class of such asset.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of each reporting period.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

The exposure of credit risk for trade receivables by geographical region is as follows:

	31 December 2019 £'000	31 December 2018 £'000
United Kingdom	4,124	7,079
North America	18,443	22,601
Europe	3,497	4,527
Asia Pacific	980	583
Middle East and Africa	2,521	635
South and Central America	250	221
Allowance for impairment losses	(904)	(1,332)
	28,911	34,314

Ageing analysis

The ageing analysis of the Group's trade receivables is as follows:

	31 December 2019 £'000	31 December 2018 £'000
Not past due	21,904	25,371
Past due:		
- Less than three months	4,585	6,852
- Three to six months	842	1,744
- Past six months	2,484	1,679
Gross amount	29,815	35,646

Trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Collective impairment allowances are determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to experience of past defaults.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantial companies with good collection track record and no recent history of default.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. All Current Liabilities are repayable within one year.

Ageing analysis

The table below summarises the maturity profile of the Group's financial liabilities, including interest payments, where applicable based on contractual undiscounted payments:

Year ended 31 December 2019	**Less than 1 year £'000**	**1-2 years £'000**	**2-3 years £'000**	**>3 years £'000**	**Total £'000**
Trade payables	1,508	-	-	-	1,508
Borrowings	7,127	6,902	6,677	19,260	39,966
Contingent consideration	-	-	2,542	-	2,542
Lease payments	2,818	2,675	2,226	4,737	12,456
	11,453	9,577	11,445	23,997	56,472
Year ended 31 December 2018					
Trade payables	924	-	-	-	924
Borrowings	8,256	7,970	7,684	19,616	43,526
Contingent consideration	8	-	-	-	8
	9,188	7,970	7,684	19,616	44,458

(b) Capital risk management

The Group defines capital as the total equity of the Group attributable to the owners of the parent Company and net funds. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to provide funds for merger and acquisition activity.

During the year ended 31 December 2018, the Group fully repaid its debt facility with Silicon Valley Bank and replaced it with a new debt facility with Silicon Valley Bank and Barclays Bank for a total of up to $63m – see Note 22 – this is the only external debt finance of the Group.

The Company made dividend distributions of 0.60 pence per share during the year ended 31 December 2019 (2018: 0.36 pence per share).

Total equity increased from £168.8 million to £179.4 million during the year and net funds increased from net debt of £11.5 million to net cash of £3.8 million.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

(c) Classification of financial instruments

	31 Dec 2019 £'000	31 Dec 2018 £'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	28,911	34,314
Amounts recoverable on contracts	4,699	3,979
Amount owing by related parties	18	7
Cash and bank balances	42,032	26,794
	75,660	65,094
Financial liabilities		
Fair value through the profit and loss:		
Contingent consideration	2,542	2,386
	2,542	2,386
At amortised cost:		
Trade payables	1,508	924
Borrowings	38,202	38,259
Lease liability	11,957	-
	51,667	39,183

(d) Reconciliation of liabilities arising from financing activities

	Note	1 January 2019	Net financing cashflows	Interest paid	Fair value movement	Interest accrued	Acquisition of subsidiary	Foreign exchange movement	31 December 2019
Borrowings	22	38,259	589	(1,449)	-	1,487	-	(684)	38,202
Lease liabilities	22	14,465	(3,275)	-	-	468	275	24	11,957
Contingent consideration	20,21	2,386	(8)	-	-	248	-	(84)	2,542

	Note	1 January 2018	Net financing cashflows	Interest paid	Fair value movement	Interest accrued	Acquisition of subsidiary	Foreign exchange movement	31 December 2018
Borrowings	22	14,614	21,307	(1,224)	-	1,512	-	2,050	38,259
Contingent consideration	20,21	360	(193)	-	(183)	54	2,296	52	2,386

The loan from Silicon Valley Bank was designated as a hedging instrument in a net investment hedge. As a result, the foreign exchange gains and losses on the loan are taken to the other comprehensive income to be offset against the foreign exchange gains and losses arising on the retranslation of the net assets of foreign operations.

