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Learning Technologies Group plc

ANNUAL REPORT 2020

For the year ended 31 December 2020

Closing the gap between current and future workforce capability

Digital transformation continues to change how organisations operate and behave.

The employee experience, as well as upskilling and reskilling, are becoming critical boardroom priorities. As the workforce moves to more remote working, some of the new approaches to work – especially the way people learn – will continue to change at pace.

"Pandemic boosts business case for investing in staff. Finance chiefs must prioritise talent retention as the economy starts to rebound."

Financial Times
January 2021

Respondents to the Q3 2020 CFO Signals survey ranked "retention of key talent" among their most pressing concerns.

Deloitte CFO survey
September 2020

"To most leaders, building employee skills is the best way to close the capability gap."

McKinsey
November 2020

Driving learning and talent for business performance

LTG integrates a group of best-in-class product and service companies in talent and learning that are ideal for a dispersed workforce. We have proven ability to help close the gap between an organisation's current and future workforce capability.

In addition, our software and service offerings extend beyond the customers' direct workforces, into their supply and distribution chains. This reflects the evolution in traditional boundaries of learning and talent management. The sophistication of our products and their ability to be configured to other systems enables us to fit solutions into our customers' processes, not the other way around.

This partnership of strategic thinking and technology provides a competitive advantage in a supply market which often fails to recognise the requirements of complex organisations in complex settings. As a result of recent acquisitions, LTG is now able to address a much greater proportion of the market across a broader geographical presence.





LTG at the heart of learning and talent innovation

We focus on real problems that companies and government bodies face around the world, taking great pride in thinking ahead to the next challenge and its resolution.

Innovation is in our DNA – from our investment in R&D to our approach to acquisitions. LTG threads data into the decisions businesses take to recruit, evolve and empower their people – in every language and region.

The challenge for companies and government bodies is dynamic and the events of the last year have accelerated the need for the products and services that LTG businesses offer in so many ways because they enable...

...a great employee experience for people working remotely

...the ability to give and receive performance feedback at the same time as identifying skills in an agile way

...career progression (for the individual) mapped to the future skills requirement (for the business)

...impactful learning experiences in an increasingly virtual workplace

...measurement and visualisation of the business impact of learning

...the link between recruitment, learning, performance and retention

...learning for external stakeholders beyond the direct workforce

...the crossover between education and the workplace

...creation, search and collaboration of user-generated content to augment operational learning in new ways

...and the ability to do all of the above (to the extent required) at different market sizes: large enterprise, mid-market and small.

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Chairman's statement

At our January trading update we were pleased to confirm that results for 2020 would see us report a resilient performance with revenue, adjusted EBIT¹ and cash ahead of market expectations. In 2020 we continued to make excellent progress with our strategy to build a global leader in software and services in the learning and talent sectors to meet growing demand from corporate and government customers.

During 2020, LTG broadened its offering and addressable market significantly. Notably, the acquisitions of Open LMS, eCreators and eThink have given us a large-scale capability in the open-source Moodle™ market. This enables us to offer open-source Learning Management System ('LMS') solutions alongside our broad range of proprietary software products, address new customers, sell new solutions to existing customers, and deepen our presence in Latin America, Australia and North America. We expect this to improve the growth profile of the Group, as it becomes less concentrated on the large-enterprise market. The acquisitions of Bridge, PDT Global and Reflektive in 2021 further strengthen our expansion into the mid-market.

Our share placing in May raised c.£81.8 million in gross proceeds to take advantage of the opportunity to accelerate future growth and gain further share of the c.\$358 billion² corporate learning market, and the talent management market. At the placing LTG introduced new strategic financial objectives to achieve run-rate revenues of c.£230 million and run-rate adjusted EBIT of c.£66 million by the end of 2022 and we are on track to meet these objectives.

Revenues in 2020 increased by 2% on a statutory basis. This included a decrease of 8% on an organic constant currency basis, which was more than offset by the contribution from acquisitions in the year. As anticipated, our Software & Platforms division saw high growth across the majority of our platforms, offset by a year-on-year decline in large enterprise

solutions due to deployment delays during COVID-19. Also as anticipated, our Content & Services division saw revenues decline by 24% on a like-for-like basis as corporates postponed certain projects. Content & Services sales have performed very strongly in the past six months, and we expect this division to return to 2019 levels in the coming year. Adjusted EBIT was £40.3 million (2019: £41.0 million), with adjusted EBIT margins of 30.5% (2019: 31.5%). Adjusted diluted EPS decreased by 1% to 4.294 pence (2019: 4.351 pence). Over the last five years the Group has delivered compound annual growth of 50% in adjusted diluted EPS. The Group's net cash position at 31 December 2020 of £70.2 million (2019: £3.8 million) was ahead of market expectations. This was primarily due to our continued strong operating cash conversion.

Environment, Social and Governance ('ESG')

In 2020 LTG made a concerted effort to review and extend best practice in its ESG initiatives and report more fully on measures in place. More importantly, LTG also empowers its clients to achieve their ESG priorities. As a business that helps companies to manage and develop their human capital, our platforms and services have helped to directly improve the talent development of more than 200 million people around the world during the past year. We provide more detail on this in the new ESG section of this report.

Current trading and outlook

Current trading for the year has started well and in line with management expectations. We expect a strong recovery in our Content & Services division, reflecting excellent momentum for sales in the past six months.

LTG has made three acquisitions in 2021 so far, Reflektive, PDT Global and Bridge, deploying the balance of the capital raised in 2020 and further increasing the proportion of Group recurring revenues. LTG's balance sheet remains strong, with net cash of c.£25 million at the end of February, and the Board continues to pursue an exciting pipeline of further acquisition opportunities.

We have made clear progress in our ambition to serve small, mid-size and enterprise tier clients with our targeted, multi-product solutions. The appreciation by corporates of the necessity, appropriateness and effectiveness of digital learning and talent management solutions will, in the Board's view, lead to increased levels of spending in 2021 and beyond, as the impact of lockdowns starts to recede.

Board matters, dividend and Annual General Meeting

On 1 October 2020 Simon Boddie joined the Board as our fourth Non-Executive Director ('NED'). Simon's appointment brings supplemental expertise to the Group including experience of acquisitions and integrations in emerging markets. This appointment takes the number of Board members and officers to eight, of whom four are NEDs and three are women.

The Board is committed to a progressive dividend policy. Based on strong cash generation and an improved trading outlook and promising recent acquisitions, the Board is confident about the year ahead. It is therefore recommending a final dividend of 0.50 pence per share (2019: 0.50 pence), giving a total dividend for the year of 0.75 pence per share, in line with the prior year.

If approved the final dividend will be paid on 25 June 2021 to all shareholders on the register at 4 June 2021.

The Board looks forward to updating shareholders on progress during 2021. The Annual General Meeting will be held on 26 May 2021.

Andrew Brode

Chairman

24 March 2021

¹ Denotes first Instance of an Alternative Performance Measure ('APM') term defined and explained in the Glossary on page 120.

² ©2021, Training Industry, Inc

Case study
Healthcare



Nebraska Medicine

Saving hours of effort and improving safety on the wards with an automated environmental rounding program

The challenge

Nebraska Medicine operates two hospitals and 40 health centres across metropolitan Omaha and the surrounding region, employing 8,000 medical staff and 1,000 doctors. With a close research and education partnership to the University of Nebraska Medical Center, Nebraska Medicine has built an international reputation in the domains of cancer care, organ transplantation and infectious disease.

Nebraska Medicine built a support ticket process for environmental safety auditing, a critical regulatory requirement in the US. However, the entry and merging processes were intensely manual – around 20 minutes per the roughly 250 observed areas, monthly. The team sought improved efficiency, quicker time to intervention and greater utilisation.



The solution

By combining Watershed’s Learning Record Store and Analytics Platform with Xapiapps, a mobile checklist app that captures xAPI learning data, Nebraska Medicine gained real-time data access, intervention measurement and greater overall efficiency.

The healthcare industry is a largely deskless employer. Giving staff the opportunity to tick boxes on a mobile device at point of discovery, and have that feed asynchronously into a central store is more efficient and convenient than entry and consolidation via spreadsheet. The new automated environmental rounds programme created similar efficiencies for auditors, managers and learning leaders via Watershed’s reports and always-on dashboards.

The results

The convenience of the solution means frontline staff more regularly collect data, and managers are more frequently reviewing and intervening. Since launching the programme in January 2020, collection and presentation turnaround time has more than halved. The innovative new system caught the attention of Safety National, which awarded Nebraska Medicine a reimbursement grant in December 2020 for its potential to reduce the risk of employee injury and illness.

“When you’re reporting out to leadership, being able to capture data in that moment is really powerful as opposed to going back days later. Having the ability to look at it and see the qualitative alongside quantitative is really valuable.”

- Frank Pietrantonio, Director,
Nebraska Medicine Office of Health Professions Education

Case study
Financial services



Comerica Incorporated

Transforming compliance to competitive advantage through award-winning diversity insights and affirmative action planning services

The challenge

Comerica, one of the largest US banks, operates more than 400 banking centres in three strategic business segments (commercial banking, retail banking and wealth management) across North and Central America. As a financial services company with 8,000+ employees, compliance is vital to Comerica’s operations. It faced several concerns, including:

- Its affirmative action programme (AAP) preparation was overburdening the workforce compliance team.
- Manual tracking of diversity metrics resulted in redundant reporting efforts.
- HR and executive leadership needed visibility of diversity across the organisation.
- A desire to extend the value of workforce data insights beyond regulatory compliance.

The solution

Since 2004, the bank has relied on Affirmity to develop and support its affirmative action program; diversity benchmarking, analysis and reporting; and pay equity studies. Affirmity contributes ongoing training to Comerica’s compliance and HR teams, delivering multiple webinars each month on good faith efforts (GFEs), recruiting compliance and other important regulatory issues.

The results

Today, Comerica can access a single source prepared by Affirmity experts for both compliance and diversity workforce data. Affirmity manages all aspects of AAP development and produces audit-ready AAPs for all Comerica locations within just 60 days – saving approximately four weeks of work. In recognition of its successful programme, Comerica earned a top-three ranking on the DiversityInc® regional companies list in 2020.

Additionally:

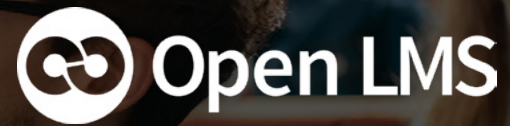
- Outsourcing AAP preparation frees up the compliance team for strategic planning.
- Configurable diversity reports meet the needs of multiple stakeholders.
- Centralised diversity analytics enable total visibility across the talent lifecycle.
- Reliable metrics and routine monitoring maintain momentum toward diversity goals.



“With Affirmity’s help, we’ve built years of solid data on hiring, promotions, and retention. We’re able to clearly articulate to our executive leadership how we’re progressing toward goals.”

- Nate Bennett, Senior Vice President,
Chief Diversity Officer, and Head of Talent Acquisition

Case study
Education/Government



ICFES

Keeping learning alive during a pandemic with world-first, secure, large-scale simultaneous electronic examinations

The challenge

The Colombian Institute for the Promotion of Higher Education (ICFES) is a regulator that helps implement national exams. When COVID-19 hit and the country went into lockdown, ICFES needed to continue monitoring the efficacy of its examinations for a suddenly off-campus national student base, including high school seniors, technical students, and undergraduates across the country.

With hundreds of thousands of students to serve, and given the five-hour-long nature of the exams, ICFES needed to ensure the quick and orderly delivery of exams and results, while ensuring the integrity of both.

The solution

ICFES turned to CognosOnline, which chose Open LMS as its learning solution partner. Open LMS was selected for this project specifically for its high scalability, allowing for the execution of multiple exams securely and reliably. Through Open LMS, exams could be created in an intuitive and accessible way, and be easily adopted by individuals responsible for uploading exam questionnaires.

Open LMS also worked frictionlessly with Sumadi, the selected online proctoring company. Sumadi uses AI and facial recognition to monitor students for suspicious activity under exam conditions, including using prohibited devices, interacting with third parties or accessing other webpages.



The results

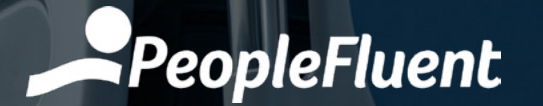
Successful execution of Open LMS and CognosOnline's plan for ICFES made Colombia the first country in the world to carry out national-scale exams entirely digitally, remotely and simultaneously – a historic milestone for the country and learning technology itself. In total, there were 326,000 Saber Pro (undergraduate) and Saber TyT (technical) written exams, all delivered via Open LMS, with 181 million photographic records recorded by Sumadi to prevent fraud.

The project cost less than the government would usually spend on face-to-face testing, and involved the training of 420 people in digital exam logistics and supervision. Results were delivered in just five days.

“Never before in the world has a virtual exam been carried out for so many individuals.”

- Fernelly Morales, CEO of CognosOnline

Case study
Healthcare



VCU Health

Creating a simplified, streamlined digital programme for COVID-19 training in just seven days

The challenge

The Virginia, US-based VCU Health Center first partnered with PeopleFluent Learning in 2011. Pre-COVID, it used the Learning Management System (LMS) to add new learning modules at a rate of 1,000 per year. However, the organisation's learning programmes were largely recorded via paper and pencil, and relied heavily on in-person training.

Once COVID-19 disruptions began, it became critical to rapidly deploy and track COVID-19 training for workers who were no longer able to attend in person. Learning and Development (L&D) leaders were given just a week to pivot and convert their manual learning programmes into a digital, accessible programme.



The solution

The PeopleFluent LMS presents VCU Health with the ability to deliver essential training via pre-recorded, online modules. Live sessions are enabled by video conferencing tools, and the healthcare centre can use the LMS to automatically send email invites to these users.

To help its 80 local healthcare unit partners keep pace and remain compliant, VCU Health Center created a small task force that used the PeopleFluent LMS to create and deploy COVID-19 education within the tight deadline.

VCU Health Center additionally began leveraging the PeopleFluent LMS to create and send reports. Some of these reports went directly to Virginia's governor and the Department of Health for national-level pandemic tracking purposes.



The results

After converting the manual training programmes into online learning formats, the healthcare centre has seen consumption of learning content by its workers increase significantly. From compliance to orientation training, the centre provides essential education for 24,000 staff, including nurses, clinicians and C-level employees. The entire process has been simplified and digitised thanks to a flexible platform with the necessary functionality to deploy learning initiatives at scale.

In the first nine months of 2020, VCU Health Center leveraged the PeopleFluent LMS to create and send 150 scheduled reports.

“I think we broke records.”

- Adrian Lamb, Learning System Administrator, VCU Health

Case study
Education/Tech

PRELOADED

BBC Earth

Using spatial computing to bring the natural world into people's homes

The challenge

Technologies such as Spatial Computing, Mixed Reality (MR) and Augmented Reality (AR) allow us to create experiences where digital and physical worlds fully interact with each other. They promise a planet-scale transformation of how we consume content and interact with our world.

To bring the power of this new technology to life, PRELOADED teamed up with BBC Studios to create a unique experience for the Magic Leap headset, a wearable spatial computer that overlays information in the user's field of vision. Together, the teams set out to prove and refine the educational and storytelling potential of this new medium.



The solution

BBC Earth – Micro Kingdoms: Senses merges users' worlds with those of a Leaf Cutter Ant colony in the tropical rainforests of Central America and a Wandering Spider in the Atlantic Forest of Eastern Brazil. Narrated by Stephen Fry, the experience invites PRELOADED's realistic creatures – modelled and animated using the BBC Natural History Unit's archive material for reference – to walk over your table, around your sofa or even up your walls.



In two chapters, users are able to observe, interact with and learn how these animals have evolved extraordinary senses to help them survive and thrive. Creatures driven by AI are used to simulate animals' natural reactions, helping audiences better understand and appreciate the extraordinary natural world.

The results

The final product is a spatial computing experience that promises to be an exciting new way to tell interactive stories and engage people with the natural world. The user experience, designed by PRELOADED, marries BBC Studios' 60 years of innovative storytelling with Magic Leap's cutting-edge technology.

This achievement was recognised when the highly prestigious World Congress of Science and Factual Producers awarded Micro Kingdoms the accolade of Most Innovative Factual Project, 2020.

"This experience is extraordinary because very quickly you forget that you're wearing a machine. You are literally just in the world of these animals."

- Doug Hope, Exec Producer BBC Studios Natural History Unit

Case study
Energy



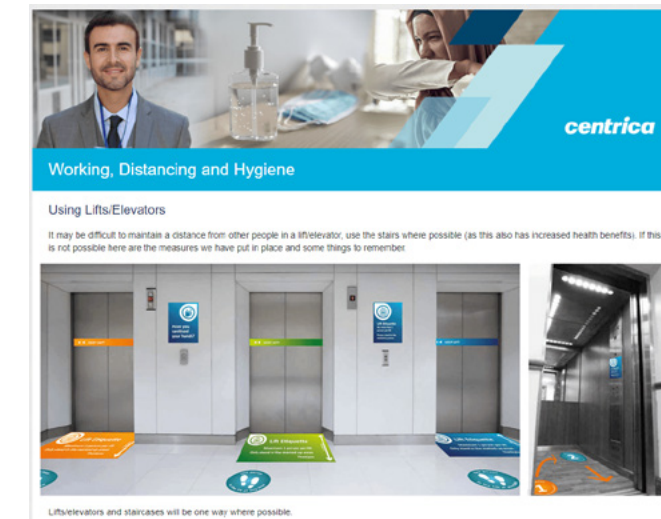
Centrica

Efficiently and flexibly transforming e-learning creation at scale, and enabling a rapid remote learning pivot due to COVID-19

The challenge

Centrica plc is an international energy services and solutions business, best known as operating under the names British Gas and Scottish Gas in the UK. Learning & Development (L&D) at Centrica is responsible for the depth and breadth of learning across the organisation's 25,000+ global learners, a combination of field engineers, gas apprentices, call centre agents, and workers at head office.

Centrica required an efficient, scalable e-learning authoring tool that would support plans to build an in-house design team that is less reliant on external agencies. The tool's output needed to support a desktop/mobile split between office workers and engineers in the field, and authoring needed to be accessible to non-L&D experts from around the business.

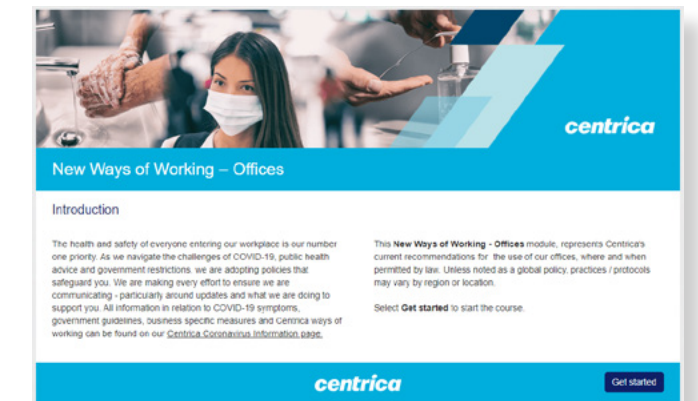


The solution

Centrica's new Director of L&D had championed Gomo in her previous role at a telecommunications company. Gomo allowed the team to quickly and intuitively build courses that were accessible on desktop, laptop, mobile and tablet.

A 15-strong team was upskilled on using the tool to revamp the course catalogue – a year-long endeavour that replaced outdated material with hundreds of new pieces refined using Gomo, and built to serve the team's new capability and job role mapping.

Centrica is a multi-layered organisation and the ability to provide links and assign reviewer roles to many different stakeholders also proved invaluable.



The results

The tool's ease of use and robust collaborative features have reduced turnaround times and Centrica is now creating 70% of its digital learning in-house. Having Gomo in place paid dividends during the 2020 coronavirus pandemic:

"The first couple of weeks were crucial: overnight our workers went fully remote. Without Gomo, we wouldn't have been able to deploy our comms and learning at the pace that we did. Gomo enabled us to support our people in a moment of need with new COVID-specific e-learning courses."

- Pinda Dhillon, Director of Learning and Development



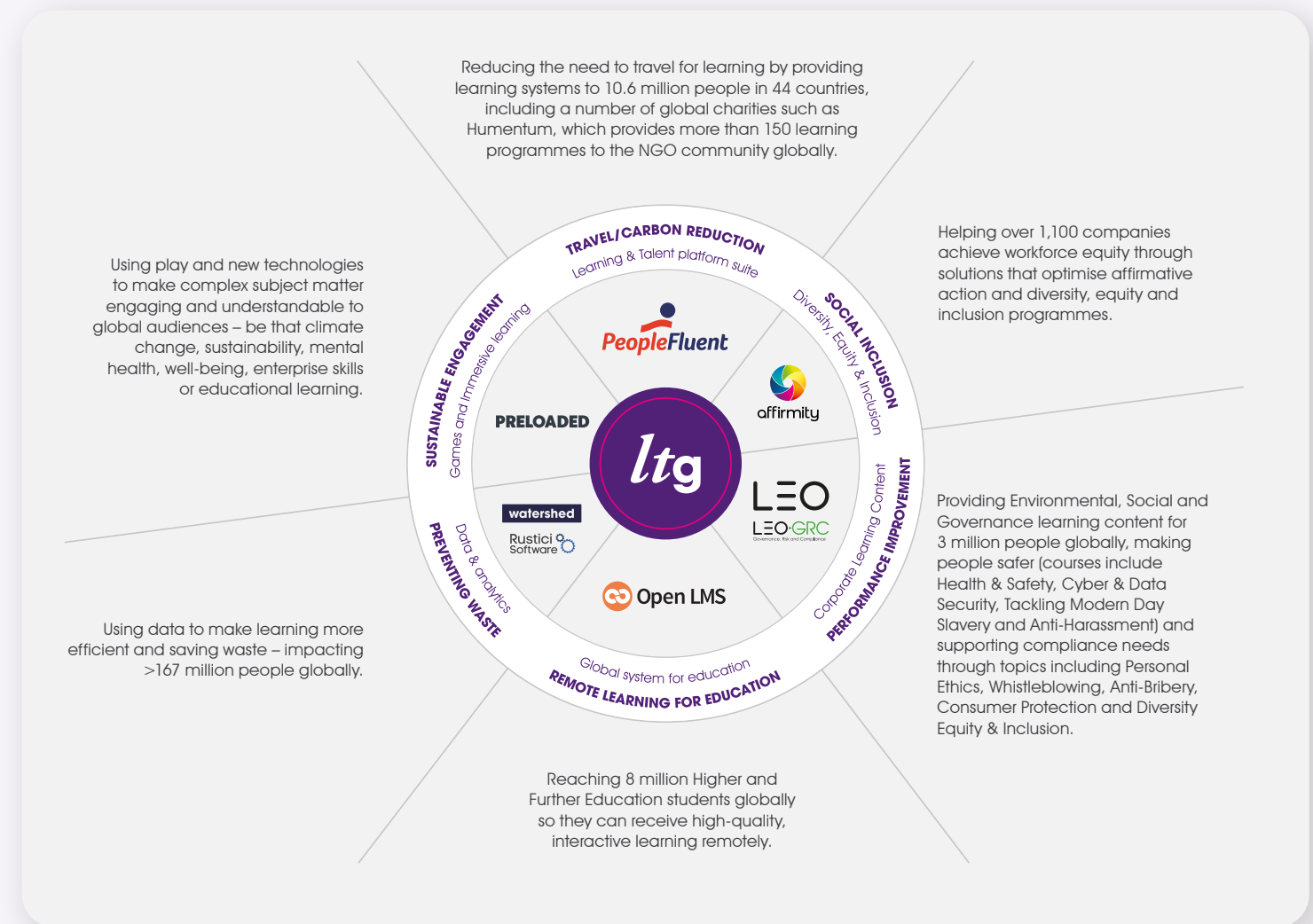
Empowering LTG customers to achieve their ESG priorities

Most of what Learning Technologies Group does for its customers fits ESG principles, as it has impact on Human Capital Development (HCM). In the case of Affinity and PDT Global, their work fits both HCM and Diversity, Equity and Inclusion (DE&I).

So, with an overall reach with Learning and Talent products and services to more than 53 million people (not including Rustici who provide the interoperability software in more than 70% of the worlds learning systems that reach a further 167 million people), ESG sits at the heart of LTG's market provision.

Within these numbers, LTG's work with the charitable, NGO and healthcare sectors reaches more than 1.7 million people.

The kind of supply ranges from systems by PeopleFluent to organisations like Humentum, which allow NGOs around the world to distribute their learning (300



workshops, e-learning offerings, and webinars) to content design and creation for the World Health Organization on topics like health financing to help teams understand different healthcare models. We have also recently been involved in helping field managers working for a global children's charity apply a decision support tool during large-scale immunisation programmes.

As part of our ESG work, we also supply systems and content pro bono. Examples include The Glass Door Homeless Charity (onboarding for 1,500 volunteers), and World Cancer Day 2021 (using Instilled to support Macmillan Jersey).

We are also proud of the work we have done for organisations such as The Humanitarian Leadership Academy, the Hemophilia Federation of America (HFA) and The Prince's Trust.

In a recent project for Save the Children, PRELOADED is creating a learning game for frontline humanitarian field managers to develop a range of competencies and learning outcomes to support their work in the field. This will launch as a pilot in 2021.

Two ESG case studies are on the following two pages:

Case study - ESG
Healthcare/education

PRELOADED

Oxford University

Using a game to enable young people to have a voice in the mental health debate

The challenge

The subject of prediction, early intervention and data privacy in mental health raises a lot of ethical considerations and, due to its academic nature, young people are often left out of a critical debate that will likely impact their future. Oxford University partnered with PRELOADED to understand how a game could be used as a vehicle to include young people in an important and ongoing debate that concerns their future.

The teams were presented with a unique challenge: could a game be both engaging as a play experience on a complex subject matter, while helping to collect meaningful data from the target audience to inform research?

The solution

The result of the collaboration was Tracing Tomorrow, a first-person, narrative-led exploration of the consequences of sharing mental health data. The storytelling mode, along with a succession of important and engaging decisions – with no correct answers – was chosen in order to motivate players to progress and explore the topic.

In the background, the game collected anonymised player demographics, gameplay choices, and gameplay analytics (before, during and after play) in order to assist in two key research objectives:

- Furthering the debate surrounding mental health prediction ethics.
- Proving the degree to which an interactive digital platform can be successful in both gathering research and delivering information.



The results

The finished product is a seamless synthesis of data research, emotional storytelling, and exploration of a weighty, current topic. Within four weeks of launch, the game had already delivered meaningful results. Over 15,000 young people had played the game, with a completion rate of 41%. This is considerably higher than the average completion rate for similar content produced as a non-interactive 30-second video (20%).

Most importantly the game, supported by a wider influencer marketing campaign, encouraged conversation among young people around mental health topics.

“Such an interesting concept! Really well produced and left me thinking a lot about my choices!”

- @harveypoxon on Twitter

Case study - ESG
Healthcare



Resuscitation Council UK

A four-day turnaround to help rapidly deliver essential, life-saving COVID-19 training

The challenge

Early in the COVID-19 global pandemic, the UK government's Project Nightingale response plan called for emergency field hospitals staffed by around 20,000 former NHS clinicians. Resuscitation Council UK (RCUK) was approached by a member of the team at NHS Nightingale, ExCeL London, on Wednesday 25 March, requiring resuscitation-specific digital course content for 30 March.