(e) Fair values of financial instruments

The financial assets and financial liabilities maturing within the next 12 months approximate their fair values due to the relatively short-term maturity of the financial instruments.

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

The Group holds certain financial instruments on the statement of financial position at their fair value. The following table provides an analysis of those that are measured subsequent to initial recognition at fair value through profit or loss, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 - Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Fair value measurements are those derived from inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly (derived from prices); and
- Level 3 - Fair value measurements are those derived from the valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value of the contingent consideration is calculated using actual and forecast results to value the amount which will be payable according to the earnout metrics on acquisitions. These liabilities are discounted to their present value using the Group's weighted average cost of capital of 10%. Both the future cash flows and discount rate used are unobservable inputs. Management believes that reasonably possible changes to the unobservable inputs would not result in a significant change in the estimated fair value.

There have been no transfers between these categories in the current or preceding year.

2019

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Contingent consideration	-	-	2,542	2,542
	-	-	2,542	2,542

2018

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Contingent consideration	-	-	2,386	2,386
	-	-	2,386	2,386

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 *(continued)*

31. Events since the reporting date

On 10 March 2020 Learning Technologies Group plc announced the proposed acquisition of the business and assets of Open LMS from Blackboard Inc for cash consideration of $31.7 million (subject to some customary price adjustments), to be funded by the Group's existing cash and bank facilities.

The proposed acquisition of Open LMS adds complementary expertise to the Group's existing proprietary software solutions, through the addition of expertise in the market's leading open-source Learning Management System (LMS), Moodle.

Following completion, Open LMS will be run as a standalone brand within LTG's portfolio of best-in-class businesses. LTG will support Open LMS through its existing operational infrastructure and, under a partnership arrangement, LTG will resell Blackboard's suite of products that integrate with Moodle to meet the demands of current and future customers.

Open LMS will be acquired by way of a combined asset carve-out and entity acquisition from Blackboard. In the year ended 31 December 2019 the Open LMS business generated unaudited revenues of c.$16 million. Approximately 70% of Open LMS's revenue is derived from recurring subscription fees.

All conditions relating to the acquisition of Open LMS were satisfied and the transaction completed on 31 March 2020.

There have been no other notifiable events between the 31 December 2019 and the date of this Annual Report.

Company Statement of Financial Position
(Registered number: 07176993)
As at 31 December 2019

	Note	31 Dec 2019 £'000	31 Dec 2018 £'000
Fixed assets			
Investment in subsidiaries	3	152,297	164,404
		152,297	164,404
Current assets			
Debtors	4	46,654	49,993
Cash and bank balances		17,886	3,136
		64,540	53,129
Creditors			
Amounts falling due within one year	8	7,018	6,960
		7,018	6,960
Net current assets		57,522	46,169
Total assets less current liabilities		209,819	210,573
Creditors			
Amounts falling due after more than one year	9	31,858	31,656
Net Assets		**177,961**	**178,917**
Capital and Reserves			
Share capital	7	2,509	2,501
Share premium account	7	148,176	147,520
Merger reserve	7	9,714	9,714
Share-based payments reserve	7	4,411	1,606
Retained profits		13,151	17,576
		177,961	**178,917**

Capital and reserves includes profit or (loss) for the year of the parent company, of (£0.724) million (2018 - £5.300 million).

The Notes on pages 106 to 111 form an integral part of these Financial Statements.