This content needed to be relevant to the NHS returners and the COVID-19 response. On top of the tight deadline, the returning clinicians wouldn't be enrolled in RCUK's systems and could be unfamiliar with digital learning environments.

The solution

Thanks to a decade-long relationship with LEO Learning hosting and supporting RCUK's learning platform, the organisation contacted LEO, who devised a solution using ITG's Learning Experience Platform (LXP), Instilled by PeopleFluent. A six-month, 100,000+ user license for the LXP was provided free of charge.

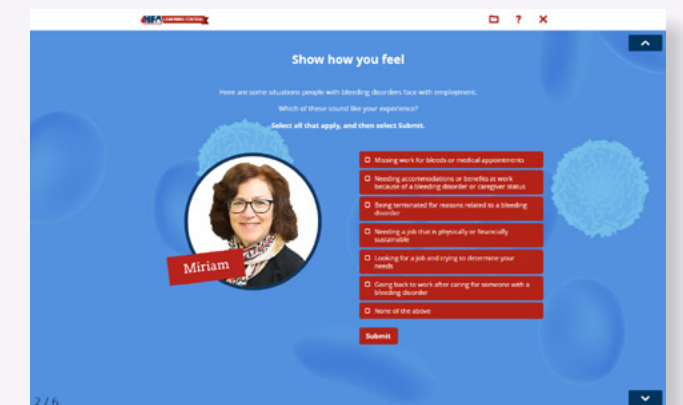
Pivotal features included:

- Flexibility: Format and hosting parameters were not yet defined. Instilled's wide-ranging compatibility covered all eventualities.
- Self-service login: Instilled could automatically and securely manage logins independently of RCUK's systems.
- Ease of use: Instilled presents content similarly to familiar video platforms, with integrated content recommendations and social features.
- Easy deployment: New users can be trained rapidly in the use of Instilled's intuitive systems.

The content was built using Gomo to be viewable on any device, anywhere. The initial five module course was adapted from RCUK resuscitation course material and included elements such as a field-downloadable COVID-19-specific algorithm for life support application.

The results

Working through the weekend, RCUK, LEO, Gomo, and PeopleFluent staff delivered the solution four days after briefing. By Thursday 16 April, the training had been accessed by 1,300 users.



“We contacted LEO Learning at a time of great urgency and were impressed with the suggestion of using the Instilled LXP and Gomo. We were quickly trained in how to use the LXP and pleased with how easily learners can get access to everything they need.”

- Sultana Begum Ali, e-Learning Product and Development Manager at Resuscitation Council UK

Growth strategy

Learning Technologies Group's ambition to build a global market leader in the digital learning and talent management software sector remains undiminished.

Despite the headwinds of recession caused by the COVID-19 crisis, we will focus on the emerging recovery, building the business through a mix of organic growth, strategic cross-selling and acquisitions. This will enable us to provide market-leading solutions to meet the increasingly demanding expectations of corporate and government customers.



The core focus is to develop and innovate Group businesses in the learning and talent software sector. We will broaden capability, extend geographical reach and increase specialist industry expertise. As well as finding domain-specific businesses that have reach and relationships into new client bases, we will increasingly join our newly-acquired technologies to suit a range of different customer types and sizes, with particular focus on the growing mid-enterprise market.

We will continue to extend our range of software and services to ensure LTG's offering is comprehensive and differentiated from the industry. Our base of 5,000 customers is fertile ground. The demand for the number of services and products being pulled from across the Group by our customers highlights the potential; the average number of products taken by our clients during 2020 increased by 7%. We will continue to build on this over the coming years.

With our Group capability to provide insight to customers via measurement and analytics, first-class customer service, and a focus on customer results, we will seek to maximise effectiveness and value for all our stakeholders.

Given our relative financial strength and commercial diversity, we will seek to combine sensible acquisitions with new areas of research and development. As one of only a handful of consolidators, we see an opportunity in the coming months to strengthen our capability to meet the growing global corporate demand for scale and reach in a supply market that remains fragmented.

CONTENT & SERVICES	LEO	Learning services - content and blends, learning campaigns, capability building and system implementation.
	LEO-GRC Governance, Risk and Compliance	Learning services for global risk and compliance - specialists in training for financial services and investment banking.
	PRELOADED	Immersive learning - play with purpose, learning games, augmented and virtual reality.
	affirmity PDT Global	Workforce compliance, diversity, equity and inclusion - US market-leader for affirmative action planning now combined with PDT DEI learning and change specialists.
SOFTWARE & PLATFORMS	PeopleFluent instilled breezy BRIDGE Reflektive	Integrated talent management in the cloud - Recruitment, performance, engagement, succession, compensation and learning solutions for large, mid-size and small enterprises.
	gomo LEARNING	Learning creation and distribution - SaaS product for learning creation and distribution, inclusive of authoring, delivery and analytics.
	Rustici Software	Technical interoperability - world leader in system interoperability and technical standards.
	watershed	Analytics and measurement - industry-leading learning record store with powerful visualisation for management decision-making.
	VectorVMS	Contingent workforce management system - to control costs, maintain compliance, and drive efficiency.
	Open LMS	Open-source LMS and support for higher education/corporate customers - flexible and scalable learning platform to address diverse student and faculty needs.



Strategic report

For the year ended 31 December 2020

Chief Executive's review

Market overview

The learning and talent management markets are highly fragmented and fast evolving. There are a large number of specialised operators, but few are able to offer a full range of products and services, enabling them to orchestrate the kind of holistic solutions required by leading corporations or government organisations. LTG is a specialised product and services provider that can address these more demanding needs with broader, data-driven solutions to help drive successful workforce development and transformation outcomes.

Five forces are driving the need for corporates and governments to reskill and transform their workforces: the complexity of business and work; the pace of change; unprecedented demographic shifts; the need to compete through productivity; and changing relationships to work.



The global corporate training market was estimated to be worth approximately \$358 billion³ in 2020 and is forecast to grow at approximately 3% in 2021. A survey conducted by LTG in December 2020 suggested that 78% of respondents expect 2021 training budgets to increase by more than 3%. The training 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.

³2020 Market Sizing - Source: Training Industry, Inc. Research Data

⁴Original EBIT target set at £55 million before adjusting for share-based payments and IFRS16

The complementary talent management market refers to the wide array of integrated applications that help companies to optimise the recruitment, performance management, learning & development, diversity and inclusion and compensation management of employees. This software enables companies to track individual employees from the date of hiring through the complete employee lifecycle in the organisation, facilitating employee engagement and retention as well as helping companies to align their business strategies with the professional development of their workforce. LTG is meeting the needs of organisations to reskill their workforces and close the gap between current and future capability.

Strategic Goals

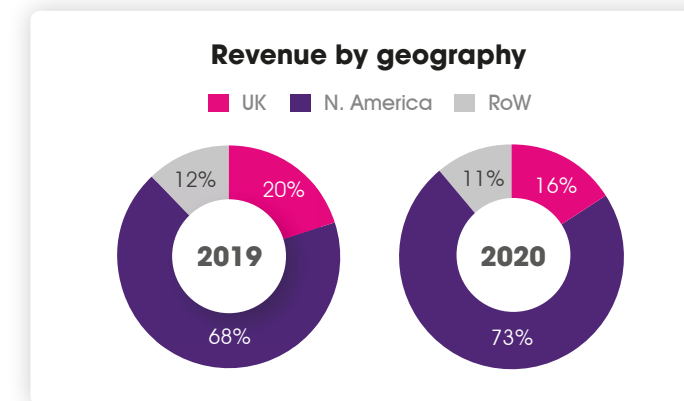
In November 2018, the Board announced its ambition to achieve run-rate revenues of £200 million and run-rate adjusted EBIT of at least £51 million by the end of 2021, under LTG's current accounting policies⁴. This target still stands, and the Board is confident about achieving these stated goals based on the Group's underlying performance supported by the acquisitions made during 2020 and early 2021.

On 28 May 2020 LTG announced a share placing that raised £81.8 million in gross proceeds at a share price of 127.0 pence. In 2020 LTG introduced new strategic financial objectives to achieve run-rate revenues of circa £230 million and run-rate adjusted EBIT of circa £66 million by the end of 2022. As before, LTG intends to meet these financial objectives through a combination of organic growth and additional strategic acquisitions that are complementary to the current business, financed through the proceeds of the May 2020 placing, operating cash flows and moderate debt leverage, but without further dilution to shareholders.

The purpose of the May 2020 placing was to take advantage of the macroeconomic backdrop to accelerate future growth within the growing corporate talent development market. The funds raised were to be used to finance a 12-month pipeline of acquisition opportunities in a highly fragmented market where LTG's management believed high-quality assets were becoming available at compelling valuation levels. As at the date of this report, the Company has delivered on this objective.

The Group continues to target highly relevant acquisitions in both the Software & Platforms and Content & Services segments. Our strategy is to expand into new areas of the talent management ecosystem, acquire best-of-breed products and build a multi-solution offering for our clients that combines specialist products with class-leading advisory services. We aim to achieve a level of quality, functionality and experience in both software and services that enables us to provide customers with a unique and valuable offering.

The Directors further believe that COVID-19 will accelerate these trends by creating a greater willingness to continue to use digital learning in place of classroom formats and a greater desire to manage human capital more efficiently and effectively in a more remote-working world.



We will continue to evaluate strategic acquisitions of scale that would be additive to the targets outlined above. Strict criteria are used in assessing all acquisitions including the financial effects, integration risk and prospective returns.

Expanding the Group's market opportunity with open-source software

Two key elements of LTG's acquisition strategy are to expand its addressable market and to focus on cross-selling opportunities for its largest 50 customers to build a global market leader in the digital learning and talent management software sector. Part of this strategy is to build a substantial open-source software ('OSS') offering to complement LTG's large enterprise, mid- and small-market proprietary software solutions. Many clients have a requirement for a flexible, value-for-money orientated LMS solution which they can either develop, host and service themselves or which they can partner with a trusted agency to deliver their chosen OSS solution.

During 2020, through the execution of three acquisitions, the Group became the largest global supplier of expertise, hosting and services for the market's leading open-source LMS, Moodle™. The purchase of Open LMS in March 2020, followed by the acquisition and integration of eCreators and eThink under the Open LMS brand, has made LTG the global leader in this market. LTG aims to professionalise this market by bringing scalable hosting expertise, world-class service delivery levels and complementary products and services whilst also championing the ideals of the open-source market by making its OSS products truly available to all.

In addition to giving LTG a significant presence in the open-source market, these acquisitions have enabled the Group to address new higher education customers, as well as

broadening its ecosystem offering to an extensive and growing customer base that was not previously served. The acquisitions also substantially extend LTG's geographical footprint to Latin America and Australia.

Investment Case

The Group provides investors with access to organic growth, high levels of profitability, strong cash generation and a proven acquisition strategy in a growing and fragmented market with plentiful opportunities for the future.

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 of these together in pursuit of business performance goals. The complexity of workforce transformation demands integrated products with broad and rich functionality and highly-skilled staff to deliver a complete solution. LTG has made strong progress in recent years to build an increasingly unique set of capabilities that we believe others will find hard to match.

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. We believe that certain structural trends are increasing demand for our solutions and COVID-19 has acted as an accelerator of these trends by driving increased use of digital learning and online working.

Strategy and Business Model

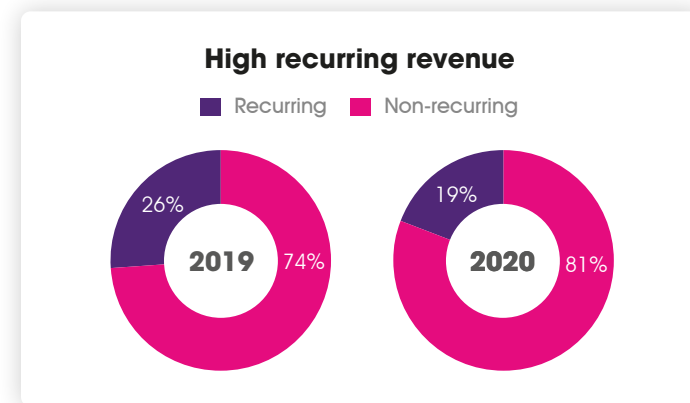
Since its inception in 2013, LTG has grown to become a market leader in the fast-growing workplace digital learning and talent management markets. The Group now employs just over 1,100 people in 15 locations across Europe, the United States, Asia-Pacific and South America.

We continue to pursue our strategy of helping organisations to adopt learning at a strategic level. 'Moving learning to the heart of business strategy' is achieved through our end-to-end

Strategic report (continued)

For the year ended 31 December 2020

service offering which enables us to partner with global clients throughout the creation, implementation and maintenance of their learning strategies. We aim to deliver transformational results through learning innovation and the effective use of the best available learning and talent management technologies. For the fifth successive year LTG has been named as a 'Strategic Leader' in the respected industry analyst Fosway Digital Learning report⁵.



The management team has a proven track record of delivering and integrating 16 acquisitions over the past seven years to February 2021, increasing scale and capabilities across multiple geographies, and contributing materially to shareholder value. LTG's acquisition approach is to either acquire fast-growing businesses with strong software and/or services and high-quality leadership, or to take on underperforming businesses with strong underlying assets and drive improvements in the operating model, integrating with LTG's core capabilities and focusing on managing the cost base, improving utilisation and margins, and driving strong cash generation.

The Directors expect that acquisitions are most likely to come from its well-researched and developed pipeline of target companies.

During 2020 LTG's capabilities were extended to the high-growth, Moodle™ open-source LMS market, and our offering for small and mid-sized customers was strengthened. LTG now has the capability to deliver multiple best-of-breed SaaS solutions encompassing talent acquisition (recruitment and onboarding), talent management (performance, succession, compensation, diversity and inclusion and organisational planning), organisational agility (talent mobility and engagement), and market leading learning management, data analytics and self-authoring tools.

Investment in innovation for long-term growth

LTG continues to innovate in two principal domains. The first is working with customers and partners to build bespoke solutions in real environments. Rather than invest in speculative solutions, LTG prefers to partner with clients to build innovative solutions, using real data to prove genuine business impact. The second domain relates to the rationalisation of an expanding product portfolio so that products gradually move towards each other and we are able to deliver more valuable and cohesive solutions.

Recent examples of moving products towards each other have included the integration of Instilled's next-generation Learning Experience Platform (LXP) with PeopleFluent. This has allowed PeopleFluent customers to elevate their users' experiences by enabling them to build, share and recommend content, empowering them to create their own 'learning journeys'. Another example has been sharing the success of Breezy's mid-market recruitment software capabilities with the PeopleFluent Recruiting enterprise solution.

LTG has three key principles underlying its R&D strategy. 'Never in isolation' means that products are kept customer and market informed, particularly for customers that indicate conviction through their spending. Applying 'familiar technology' via new approaches is a low-risk way to apply existing technology to different markets. Rustici for example has used this principle to create a new line of business with dual focus: multi-LMS support for organisations and support for the extended enterprise; delivering content to different audiences. The third principle is to 'invent only when appropriate'. An example of this is PRELOADED's application of XR (extended reality including AR and VR) technologies.

As well as re-invigorating established software solutions, LTG has also developed new products to address changing requirements in the marketplace. With more than 5,000 customers LTG has excellent market access which allows for real-time 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 particularly suits large- and medium-sized 'traditional' businesses facing substantial transformation challenges in the coming years. For example, we have deployed PeopleFluent's Instilled and Rustici's Content Controller home-grown products into a range of new and existing customers including a large oil company that is transforming to becoming a global energy business.

Divisional review

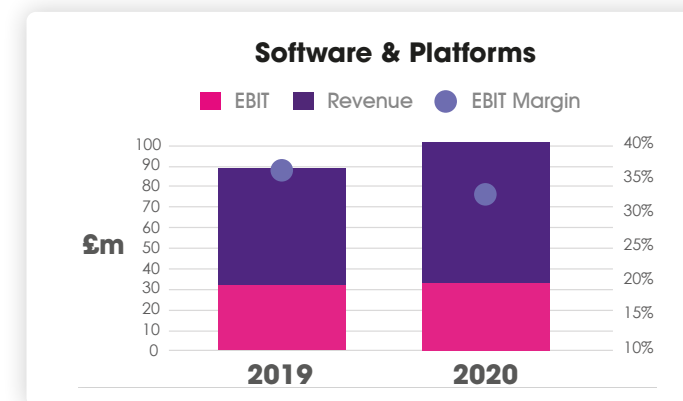
Software & Platforms

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

Overview and performance

In 2020 Software & Platforms accounted for £100.0 million or 76% of Group revenues, up 13% from £88.6 million (68%) in 2019. This increase was primarily due to the nine-month maiden contribution from Open LMS. On an organic, constant currency basis revenues were flat for the year. As anticipated the enterprise talent management software market, where deployments can take 6-9 months, was briefly impacted by COVID-19 as corporates delayed procurement; this substantially affected PeopleFluent's sales pipeline in the second and third quarters of 2020 where revenues declined compared with 2019. However, LTG's other core software products showed strong growth in the year.

The Software & Platforms division contributes 90% (2019: 89%) of the Group's recurring revenues. Adjusted EBIT margins were lower at 32.2% versus 35.6% in 2019 due partly to acquisitions in the year delivering lower margins in the short term and a greater proportion of central overheads allocated to the division based on share of Group revenue.



For the Software & Platforms division 2020 was a year of demonstrable resilience with organic growth in the small and mid-size markets ('SMB') coupled with three acquisitions that brought global expertise in high-growth open-source solutions. Signs of our customers' procurement processes being unlocked at the enterprise end of the market started to appear in the fourth quarter.

LTG strengthened its PeopleFluent talent development software offering in 2019 with the development and integration of the Instilled LXP providing a world-class user experience, and the integration of the market-leading Watershed Learning

Analytics Platform ('LAP'). In 2021 we are bringing Gomo, LTG's cloud-based authoring and distribution platform which enables customers to create and deliver e-learning content online, in a device-agnostic manner, under the PeopleFluent umbrella. This move is designed to support team collaboration and further expand the Group's offering horizontally, so that it can leverage LTG's deep expertise and ecosystem-leading technologies into a multi-solution software and service offering with best-of-breed capabilities.

Breezy, the talent acquisition specialist acquired in April 2019, produced another excellent year in 2020. Breezy has a highly scalable, self-service, SaaS-based model serving the small and mid-size markets ('SMB'). Breezy is currently focused on the self-service recruitment market but the Directors see an opportunity, working with PeopleFluent and the recently acquired Reflektive, to create a broader talent management solution for SMBs, with its own performance management and analytics offering. This will help LTG to build on Breezy's success with a broader and differentiated offering in this high-growth market segment.

The Open LMS acquisition in April 2020, followed by the acquisition and integration of eCreators and eThink, has meant that LTG can now leverage open-source software to deliver an effective and engaging learning experience to a new segment of the market. As the largest commercial Moodle™ services provider in the world, Open LMS helps organisations and institutions deliver a dynamic and customisable learning platform designed to meet their specific needs. eThink brings a strong presence in North America, eCreators is the market leader in Australia, and combined with Open LMS's presence in other emerging markets such as Latin America, the combined Open LMS business has a truly global footprint.

LTG remains uniquely positioned as the global leader in e-learning standards through its Rustici business. This expertise is foundational to making digital learning and training content and platforms work together. Rustici therefore plays a key role across all facets of the learning technology space, from content creation and testing, to distribution and tracking. Rustici serves around 2,000 customers worldwide across the spectrum from learning platforms and content publishers to large organizations and government agencies. During 2020, increased demand for digital learning tools led to increased interest in standards-based solutions and this helped LTG to perform strongly once again in this area.

LTG's solutions in learning analytics are spearheaded by Watershed. Its SaaS products provide actionable insights to customers who want to adapt their learning strategies, create more effective learning experiences and ultimately generate verifiable business results. There are significant cross-selling opportunities with other LTG customers and Watershed has established itself as the proven leader in learning analytics,

⁵ <https://www.fosway.com/9-grid/digital-learning-2-2/>

Strategic report (continued)

For the year ended 31 December 2020

with large-scale global deployments by many large corporates including Verizon, Johnson & Johnson and PwC.

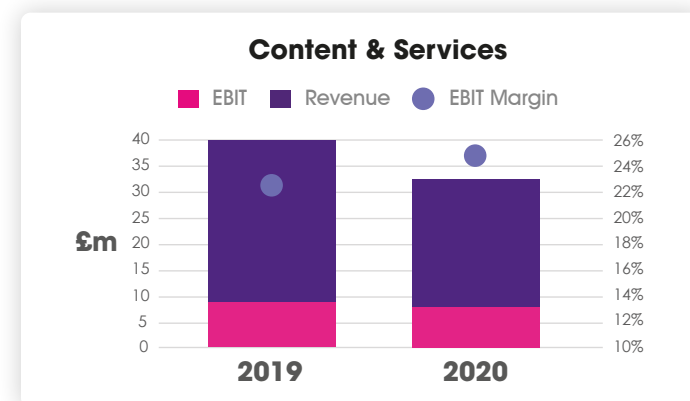
VectorVMS enables LTG to provide solutions to help clients manage all non-employee labour through the full sourcing and management lifecycle. During the year the business built out its mobile app, adding functionality and compliance by driving accessibility to all individuals. However, 2020 saw the business impacted by a steep drop in contractor usage across the client base due to COVID-19. Corporations and governments made rapid shifts to reduce or eliminate their temporary workforces and the business saw an increase in customer churn as a result but also some significant new client wins including Jacobs Engineering Group in the UK and Lenovo in the US.

Content & Services

The majority of Content & Services projects are delivered on a non-recurring, fixed-price basis. Through its well-trying 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. As a result the division has consistently achieved industry-leading margins.

Overview and performance

In 2020 the Content & Services division accounted for £32.2 million or 24% of Group revenues (2019: £41.4 million; 32%). The organic revenue decline at constant currency of 24% was in line with previous guidance, gross margins remained constant from year-to-year, aided by LTG's flexible operating model, and adjusted EBIT margins increased from 22.6% in 2019 to 24.9% in 2020, driven by a lower central overhead charge (allocated between divisions based on revenue share).



As anticipated, corporates postponed projects in the second and third quarters as they assessed the impact of COVID-19 on their businesses. LTG also saw a reduction in new systems implementation fees as corporates delayed the procurement of enterprise software.

LEO, the Group's innovative digital learning specialist, continued to deliver organisational transformation. Its world-class consultancy and strategic learning blend design capabilities, supported by creative content, rich media, tools and platform integration are all driven by an expert global team on the front line of custom digital learning. LEO's reputation is exemplified by its prestigious contract wins and industry awards which included a coveted Gold award at Brandon Hall 2020 for its work with Sellafield Ltd and Lane4, and an Investment Week Marketing and Innovation award for its work with Fidelity International.

During the year Eukleia, the Group's financial services subject matter expert, was merged into LEO to form LEO GRC ('Governance, Risk & Compliance'). This new team combines Eukleia's specialist GRC expertise with LEO's industry leading production studio and related services to provide a compelling offering to corporates in highly-regulated markets.

Although, as predicted, LEO and LEO GRC saw a substantial year-on-year reduction in revenue as clients postponed projects, particularly in the heavily impacted travel and hospitality sectors, sales towards the end of 2020 accelerated and have continued to do so in early 2021 giving the Board confidence that revenues will fully recover to pre-pandemic levels this year. LEO is seeing significant interest from global corporates who are urgently looking to advance their talent development programs in a world of increased remote working and where traditional face-to-face training models are also being impacted by environmental sustainability concerns.

LTG's highly regarded games studio, PRELOADED, continued to support the Group's position as a leader in immersive learning by innovating at the edges of Extended Reality (XR) and AI technologies.

PRELOADED developed a series of corporate learning experiences in virtual reality including a physical therapy experience for a major US rehabilitation platform; enabling end-to-end learning in XR, and scalable ROI, connecting real-time data with real-world behaviours. Together with Oxford University, the business created Tracing Tomorrow, a game designed to encourage a debate around mental health issues, reaching over 15,000 students within four weeks of launch. PRELOADED also began the development of a game with Save The Children to improve the front-line training and emergency response of field managers, scheduled to launch later in 2021.

2020 saw significant interest in Diversity & Inclusion ('D&I') practices in the workplace as awareness increased following the 'Black Lives Matter' protests and increased regulatory and governance scrutiny of corporate ESG actions. Affirmity, LTG's D&I affirmative action specialist solutions provider, responded by authoring several new e-learning modules and expanded

its capabilities in existing diversity analytics software and services. Affirmity also launched a software tool for managing Employee Resource Groups and this is already being adopted by several large corporates. Diversity-related new business remains buoyant and we are excited by the enhanced opportunities presented by the acquisition of PDT Global in early 2021. From 2021 we will report the Affirmity and PDT Global businesses within the Content & Services division as the majority of their combined revenue is consultancy in nature; the allocation of reported numbers between divisions in Note 5 is unaffected by this presentational change.

Working across a broadening range of industries, and supporting long-term clients during a challenging year, LTG has seen an increase in services and content in the area of innovative learning blends, social and networked learning, and gamified learning programmes. Our technical teams have continued supporting the complex technical integration of learning tools into more effective learning ecosystems. Further, new programmes from a major multi-platform and content roll-out for a global energy organisation, to a new customer learning brand for a major social networking provider lead some of our major projects into 2021.

Acquisitions

Open LMS

On 31 March 2020 LTG completed the acquisition of Open LMS, the largest global supplier of services, hosting and support to the market's leading open-source LMS, Moodle™.

The business and assets of Open LMS were acquired from Blackboard Inc. for a consideration of \$27.2 million (£21.9 million), funded by the Group's existing cash and bank facilities. In the year ended 31 December 2019 Open LMS generated unaudited revenue of c.\$16 million, approximately 70% of which were recurring subscription fees. Transaction costs charged to the income statement totalled £0.4 million.

eCreators

On 1 October 2020 LTG completed the acquisition of eCreators, Australia's largest provider of services supporting Moodle™. Cash consideration at completion was A\$6.0 million (c.£3.3 million) with performance payments capped at A\$6.5 million (c.£3.6 million) based on ambitious revenue growth targets in the three years to 2023. In the year to June 2020 eCreators generated unaudited revenues of A\$4.6 million (c.£2.6 million) of which approximately 70% were recurring subscription fees.

eThink Education

On 4 December 2020 LTG completed the acquisition of eThink Education, an industry leader in the North American, Moodle™ LMS services market.

The cash consideration at completion was \$19.1 million (c.£14.4 million). Further performance payments are capped at \$16.0 million (c.£12.0 million) based on ambitious revenue growth targets in the three years to 2023. eThink has delivered strong and consistent growth and achieved unaudited revenues of c.\$9.5 million and c.\$2.8 million of EBIT in 2020.

The three Moodle™ LMS services businesses will operate closely under the Open LMS brand and bring LTG global coverage of this growing market. On a combined basis the Open LMS business now generates proforma revenues of c.£25 million, manages more than 1,400 cloud-based Moodle™ clients, and services more than 8 million users globally. As part of our commitment to the principles of open-source software we will make available a range of our Open LMS software, for no licence fee, so that users can operate it in their own environments and with the hosting and service providers of their choice. This includes our leading Moodle™-based, open-source LMS, Learnbook, which we are rebranding as Open LMS Work.