The Financial Statements on pages 104 to 111 were approved and authorised for issue by the Board of Directors on 15 April 2020 and were signed on its behalf by:

Neil Elton
Chief Financial Officer
15 April 2020

Company Statement of Changes in Equity
For the year ended 31 December 2019

	Note	Share capital	Share premium	Merger reserve	Share-based payments reserve	Retained Profits	Total
		£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018		**2,145**	**64,168**	**9,714**	**1,090**	**13,933**	**91,050**
Profit for the year		-	-	-	-	5,300	5,300
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**5,300**	**5,300**
Issue of shares	6	356	85,521	-	-	-	85,877
Costs of issuing shares		-	(2,169)	-	-	-	(2,169)
Payment of dividends		-	-	-	-	(2,395)	(2,395)
Share-based payment charge credited to equity	11	-	-	-	1,254	-	1,254
Transfer on exercise and lapse of options		-	-	-	(738)	738	-
Transactions with owners		**356**	**83,352**	**-**	**516**	**(1,657)**	**82,567**
At 31 December 2018		**2,501**	**147,520**	**9,714**	**1,606**	**17,576**	**178,917**
Profit for the Year		-	-	-	-	(724)	(724)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**(724)**	**(724)**
Issue of shares	6	8	656	-	-	-	664
Payment of dividends		-	-	-	-	(4,007)	(4,007)
Share-based payment charge credited to equity	11	-	-	-	3,111	-	3,111
Transfer on exercise and lapse of options		-	-	-	(306)	306	-
Transactions with owners		**8**	**656**	**-**	**2,805**	**(3,701)**	**(232)**
At 31 December 2019		**2,509**	**148,176**	**9,714**	**4,411**	**13,151**	**177,961**

Notes to the Company Financial Statements for the year ended 31 December 2019

1. General information

The Company is a public limited company, which is listed on the AIM Market of the London Stock Exchange and domiciled in England and incorporated and registered in England and Wales. The address of its registered office is 15 Fetter Lane, London EC4A 1BW. The registered number of the Company is 07176993.

2. Summary of significant accounting policies

(a) Basis of preparation

The Company's Financial Statements have been prepared in accordance with applicable law and accounting standards in the United Kingdom and under the historical cost accounting rules (Generally Accepted Accounting Practice in the United Kingdom).

The Directors have assessed the Company's ability to continue in operational existence for the foreseeable future in accordance with the FRC guidance on the going concern basis of accounting and reporting on solvency and liquidity risks (April 2016). It is considered appropriate to continue to prepare the Financial Statements on a going concern basis.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Profit and Loss account in these separate Financial Statements. The loss attributable to members of the Company for the year ended 31 December 2019 is £724,000 (year ended 31 December 2018: profit of £5,300,000).

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows
- the requirements of Section 11 Financial Instruments

(b) Fixed asset investments

Fixed asset investments in Group undertakings are carried at cost less any provision for impairment.

(c) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Notes to the Company Financial Statements for the year ended 31 December 2019 *(continued)*

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, deposits with financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(e) Income taxes

The charge for taxation is based on the profit/loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

(f) Pensions

The policy for the Company's defined contribution plan can be found in Note 2 of the Consolidated Accounts.

(g) Share-based payment arrangements

The policy for the Company's share-based payment arrangements can be found in Note 2 of the Consolidated Financial Statements.

Notes to the Company Financial Statements for the year ended 31 December 2019 *(continued)*

3. Investment in subsidiaries

	31 Dec 2019 £'000	31 Dec 2018 £'000
Cost		
At 1 January	164,404	91,160
Additions	3,015	73,244
Disposals	(15,122)	-
At 31 December	152,297	164,404
Amortisation/impairment:		
At 1 January	-	-
Provision for impairment	-	-
Disposals	-	-
At 31 December	-	-
Net Book Value	152,297	164,404

During the year, the Company transferred its investments in Preloaded Limited and Eukleia Training Limited to its subsidiary, Leo Learning Limited, as part of a group restructuring project.

Details of the Company's subsidiaries as at 31 December 2019 are set out in Note 26 to the Consolidated Financial Statements.

4. Debtors

	31 Dec 2019 £'000	31 Dec 2018 £'000
Amounts due from subsidiary undertakings	46,627	49,919
Deferred tax asset (see Note 5)	-	-
Other debtors	27	74
	46,654	49,993

Notes to the Company Financial Statements for the year ended 31 December 2019 *(continued)*

5. Deferred tax assets

	31 Dec 2019 £'000	31 Dec 2018 £'000
At 1 January	-	51
Deferred tax credit on share options in issue	-	-
Release of deferred tax on exercise of share options	-	(51)
At 31 December	-	-

6. Share capital

Details of the Company's authorised, called-up and fully paid share capital are set out in Note 24 to the Consolidated Financial Statements.