During 2020 we also completed two bolt-on acquisitions to complement the Group's software offering: Patheer and JCA. The former is the provider of the foundational technology behind PeopleFluent's new Talent Mobility platform which is addressing organisations' increasing focus on developing and retaining their own internal staff. The latter is complementary to and has been incorporated within Rustici.

Further details on these acquisitions are provided in Note 14.

In early 2021 LTG completed three further acquisitions which are summarised below.

Reflektive

On 31 January 2021 LTG completed the acquisition of Reflektive for an initial cash consideration of \$14.2 million (c.£10.4 million), a leading performance management software provider headquartered in San Francisco. This highly complementary acquisition brings agile performance management software, expanding PeopleFluent's capabilities with flagship engagement and analytics tools. Reflektive offers a collaborative goal-setting, continuous feedback and analytics platform that enables users to provide measurable results for boosting productivity, engagement, and retention. The business achieved unaudited revenues of c.\$14.2 million in 2020, of which the vast majority were derived from recurring annual and multi-year contracts. Although Reflektive generated an EBITDA loss of c.\$7.0 million in 2020, LTG expects the acquired business to be earnings accretive in the second half of 2021 and aligned with typical software division margins by early 2022.

Strategic report (continued)

For the year ended 31 December 2020

PDT Global

On 5 February 2021 LTG completed the acquisition of UK-based PDT Global, a leading provider of D&I training solutions, for an initial cash consideration of £13.2 million. Further performance payments capped at £7.0 million are payable in cash, based on ambitious incremental revenue growth targets in the three years to 2023. PDT Global will operate alongside Affinity, LTG's existing D&I business based in Irving, Texas. The two businesses bring together highly complementary offerings which will enable clients to objectively measure and track their D&I performance and implement the tools, processes and learning required to make appropriate changes. In 2020 PDT Global delivered unaudited revenues of c.£4.8 million and EBIT of c.£2.0 million.

Bridge

On 26 February 2021 LTG completed the acquisition of getBridge LLC and related assets ('Bridge') for a cash consideration of \$50.0 million (c. £36.1 million). Bridge provides a highly user-focused learning management system in addition to performance, engagement and skills development products on a SaaS-based platform and represents a significant extension of LTG's mid-enterprise offering for digital learning and talent management. The acquisition is highly complementary to PeopleFluent, which serves the large enterprise market, and Breezy HR, which serves the small and mid-sized market, and consistent with LTG's strategy of providing multi-product solutions to meet the needs of small, mid-size and large enterprises alike. In 2020 Bridge delivered unaudited revenues of c.\$21.0 million and an EBIT loss of c.\$1.3 million in the same period. With the operational synergies that will be created with the rest of the Group, LTG expects Bridge to become earnings accretive from the second half of 2021 and to align with its typical software division margins by early 2022.

Group Services

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 ensure the consistent application of best practice, as well as helping to maximise cost efficiencies.

COVID-19 update

In order to sustain LTG's position of financial strength during a turbulent year, in early 2020 we adopted a number of prudent measures including a freeze on salary increases and new recruits, a postponement of the proposed final dividend and the Directors agreed to postpone their 2019 performance bonuses. Due to our resilient financial performance since then we have been able to reverse all of these precautionary measures including ending a salary deferral scheme for all staff in July and repaying furlough payments to the government.

Since the outbreak of the pandemic in March 2020, we have followed WHO and government guidance to protect the safety of our workers, customers and partners. We implemented a work-from-home policy with effect from 16 March 2020 for all staff, putting in place a number of measures to enable effective remote working. These measures have proved to be highly successful and as a result we have implemented a 'flexible' working policy that will enable the vast majority of our staff to combine working in the office when required, with working from home to suit their needs.

We have undertaken regular communications with our employees during the year and numerous surveys and working groups to monitor and address concerns. It is gratifying to see in the survey results that LTG's approach and actions have been well received by staff. I would like to thank the more than 1,100 staff who work for us around the world for their professionalism, fortitude and good humour during this difficult year.



Jonathan Satchell

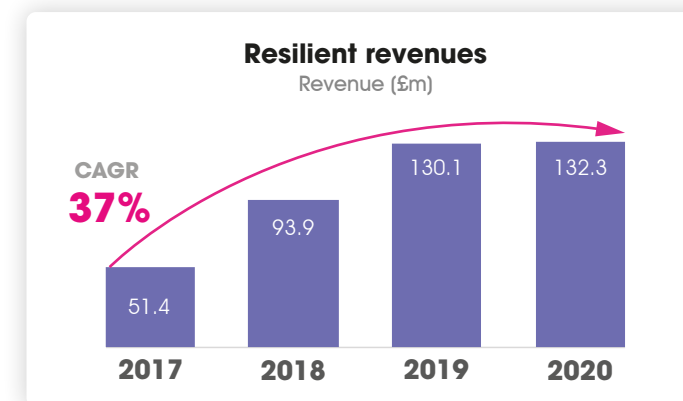
Chief Executive

24 March 2021

Chief Financial Officer's Review

Financial results

In the year ended 31 December 2020, the Group generated revenue of £132.3 million (2019: £130.1 million), an increase of 2%. Although like-for-like revenues on a constant currency basis decreased by 8%, this was more than offset by the contribution from acquisitions in the year. On the same like-for-like, constant currency basis, the Software & Platforms division was broadly flat, while the Content & Services division fell by 24%. In total, the Software & Platforms division accounted for 76% of Group revenue whilst the Content & Services division accounted for 24% of Group revenue. Recurring revenue increased from 74% of Group revenue in 2019 to 81% in 2020. Further details on the divisional performance are provided in the Chief Executive's Review.



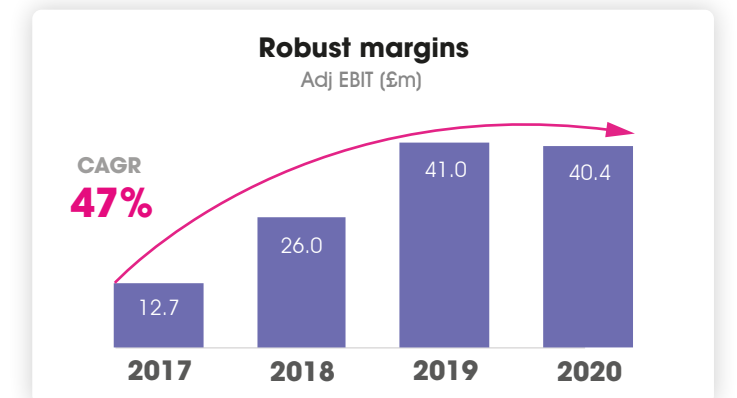
Adjusted EBIT⁶ was broadly flat at £40.3 million (2019: £41.0 million). The Group uses adjusted EBIT to provide a better understanding of the underlying operating business performance. These adjustments to Operating profit are set out in Note 6. Acquisition and integration costs, amortisation of acquired intangibles and acquisition-related contingent consideration and earn-outs are primarily driven by acquisition activity, therefore they are excluded from adjusted EBIT to provide a more accurate reflection of the underlying business performance.

Adjusted EBIT margins were 30.5% compared with 31.5% in 2019. These industry-leading margins and resilient performance in difficult market conditions reflect the strong cost control and flexible working practices that LTG is able to deploy. 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, balancing the returns generated by the operational leverage of its software businesses with investment in high-growth products and services.

An equity placing in May 2020 raised £81.8 million to take advantage of various M&A opportunities to help accelerate future growth. This enabled the Group to complete five acquisitions for a combined initial consideration of £40.6 million. During the year these businesses contributed a combined £12.2 million to revenues and would have contributed an additional £12.2 million if they had been owned for the full year. Further details are provided in Note 14.

As a result of the market upheaval created by COVID-19 some employee LTIPs with performance criteria based on 2020 financial targets set before the pandemic would not have been met. The Board has agreed that, rather than rebase the 2020 targets, to extend the affected option agreements by a further year, subject to the original cap on total reward. The extension to the term of LTIPs does not apply to the Directors of LTG. As a result of this variation certain share-based payment charges are now amortised over a longer period and as a result the charge is lower in 2020 than originally anticipated at £3.3 million (2019: £3.1 million). The total number of outstanding share options at the end of 2020 was 36.1 million (2019: 35.3 million). Further details are provided in Note 28.

The amortisation charge for internally generated development costs was £4.2 million (2019: £2.4 million) as set out in Note 15. The Directors note that this charge was £1.9 million less (down £1.4 million from a £3.3 million difference in 2019) than related capitalised development costs of £6.1m; the difference primarily reflects the lag between post-acquisition capitalised development and the related build-up of the associated amortised charge over the useful economic life of the related asset. This difference will reduce over time, assuming a constant rate of spend on capitalised R&D, and excluding the impact of further acquisitions.



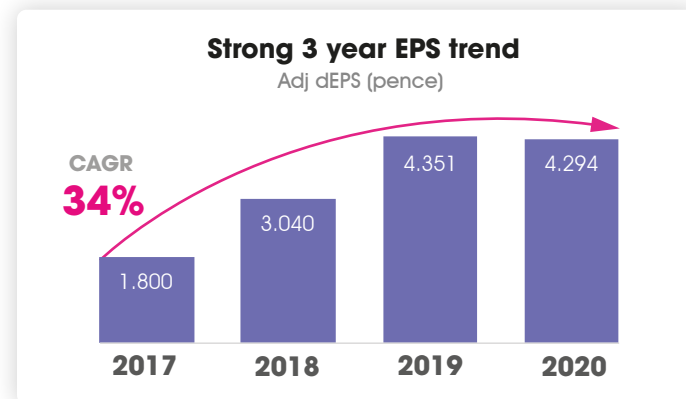
The following acquisition-related costs are excluded from Adjusted EBIT as set out in Note 6. The amortisation charge for acquisition-related intangible assets increased to £21.4 million (2019: £20.9 million) due largely to the Open LMS acquisition early in the year. Further details are set out in Note

⁶ Alternative performance measures used by the Group are defined in the Glossary on page 120.

Strategic report (continued)

For the year ended 31 December 2020

14. Acquisition-related contingent consideration and earn-out charges of £3.5 million (2019: £3.5 million) relate primarily to the second year of Breezy HR's contingent earn-out agreement awarded based on achieving substantial incremental revenue growth. As noted at the time of the 2019 Results, following the impact of COVID-19, the earn-out period has been extended from three to four years, subject to the original cap on total contingent consideration of \$18.0 million. A credit of £1.4 million (2019: nil) reflects the movement in the fair value of the contingent consideration anticipated to be paid in relation to the Watershed acquisition for the earnout period 2019-2021. A net foreign exchange loss of £1.1 million (2019: nil) arose on the acquisition of Open LMS and reflects the movement in the USD/GBP exchange rate between the \$21.0 million revolving credit facility ('RCF') being drawn for the purposes of the acquisition and completion of the acquisition at the end of March 2020. Acquisition and integration costs amounted to £0.9 million (2019: £0.2 million) and related primarily to the acquisitions of Open LMS, eCreators and eThink.



Statutory profit before tax was £13.5 million compared with £14.3 million in the prior year and unadjusted operating profit was £14.9 million compared to an unadjusted operating profit of £16.4 million in 2019. Statutory profit before tax is stated after finance charges of £1.4 million, down on 2019 (£2.1 million), primarily as a result of the reduction in gross borrowings.

The income tax credit of £3.9 million in 2020 (2019: £3.4 million charge) is stated after adjusting for the recovery of prior year tax losses at acquisitions in the US, 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 11.

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 decreased by 1% to 4.294 pence (2019: 4.351 pence). On a statutory basis, basic EPS increased from 1.628 pence in 2019 to 2.450 pence in 2020. Further details are provided in Note 12.

The Group has a robust balance sheet with shareholders' equity at 31 December 2020 of £269.1 million, equivalent to 36.4 pence per share (2019: shareholders' equity of £175.5 million, equivalent to 26.2 pence per share). The gross cash position at 31 December 2020 was £88.6 million (2019: £42.0 million). The Group's net cash at 31 December 2020 was £70.2 million (2019: £3.8 million). Net cash is defined as gross cash less borrowings.

Despite the market turbulence resulting from COVID-19, cash collections remained strong during the year. Net cash generated from operating activities was £39.9 million (2019: £37.0 million) equivalent to an adjusted operating cash flow conversion rate of 85% (2019: 84%). Adjusted operating cash flow conversion is defined by net operating cash flows after adjusting for acquisition-related contingent consideration and earn-out payments, transaction and integration costs, interest and tax paid, and payments of lease liabilities as a proportion of adjusted EBITDA.

Debtor days increased marginally to 87 days (2019: 81 days) and combined debtor, WIP and deferred income days reduced marginally to minus 47 days (2019: 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 were £3.4 million (2019: £4.5 million). Cash outflows from investing activities were £45.2 million (2019: £15.1 million) and comprised the acquisitions of Open LMS, eCreators, eThink, Patheer and JCA for £39.0 million (2019: £8.8 million) net of cash acquired, plus capitalised investment in internally generated IP of £6.1 million (2019: £5.7 million) and property, plant and equipment of £0.1 million (2019: £0.7 million).

Cash inflows from financing activities were £53.1 million (2019: outflows of £6.0 million). Cash inflows from financing activities primarily include proceeds from the May 2020 share placing as well as on the exercise of employee share options totalling £80.6 million (2019 £0.7 million) less net loan re-payments (RCF movements and term loan repayments) of £18.5 million (2019: receipts £0.6 million), lease payments of £3.3 million (2019: £3.3 million) and dividend payments of £5.5 million (2019: £4.0 million). Payments of contingent deferred consideration in 2020 were £0.1 million (2019: £nil).

Following a review of the application of the revenue

recognition policy to term licence contracts in the Rustici CGU the 2018 and 2019 balance sheets have been restated to recognise a proportion of the revenue on delivery rather than all revenue being recognised over time as had previously been reported. The effect of this adjustment is to bring forward reported revenue to earlier periods and has resulted in a restatement of the opening reserves, deferred income and tax provisions at 1 January 2019, reducing the carried forward deferred revenue balance by £2.1 million. There is no impact on the income statement for the year ended 31 December 2019 and the underlying contractual position and cash generation is unaffected by this accounting adjustment. Further details are given in Note 4.

Key Performance Indicators

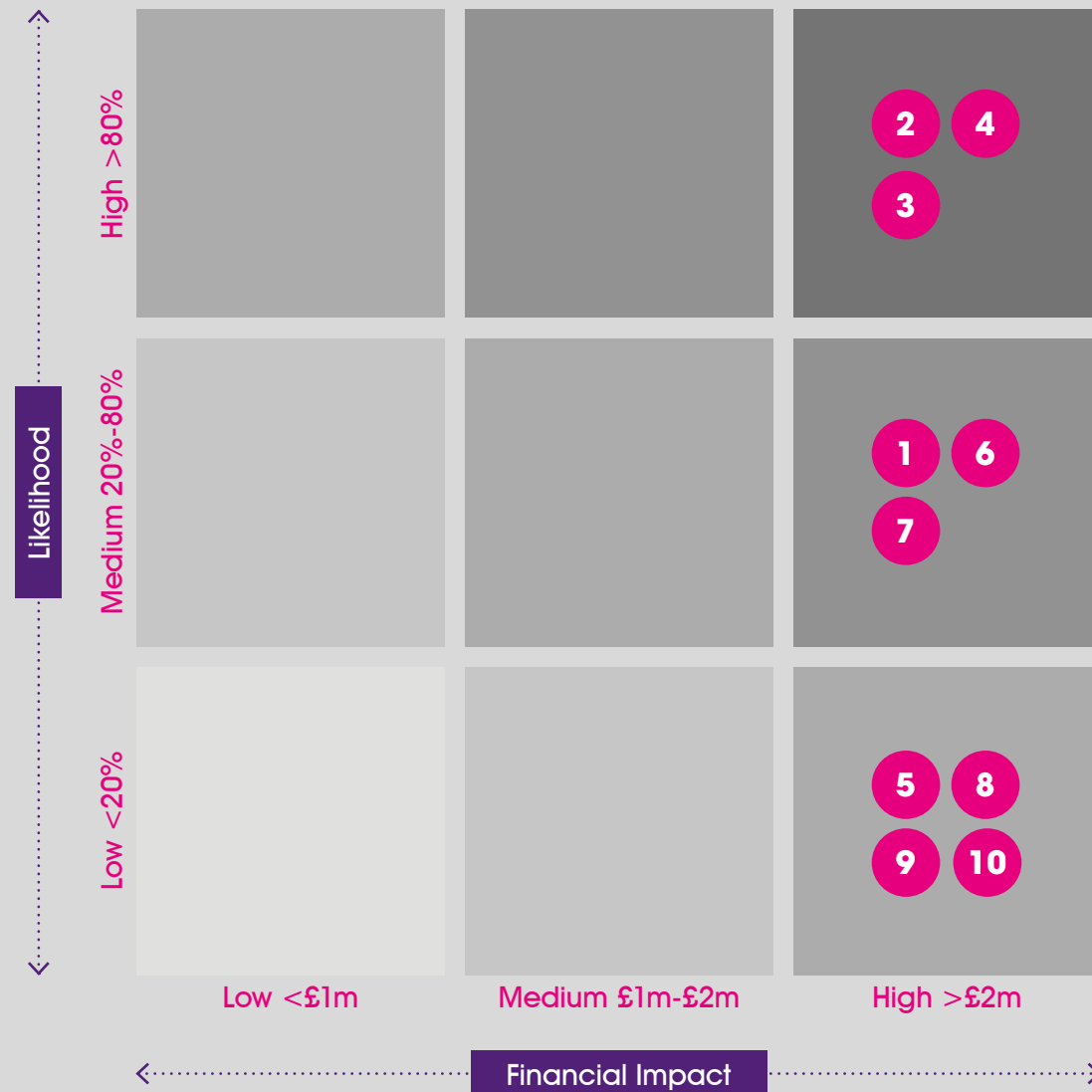
The Key Performance Indicators ('KPIs') are sales, profit and cash flow. The sales of the business are tracked through new wins across both divisions and retention rates and upsells in our Software & Platforms division. The profitability of the business, with its relatively low fixed-cost base, is managed 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

24 March 2021

Principal risks and uncertainties

The Directors undertake regular reviews of the risk and uncertainties facing the Group, including new and emerging risks, and consider the likelihood and impact on the Group of those risks in order to put in place mitigating actions. In addition to the financial risks discussed in Note 33, 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:



- ▼ 1. A change in macroeconomic factors which could lead to a decrease in trade across the group
- ▲ 2. Foreign currency risk
- ▲ 3. Integrating acquisitions
- ▲ 4. Business systems and process integrity
- ▶ 5. Client contractual risks
- ▲ 6. Information security and cybersecurity risks
- ▶ 7. Attracting and retaining talented staff
- ▼ 8. Compliance with debt finance facility covenants
- ▶ 9. Reputational risk
- ▶ 10. Legal and regulatory changes including the Streamlined Energy and Carbon Reporting Legislation

Trend: ▲, or ▼ ▶

1. A change in macroeconomic factors which could lead to a decrease in trade across the group

At Board, executive and finance level the Group remains apprised of macro-economic factors which could affect the Group, such as COVID-19 or Brexit. The Executive Board will decide strategically on how to respond.

2. Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Pounds Sterling (primarily the United States Dollar and the Euro). Foreign currency risk is monitored closely to ensure that 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. Further, where appropriate the Group contracts in USD and where there is a delay between signing and completing on material transactions, it may enter into short-term forward contracts to mitigate the foreign exchange risk. The Group does not currently use any foreign currency derivative hedge products.

3. Integrating acquisitions

LTG recognises the challenge of integrating acquisitions into the Group, which may require merging businesses with existing operations, without losing key staff or customers. LTG structures purchase terms to incentivise and retain key staff and focuses on improved customer experience. Having completed eight acquisitions in the last 12 months, LTG sets objectives for synergy realisation at the start of the integration process and monitors performance against these, including through management accounts and staff surveys.

4. Business systems and process integrity

LTG uses multiple legacy systems across its business units and we are currently rolling out a NetSuite ERP system across the whole business to improve our internal controls, help to manage acquisition integration and reduce risk. The speed of the Group's growth means that there is a risk of ineffective use of IT systems and business processes, and systems being compromised through attacks, becoming out of date, or misuse of software terms of use. LTG operates a central IT function to monitor all IT systems across the Group. This function reviews the adequacy of our systems and identifies and tests replacement products, where required, as well as compliance with terms of use. The IT function is 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.

5. 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 all client contracts and maintains a delegated list of authorities who are able to enter into client contracts on behalf of the Group. Client contractual risks are assessed in acquisition due diligence and addressed as part of the integration workstream for acquired businesses. Contractual risk management processes and policies are kept under regular review.

6. Information security and cybersecurity risks

Risks related to cybercrime, malware, loss or theft of devices and data exposure are monitored by LTG's IT and legal functions. There are a number of administrative and technical controls deployed by LTG's IT team. Last year, LTG rolled out an information security training programme for all staff (in addition to its existing data protection training initiatives) for completion each year. LTG's legal team is also involved in privacy compliance strategies relating to the data of the Group's customers and other third parties, as well as its employees in the various jurisdictions in which it operates.

7. 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 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 that we need to continue to keep our compensation and benefits packages under review and we have made meaningful changes in the last 12 months including an enhanced maternity pay policy and a move to flexible working.

8. 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. As at the end of February 2021, following the most recent acquisitions, the net cash position of the Group was c.£25 million.

9. 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.

10. Legal and regulatory changes including 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 develops and delivers strategies to ensure ongoing compliance with new legislation. The Group has strategies in place to monitor compliance with new global data privacy legislation and the new carbon reporting legislation.

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 and counterparty risk.

Strategic report (continued)

For the year ended 31 December 2020

Environmental, Social and Governance ('ESG') Report

Introduction

At LTG, the Board has overall responsibility for Corporate Social Responsibility and Environmental, Social and Governance ('ESG'). The Board has nominated Neil Elton (CFO) as the Board member with oversight of LTG's ESG initiatives.

LTG has established an ESG Committee which replaces the former CSR Committee and meets regularly to oversee and coordinate initiatives and implement the recommendations of the Board. The ESG Committee comprises the Group's CFO, Chief Operating Officer, 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's ESG initiatives can be summarised in five key areas:

1. Supporting clients make a positive ESG impact
2. Environmental sustainability
3. Taking care of our people
4. Meeting the expectations of stakeholders
5. Achieving high standards of data privacy and security

For 2020 the Group disclosed energy and carbon footprint information for the first time under new Streamlined Energy and Carbon Reporting (SECR) regulations which came into effect on 1 April 2019. We also seek to apply best practice by acknowledging TCFD (Task Force on Climate-related Financial Disclosures) recommended disclosures and the SASB's (Sustainability Accounting Standards Board) accounting standard for the Software & IT services sector. LTG also 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.

These values and principles are followed in all locations where LTG carries out business. Appropriate Group initiatives are combined with enabling and championing local initiatives that support and celebrate the contribution that LTG employees make to projects in their communities.

Supporting clients make a positive ESG impact

In addition to our efforts to ensure that LTG acts as a good corporate citizen, we are empowering our clients to achieve their own ESG priorities. At the core of LTG's talent development offering is the beneficial development of people whether that be through learning and training initiatives, talent management insights or affirmative action plans regarding diversity and inclusion (D&I) in the workplace.

LTG assisted over 200 million people globally last year whether that be the circa 53 million employees of our various corporate and government clients using our learning and talent management software and content solutions or our D&I services, or the circa 167 million learners whose learning journeys were enabled with Rustici's interoperability software as they accessed their training on more than 70% of the world's Learning Management Systems.

LTG is enabling the shift from carbon intensive face-to-face training to digital learning, reducing the need to travel by providing learning systems to 10.6 million people in 44 countries.

Increasingly LTG is producing content that enables our clients to powerfully communicate ESG priorities and help effect change in their workforces, their extended enterprise and society as a whole. Examples include helping over 1,100 companies achieve workforce equity through solutions that optimise Affirmative Action and D&I programmes; providing specific ESG learning content for 3 million people globally; making people safer with courses on Health & Safety, Cyber & Data Security, Tackling Modern Day Slavery and Anti-Harassment; and supporting compliance needs through topics such as Personal Ethics, Whistleblowing, Anti-Bribery, and Consumer Protection. LTG also uses data to make digital learning more efficient and save waste.

Environmental sustainability

LTG's environmental policy is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities. The Group's operations comply 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.

During 2020 the Group achieved the first phase of its sustainability plans by setting up a combined health, safety and environmental management system (HSEMS). This allows the Group to collect and track data and analyse trends whilst ensuring that our office facilities achieve a desired level of sustainable practices. The Group can now collect, monitor and report on a number of data points including energy usage and emissions, type and frequency of accidents and incidents, and compliance with HSE legislation. A series of standard operating procedures covers everything from risk assessments to legionella tests, with the whole management system monitored by a programme of internal audits. The second phase of implementation will see the embedding of sustainable practices into everyday activities with the setting of long-term goals as appropriate.

Energy usage and carbon footprint

Our climate-related financial disclosures seek to follow TCFD recommendations. We manage and minimise our impact on the environment through good corporate governance, measuring and monitoring climate-related risks and opportunities and then managing identified risks. We then use metrics and targets to maximise the effectiveness of this strategy.

In 2020 we report for the first time under the SECR framework. We go beyond mandated disclosure to report on total Group emissions and to include Scope 3 GHG (greenhouse gas) emissions in addition to Scopes 1 and 2.

Scope 1 comprises emissions from the direct burning of fossil fuels; this was nil.

Scope 2 emissions are generated from the indirect generation of purchased energy. In the case of LTG this is largely related to the purchase of electricity across our office estate. The total quantity of Scope 2 energy consumed globally in 2020 is estimated to be 1.6 million kWhs (2019: 2.0 million kWhs).

Scope 3 emissions are all other indirect emissions that occur in the value chain, both upstream and downstream. LTG has identified the major contributors for the Group as being employee commuting, business travel and data centre usage on behalf of clients.

In the case of Scope 2 we source the data on an office-by-office basis by consulting with our utility providers, or where we occupy offices in buildings with shared services by estimating our proportionate share of the estimated building emissions (often with reference to the service charge).

In the case of Scope 3 we use a variety of methodologies including surveys of staff regarding their usual mode of transport to work or through an analysis of long-haul and short-haul flights to which we then apply estimated carbon emissions. Information on data centre emissions is primarily sourced direct from the outsourced data centre providers.

LTG's total group-wide Scope 2 and 3 tons CO₂e (tons carbon dioxide equivalent) emissions are set out in the table below. We also calculate tCO₂e per £million of Group revenue. Emissions reduced 42% from 2,343 tCO₂e in 2019 to 1,356 tCO₂e in 2020 despite the increased size of the Group and largely due to the impact of closing our office estate from 16 March 2020, and banning all but essential business travel. tCO₂e per £million revenue reduced 43% from 18.0 to 10.3.

Management will continue to monitor the amount and mix of GHG emissions particularly as the business environment normalises over the next year where we expect Scope 2 and 3 emissions to increase primarily as a result of the increased size of the Group and a return to our offices by staff. LTG has taken a number of initiatives, some of which are set out below, to reduce the Scope 2 and 3 carbon footprint of the Group. Management will continue to review opportunities to reduce emissions further and whether to set specific science based targets in the near term.