The ordinary shares of the Company carry one vote per share and an equal right to any dividends declared.

7. Reserves

The share-based payment reserve arises from the requirement to value share options in existence at the fair value at the date they are granted, it is the recognition of the fair value over the vesting period.

The share premium account represents the amount received on the issue of ordinary shares by the Company, other than those recognised in the merger reserve described below, in excess of their nominal value and is non-distributable.

The merger reserve represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value on acquisition of subsidiaries where merger relief under section 612 of the Companies Act 2006 applies. The merger reserve consists of the merger relief on the issue of shares to acquire Line Communications Holding Limited on 7 April 2014, Preloaded Limited on 12 May 2014, Eukleia Training Limited on 31 July 2015 and Rustici Software LLC on 29 January 2016.

8. Creditors: amounts falling due within one year

	31 Dec 2019 £'000	31 Dec 2018 £'000
Trade creditors	85	12
Contingent consideration	-	8
Other creditors and accruals	589	338
Borrowings	6,344	6,602
	7,018	6,960

Notes to the Company Financial Statements for the year ended 31 December 2019 *(continued)*

9. Creditors: amounts falling due after more than one year

	31 Dec 2019 £'000	31 Dec 2018 £'000
Borrowings	31,858	31,656
	31,858	31,656

The interest expense relating to the movement in present value of contingent consideration in the year ending 31 December 2019 amounted to £nil (2018: £24,000).

10. Related party transactions

The only key management personnel of the Company are the Directors. Details of their remuneration are contained in Note 8 to the Consolidated Financial Statements.

The following transactions with subsidiaries occurred in the year:

	31 Dec 2019 £'000	31 Dec 2018 £'000
Opening amount due from related parties	49,919	13,091
Amounts (repaid) by related parties	(40,361)	(12,790)
Amounts advanced from related parties	38,365	46,830
Foreign exchange differences	(1,296)	2,788
Closing amount due from related parties	46,627	49,919

The amounts owing to/from related parties are unsecured, interest-free and repayable on demand.

Notes to the Company Financial Statements for the year ended 31 December 2019 *(continued)*

11. Share-based payments

Details of the group share-based plans are contained in Note 25 to the Consolidated Financial Statements.

The Company operates an Approved share option plan. The Company's share-based payment arrangements are summarised below.

Approved share option plan - Enterprise Management Incentive ('EMI'):

	2019		2018	
	Number of options	**Weighted average exercise price (pence)**	**Number of options**	**Weighted average exercise price (pence)**
At 1 January	-	-	2,000,000	5.88
Exercises	-	-	(2,000,000)	5.88
At 31 December	-	-	-	-

An option-holder has no voting or dividend rights in the Company before the exercise of a share option.

No options were exercised during the year (2018: 2,000,000 options). No options were granted, forfeited or expired during the year (2018: nil)

The number of options that are exercisable at 31 December 2019 is nil (2018: nil).

Share-based payments which were expensed in the entity and taken to equity in the year ended 31 December 2019, amounted to £nil (year ended 31 December 2018: £nil). The remaining difference between the share-based payments which were expensed as per Note 25 and the entity, relate to the options over the Company's share capital held by employees of subsidiaries.

12. Dividends paid

Disclosure of dividends paid can be found in Note 29 to the Consolidated Financial Statements.

13. Subsequent events

Disclosures in relation to events after 31 December 2019 are shown in Note 31 to the Consolidated Financial Statements.

Company information

Directors
Andrew Brode, Non-executive Chairman
Neil Elton, Chief Financial Officer
Piers Lea, Chief Strategy Officer
Leslie-Ann Reed, Non-executive Director
Jonathan Satchell, Chief Executive
Aimie Chapple, Non-executive Director

Company Secretary
Claire Walsh

Company number
07176993

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