Total Group tons CO₂ emissions 2019 and 2020 by Scope and per £m revenues

	2019		2020	
	tCO ₂ e	tCO ₂ e/£m revs.	tCO ₂ e	tCO ₂ e/£m revs.
Scope 2	1,365	10.5	1,096	8.3
Scope 3	978	7.5	260	2.0
Total tCO₂e	2,343	18.0	1,356	10.3

Strategic report (continued)

For the year ended 31 December 2020

Office facilities

LTG is a highly acquisitive business, and an important part of its integration programme is to rationalise the growing network of office locations and where appropriate accommodate remote working practices and centralisation of practices around 'core' office hubs. All staff are able to work seamlessly from any LTG office. This brings flexibility for our staff, facilitates conscious travel decisions, helps to foster our 'one Group' spirit, and is highly beneficial to the efficiency of intra-Group projects.

LTG makes recycling facilities available in all office locations whilst office managers are encouraged to take advantage of local opportunities. In Brighton, a local recycling company provides online reports on the types and amounts of waste collected, whilst the Franklin, Tennessee office worked with a local recycling company which helped individuals with intellectual and developmental disabilities to progress toward their full potential.

Working closely with the Facilities team in Central Services, LTG's QHSE department audits all Group office locations for compliance with HSE requirements. Monitored requirements include the eradication of all single-use plastics, provision and use of different recycling facilities and the display of promotional and educational HSE material.

Data centres

LTG operates a number of software platforms for clients across its learning and talent management businesses. These platforms are hosted in data centres which are heavy users of electricity. Over the last three years the Group has undertaken a program of rationalising its data centre estate 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 is able to minimise excess capacity. We note that our main supplier of data centre capacity has a stated target of using 100% renewable energy by 2025 and plans to be net-zero carbon by 2040, a decade before the Paris Agreement target.

Travel

Regular interactions and communications are encouraged between staff, clients, suppliers and other stakeholders and in the majority of instances this is achieved through email, video conferencing, telephone, VOIP and instant messaging. Where appropriate however, staff will travel to meet 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. Data is collated for the HSEMS and from this we are able to calculate distance travelled and emissions.

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 bicycle spaces for staff. The Group offers season ticket travel loans. Where the availability of public transport is limited we encourage staff to car share. LTG does not make company cars available to its staff or offer a car allowance as part of our employee benefits package.

The QHSE Team put out annual staff commute surveys to help understand our impact on the local environment. This data breaks down the different methods of transport and distance/duration of journeys, which in turn allows us to calculate emissions. This data also allows us to help individuals who have excessive or difficult commutes and reach more flexible and beneficial working arrangements.

With effect from 2020 LTG has introduced a new 'flexible' working policy that allows staff who are not required to work from the office the flexibility to work from either the office or their home as they choose to suit their requirements. It is therefore anticipated that GHG emissions per FTE from commuting will not return to pre COVID-19 levels.

Secure recycling practices

Recycling of business equipment is the responsibility of our Central Services IT team, with QHSE able to advise on the potential impact of ISO/IEC 27001:2013 relating to the disposal of equipment. Not all IT equipment goes to recycling in line with the WEEE directive. In 2020 the IT Team worked with Socialbox.biz to donate old IT equipment to charities for the homeless.

Social - Taking care of our people

The qualities, skills and commitment of our staff play a major role in the business success of the Group. Taking care of our people is one of our highest priorities and this was reflected in our appointment of a Chief People Officer (CPO) towards the end of 2019. During 2020 the Group introduced a range of new policies, procedures and practices designed to make LTG a leading employer that cares for its employees and provides the optimum environment for them to flourish.

Measuring the well-being and belonging of our people

We measure the well-being and belonging of our people, and track the impact of our initiatives, so we know where to make improvements. The Group embarked on a benchmarking exercise in the second half of 2020 and the Group will continue to monitor trends over time.

Voluntary staff turnover reduced from 19.7% in 2019 to 11.3% in 2020. Voluntary staff turnover is where staff choose to leave rather than, for example, as part of a planned corporate restructuring. Voluntary staff turnover can be higher than usual following a business combination as some employees choose the moment of change to look for new opportunities. We believe that this reduction was largely due to the impact of COVID-19 on job security and as market conditions normalise we expect the voluntary staff turnover rate to increase in 2021.

A valuable source of regular staff feedback comes from our quarterly Pulse Surveys. This survey has become a significant tool for measuring our performance as employers and as many of the questions remain constant it enables us to track trends. We also have a six-monthly D&I survey which provides another valuable source of employee feedback. Further details are provided on the LTG website.

LTG has conducted a number of focus groups, in part targeted by the results of the Pulse survey results, to better understand how we could improve aspects of our business. Three main priorities were identified in 2020: professional development; well-being; and recognition and feedback.

Stress and mental health

LTG recognises that providing support for wellness at work is an essential component of caring for our people. In 2020 we launched a number of initiatives to support this. These included the launch of a confidential stress email hotline to allow the business an early opportunity to lend support in cases where employees are suffering from stress. We have developed a mental health first aid initiative with volunteer training set for the first half of 2021. And there is a dedicated page on our intranet for Wellness @ Work Plans - where employees and managers can find resources and request additional support on how to manage mental health issues. 2020 also saw the Launch of LTG's Wellbeing Hub for news, training and resources. In addition, we offer Employee Assistance Programmes providing staff with support in a range of areas, including well-being support, financial advice and legal advice through confidential helplines.

Recognition and feedback

As part of our initiative to provide recognition and feedback LTG operates an annual appraisal process managed through our own talent management solutions. We have also developed a number of initiatives including team social budgets, long-term service awards and regular staff 'shout-outs'. We aim to communicate with all employees at a global level. In 2020 we increased our communication through regular live business updates from our CEO. These

have received strong positive feedback in our Pulse Surveys, especially during the early stages of COVID-19. We aim to maintain regular communications and keep everyone informed of current business activities, changes in practices and procedures, and business performance.

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.

In 2020 an additional "Sprint" bonus was launched for all performance bonus scheme employees. This bonus was designed to reward staff who, because of the impact of COVID-19, did not meet their original performance based targets but through exceptional performance could receive a reduced award for achieving or exceeding their revised post COVID-19 plans.

The Group has offered an annual Sharesave scheme in the UK since 2014 to allow employees to participate in LTG's equity story. In 2019 LTG launched a similar scheme in the US and Canada and with the territorial expansion of the Group in 2020 has launched new schemes in Australia and Colombia. The Group also operates a share option scheme for senior managers that rewards the achievement of demanding performance targets. Options typically vest over a period of four years.

LTG has launched a number of other awards in recognition of outstanding achievements in product and service innovation, cross-selling initiatives and through successful hiring recommendations.

Training and Talent Management

We continue to invest in training and developing our staff through internally-arranged knowledge-sharing events, external courses, and an internal staff portal. We have a dedicated team that develops bespoke learning programs for staff, leveraging off the Group's own expertise and learning solutions.

LTG uses its own PeopleFluent Aspire Talent Management platform. In 2021 we will continue to use this platform and its data will drive our annual appraisal process, merit review process, succession planning and Leadership Development Program.

We have increased the overall training budget for 2021 in anticipation of providing more opportunities for company-wide learning initiatives. These include increased access to: a) learning resources to support professional development;

Strategic report (continued)

For the year ended 31 December 2020

b) extensive content libraries to help with self-paced development; and c) a structured course delivered by the Learning & Development team as well as additional online learning licenses, 360 degree feedback and access to a professional coach, via the launch of our LTG Leadership development programme in 2021.

LTG has also made a commitment to increasing the amount of time available for training and development opportunities.

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 2019, 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 to health & safety has distinct benefits. It is 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. With the onset of the COVID-19 pandemic LTG closed all of its offices with effect from 16 March 2020 and has supported staff working at home.

The QHSE team coordinates day-to-day activities across the Group and draws on the expertise of other departments, including Legal, HR and Facilities. As well as ensuring that we comply with the relevant health and safety legislation, as part of the internal audit process, the QHSE team takes a proactive approach to health and safety management including integrating new acquisitions. Through the QHSE service desk and intranet site, staff around the globe can report HSE accidents, incidents and near misses, request a risk assessment, undertake health and safety training, or simply find out what material goes into which recycling bin.

Diversity and inclusion ('D&I')

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 and hence, more successful as a business. We welcome all employees and aim to avoid any form of discrimination. Our Group businesses Affinity and PDT are D&I experts and we use their expertise and experience internally for our own employees as well as for our clients.

We take great care to ensure that our employment policies are non-discriminatory and that all appointments and 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.

During 2020 LTG launched a new D&I strategy for its employees with three main principles. First, we want our employees to bring their whole selves to work at LTG; people who feel safe, heard and valued will return those efforts in kind. Second, we want the best people to work, and feel that they can flourish and succeed here, irrespective of their age, disability, gender identity, race, religion or belief, sex, sexual orientation, marriage and civil partnership status, pregnancy and maternity needs, or veteran status. Third, the hardest problems we work on, the ones that drive our real value in the market, require varied perspectives and experiences; we strive to maximise these by having people with different strengths and life experiences working for LTG.

Affinity undertook a detailed review of the diversity of the business, the results of which can be found on the LTG website. The review revealed that although LTG started from a good position, areas of focus are the underrepresentation of women in Executive-level roles and Blacks and Hispanics in senior roles.

Initiatives to support these principles in 2020 included the introduction of 'Blind Recruitment' by removing names from CVs; measuring candidate diversity for all roles; programmes of continuous improvement for under-represented groups; management training in diversity recruitment; advertising all roles on our internal job board; changes to internal hiring and promotion to improve fairness; and equality, diversity and inclusion compliance training (including unconscious bias) for all. A number of Employee Resource Groups ('ERGs') were also set up to address issues as diverse as disability, the family, LGBTQ+, gender diversity and veterans.

The best things we can do as an organisation are mutually beneficial, to us, to our clients, and to our people. Our D&I policies are designed to ensure that our approach to business is to the benefit of all stakeholders. Initiatives planned for 2021 include establishing a graduate scheme that aims to recruit a diverse group of future leaders and to advertise senior roles on diversity-focused job boards.

Governance - Meeting the expectations of stakeholders

Meeting the expectations of stakeholders

We recognise the importance of trust in meeting or exceeding the expectations of our customers, employees, investors and other stakeholders. Our compliance with all applicable laws and regulations is of paramount importance, not just to ourselves, but also to our partner organisations, clients, and all other stakeholders. Non-compliance with applicable laws in the value-chain can lead to severe losses due to reputational damage 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:

Business ethics

Our Code of Business Conduct now includes a business ethics training programme for all permanent employees. As part of LTG's compliance obligations, LTG's Legal department, HR department and Senior Management Team have established a company-wide policy framework, supported by a knowledge centre on the Group's intranet. We have specific staff policies on five areas: a) anti-corruption, anti-bribery, anti-slavery and business ethics; b) Health & Safety; c) Data Protection; d) Information Security; e) Whistleblowing.

In 2021 we will pass oversight for ethical issues to the ESG Committee which has 50% Board-level representation. Responsibilities will include a commitment to regular reviews and audit (once every three years) of anti-corruption, anti-bribery, anti-slavery and business ethics policies as well as reviewing our ethical standards more generally. We are also introducing a formal anonymous whistleblower system with legal protection and all suppliers will be required to have anti-corruption policies and programmes in place. Consideration is also being given to updating policies relating to anti-money laundering and fraud.

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.

ISO certifications and audit

Our QHSE Team is highly experienced in ISO certifications and is able to offer audit services across the Group as required. These services are particularly useful for Group companies holding or seeking to obtain ISO/IEC 27001:2013 and following GxP manufacturing practices. The QHSE team is also able to share best practice across the Group and provide project management and consultancy services across a range of other ISO certifications.

Following Rustici's recent successful ISO/IEC 27001:2013 accreditation and PeopleFluent's continued accreditation, we have three more Group businesses aiming for certification in 2021: Open LMS, Watershed, and Breezy HR. Work is already underway with our preferred partner to achieve this.

Our LEO business holds ISO 9001:2015, the international standard for quality management systems. This is managed by the QHSE Team which carries out a comprehensive internal audit programme covering projects and bids as well as the management system itself. Process non-compliance and product quality deficiencies are jointly investigated by the QHSE team and LEO's Content Quality Manager using mature CAPA (corrective and preventative actions) and RCA (root cause analysis) procedures.

A monthly quality management report to the Senior Management Team contains details of ongoing continuous improvement projects, process non-conformances, internal and external audit results, Net Promoter Scores and client feedback, in line with the management review requirements of ISO 9001:2015.

Investing in our communities

LTG undertakes a number of local charitable initiatives each year, with the Group often matching contributions raised by staff. In 2020, charitable initiatives included raising funds for Save the Children, Rainbow Trust, Alzheimer's Society, Sheffield Children's Hospital, MIND, Macmillan Cancer Support, Refuge, RNLI and Kidney Research.

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 without the need for a costly mobile internet connection.

During 2020 the Group made charitable contributions totalling £82,500 (2019: £25,000).

Strategic report (continued)

For the year ended 31 December 2020

Continuous improvement of data privacy and security standards

LTG complies with applicable data protection laws in the collection and use of personal data of employees as well as customers, prospects, partners, vendors and other third parties.

Centralised security protocols are kept under review by LTG's IT team with input from the legal team and QHSE.

LTG carries out a data privacy risk assessment as part of the due diligence process for all acquisitions. This includes checking responses to questions that are raised with the vendor covering data protection compliance and regulatory action; verification of any registrations and certifications held by the target business; a review of external facing and internal privacy policies and notices; an assessment of third-party risk arising from the target's use of data processors; and a review of key contractual commitments related to data protection and security.

All newly-acquired businesses are included in LTG's cyber insurance coverage. The adequacy of the scope and limits of cover are assessed annually as part of LTG's Group insurance renewal.

LTG has given greater prominence to cyber risk in its corporate risk register at a Group and business unit level in recognition of the rapid growth of the Group through acquisition over the last 12 months and the corresponding increase in personal data that is being handled by LTG as a data controller and also on behalf of its clients.

The Software-as-a-Service ("SaaS") and hosted solutions provided by LTG to clients globally mean that effective data privacy and security processes are essential for LTG's service offering.

LTG has increased headcount in both its legal and security teams in order to provide best-in-class support for its data privacy and security compliance. LTG's legal team is also carrying out a privacy compliance audit of each of its business units that will include new privacy and security legislation that is applicable to the Group's activities.

LTG maintains its Privacy Shield certification for its in-scope subsidiaries and has put in place alternative means of ensuring lawful personal data transfers.

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 they consider, 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
- 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 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 the Corporate Governance Report.

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 "Social - Taking care of our people" section in the ESG Report.

Customers and Suppliers

LTG has well-defined ISO 9001 management processes and all projects are reviewed regularly for performance against customer expectations. Extensive work is undertaken in reviewing customer feedback and any complaints are reported to the Board. For further information on how LTG fosters business relationships with customers, suppliers and others, please refer to "Governance - Meeting the expectations of stakeholders" section in the ESG report.

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 ESG and CSR with development and initiatives being led by the Chief Executive. LTG has established a CSR Committee which meets regularly to oversee and coordinate initiatives and implement the recommendations of the Board. In 2021 the CSR Committee will be superseded by the ESG Committee. Members will include two Board representatives, the CFO and Head of Legal, plus the Group's COO and Chief People Officer.

As was the practice of the CSR Committee, the ESG Committee will communicate best practice and achievements across the Group through the implementation of policies and training and regular staff communications including a dedicated intranet portal. It will also take responsibility for the group-wide environmental management system which is helping to monitor progress against 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 the "Governance - Meeting the expectations of stakeholders" section in the ESG report.

Decision-making, Risk Management and Governance and Performance Oversight

The Board met 13 times during the year. There were also three Audit & Risk Committee meetings and four Remuneration Committee meetings. Please see the Corporate Governance Report for further details. The Board 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 Board meeting. This board pack also contains commentary on key events from the COO and each of the Managing Directors, giving the Board a rounded view of the entire Group, both financial and otherwise.

During the year we completed the acquisition and integration of Open LMS, eCreators, eThink, JCA and Patheer. These acquisitions were deemed by the Board to be beneficial for shareholders and customers alike as they add strength and breadth to our multi-solution offering as well as enabling us to support a broader customer base. For further details on these acquisitions see the Chief Executive's Review.

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 as outlined in "Governance - Meeting the expectations of stakeholders" in the ESG report.

The Strategic Report for the year ended 31 December 2020 has been signed on behalf of the Board of Directors by:

Jonathan Satchell

Chief Executive

24 March 2021

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 this 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.itgplc.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, integrated businesses and create an international full-service digital learning and talent management business of scale, through a combination of organic growth and strategic acquisitions that complement the existing business. Further details are provided in the Chief Executive's Review.

Board of Directors

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

Director	Role at 31 December 2020	Date of (re-) appointment	Board Committee	
Andrew Brode	Non-executive Chairman	19/06/2020		
Leslie-Ann Reed	Non-executive Director	19/06/2020	A	R
Aimie Chapple	Non-executive Director	19/06/2020	A	R
Simon Boddie	Non-executive Director	01/10/2020	A	R
Jonathan Satchell	Chief Executive	19/06/2020		
Neil Elton	Chief Financial Officer	19/06/2020		
Piers Lea	Chief Strategy Officer	19/06/2020		

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

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@itgplc.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 understands that it has a responsibility towards all stakeholders including 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 stakeholders. Further details of some of the Group's initiatives are included in the ESG Report under "Governance - Meeting the expectations of stakeholders".

Board of Directors



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, the world's largest technical translations group, listed in the Top 10 of AIM companies.

Andrew 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.



Simon Boddie
Independent Non-executive Director

Simon Boddie was appointed to the Board on 1 October 2020. He is currently Chief Financial Officer at Coats Group plc, the world's leading industrial thread manufacturer and FTSE 250 member, a position he has held since 2016. Previous roles include 10 years as Group Finance Director of Electrocomponents plc, a FTSE 250 global multi-channel provider of industrial and electronic products and solutions, and 13 years in senior finance roles at Diageo plc. In addition to his roles at LTG and Coats, Simon serves as a Non-Executive Director and Chairman of the Audit Committee for PageGroup plc, a FTSE 250-listed international professional recruitment company.



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 and talent management 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 Meccom Group plc, the European media group (2005-2007).



Piers Lea
Chief Strategy Officer

Piers Lea founded LINE Communications Holdings Limited in 1989. LINE was acquired by LTG in April 2014. Piers 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 board of ELIG (European Learning Industry Group).



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 and since then she has been heavily involved with LTG's acquisition strategy. 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).

Corporate Governance Report (continued)

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 of Directors comprises the Non-Executive Chairman, the Chief Executive, Chief Financial Officer and Chief Strategy Officer, and the three Non-Executive Directors and is responsible to shareholders for the proper management of the Group. The Board of Directors is supported by the Company Secretary.

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 reviews the appropriateness of the management structure and governance framework. Particularly due to the increased 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 continually reviewed. The Group continues to review and improve its investment in good governance initiatives and in October 2020 the Board appointed Simon Boddie as the fourth Non-executive Director.

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 2020 (2019: 13).

It is the responsibility of the Chairman and the Company Secretary to ensure that Board members receive sufficient and timely information on 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. 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.

Directors' & Officers' Insurance

The Group holds 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 2020 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 31 on related party transactions.

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 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, Aimie Chapple and Simon Boddie. The Audit & Risk Committee met three times during 2020 (2019: three). 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, Leslie-Ann Reed and Simon Boddie. The Remuneration Committee met four times during 2020 (2019: once). Further details on the Remuneration Committee are provided in the Report of the Remuneration Committee.

Meetings of the Board and sub-committees during 2020 were as follows:

	Board meetings	Audit and Risk committee	Remuneration committee
Number of meetings held in 2020	13	3	4
Andrew Brode	12/13	-	-
Leslie-Ann Reed	13/13	3/3	4/4
Aimie Chapple	13/13	3/3	4/4
Simon Boddie	3/3	-	2/2
Jonathan Satchell	13/13	-	-
Neil Elton	13/13	3/3*	-
Piers Lea	13/13	-	-
Claire Walsh	13/13	3/3*	-

*Attendance to at least part of meeting by invitation

Report of the Audit & Risk Committee

Composition

The Audit & Risk Committee comprises three independent Non-executive Directors: Leslie-Ann Reed (Chair), Aimie Chapple and Simon Boddie. 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, other Group executives 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 judgements; 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, the Committee has competence relevant to the sector in which the Company operates. The Committee has 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, the Committee also carries out rigorous enquiries and challenges 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 its responsibility of monitoring the integrity of financial reports to shareholders, the Committee considers and reviews the accounting principles, policies and practices adopted in the preparation of public financial information and examines documentation relating to the Annual Report, Interim Report, preliminary announcements and other related reports. The Committee has 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

The appointment of BDO LLP ('BDO') as auditor during the year will be subject to confirmation by the shareholders at the 2021 Annual General Meeting. The Committee is responsible for approving the external auditor's terms of engagement, scope of work, the process for the interim review and the annual audit. The Committee also meets with the auditor to review the written reports submitted and the findings of their work. The Committee has 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 2020 Annual Report the Committee gave particular attention to revenue recognition, internal controls, acquisition accounting, the carrying value of goodwill and other intangibles and going concern. Further details of some of the critical accounting estimates and judgements relating to revenue recognition, acquisition accounting and impairment reviews are set out in Note 3. A summary of the review procedures to assess going concern are set out in Note 2a.

During their first year audit BDO determined that the term licence contracts at Rustici represented two distinct obligations; the upfront licence and ongoing support. This was a different conclusion from that reached by management and agreed with LTG's prior auditors at the time of transition to IFRS15 in 2017. Following a review of the application of the revenue recognition policy to term licence contracts in the Rustici CGU, the 2018 and 2019 balance sheets have been restated to recognise a proportion of the revenue on delivery rather than all revenue being recognised over time. Further details are given in Note 4.

Internal Audit

The Board as a whole has 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 controls in place and significant executive involvement in the Group's day-to-day business, an internal audit function is not required at this stage. However, the Committee and the Board will be keeping this under review.

Report on the Work of the Committee

The Committee reviews 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, BDO, similarly considers whether there are any relationships between itself and the Group that could have a bearing upon BDO's independence and has confirmed its independence to us. Each year the Committee obtains written confirmation of auditor's independence.

Crowe UK LLP ('Crowe') had been the Group's auditors since LTG listed on the London Stock Exchange in November 2013. Following a competitive tender process, in which it was mutually agreed that Crowe would not participate, we appointed BDO as our new statutory auditor on 11 November 2020. This appointment followed an assessment of BDO's reputation, quality of service, expertise, resources available to the Group and the effectiveness of the audit process. It will be subject to shareholder confirmation at the 2021 AGM. There were no reasons for and no other matters connected with Crowe ceasing to hold office as auditors of the Company.

Following its appointment BDO undertook no specific pieces of non-audit work (including work in relation to tax compliance and financial due diligence). Further details of non-audit fees are included in Note 8 to the financial statements. The Committee 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 12 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 principal risks and uncertainties of the Group are set out in the Strategic Report.

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.

Information systems – Group businesses participate in periodic operational/strategic reviews and annual plans. The Board actively monitors performance against the 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, which operates in accordance with the FRC guidance, 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 2020.

Report of the Remuneration Committee

Summary Statement

The Remuneration Committee comprises three Independent Non-executive Directors: Aimie Chapple (Chair), Leslie-Ann Reed, and Simon Boddie.

The Remuneration Committee monitors the remuneration policies of LTG to ensure their alignment with the Group'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	08/11/2013	6
Neil Elton	03/11/2014	6
Piers Lea	25/06/2014	6
Non-executive Directors		
Andrew Brode	08/11/2013	1
Leslie-Ann Reed	25/06/2014	1
Aimie Chapple	03/09/2018	1
Simon Boddie	21/09/2020	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. All Directors are required to put themselves up for re-election on an annual basis.

In 2019 LTG published its Directors remuneration policy; this policy is set out below. After a period of consultation with LTG's major shareholders during February and March 2020 all shareholders were invited to vote on the Directors' remuneration policy at the 2020 AGM for which 97% of votes were in favour.

LTG has undergone transformative growth over the past few years and at the time of this report ranks in the top 20 companies listed on AIM and is approximately the 260th largest listed company in the UK by market capitalisation. Given the rapid growth and complexity of LTG, the dynamic market environment and evolving corporate

governance expectations, the Remuneration Committee has appointed a third-party consultant to carry out a review of the remuneration levels of the executive Directors and the Company's Executive Board in line with best market practice, taking into account LTG's strategic ambitions. The Remuneration Committee is planning to complete the review shortly and will then consult with major shareholders. The resulting remuneration policy will be put into effect from this year and will be published in the 2021 Annual Report and Accounts. At the 2022 AGM, the Board will seek shareholder approval to adopt the new remuneration policy for executive Directors and members of the Company's Executive Board.

The Committee also carries out regular Board Effectiveness Reviews to ensure that the Board continues to operate as a well-functioning, balanced team led by the Chairman. The last review was held in 2019; reviews are scheduled every three years. Evaluation criteria include 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 Board

seeks to nurture and promote talent within the business supplementing it, where appropriate, with external talent.

The Committee met four times in 2020 (2019: 1).

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 2020 and arrangements for the year ended 31 December 2021. 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 2020	Salary or fees	Bonuses	Pension contribution	Gain on exercise of share options	Total
	£'000	£'000	£'000	£'000	£'000
Andrew Brode	-	-	-	-	-
Jonathan Satchell	300	52	9	-	361
Neil Elton	240	42	7	1,088	1,377
Piers Lea	200	35	6	-	241
Leslie-Ann Reed	50	-	-	-	50
Aimie Chapple	50	-	-	-	50
Simon Boddie	13	-	-	-	13
	853	129	22	1,088	2,092

Year ended 31 December 2019	Salary or fees	Bonuses (postponed)	Pension contribution	Gain on exercise of share options	Total
	£'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

Key management remuneration	2020	2019
	£'000	£'000
Short-term employee benefits	1,004	1,431
Long-term employee benefits	1,088	-
Share-based payments	334	265
Total key management remuneration	2,426	1,696

Report of the Remuneration Committee (continued)

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. The CEO's salary in 2020 represented 5.1 times the median salary of all employees in LTG (2019: 4.9 times).

Simon Boddie was appointed as a Non-Executive Director effective 1 October 2020.

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 2020 or 31 December 2019.

Following the impact of COVID-19 management took a number of precautionary actions including implementing a pay freeze for all staff. In line with this policy there were no changes to the Group Directors' base salaries in 2020 from the prior year. As part of these precautionary measures the Executive Directors also agreed to postpone their 2019 bonus payments until market conditions normalised. All other employees were paid their annual bonus awards in March 2020. The Executive Director bonus awards were paid in the second half of 2020.

The details of the 2020 Executive Bonus Scheme were agreed, along with other employee bonus schemes, prior to the impact of COVID-19. The 2020 Executive Bonus Scheme rules are set out below and include details of the maximum and actual bonus levels achieved. Bonuses in the year were to be 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. An on-target achievement for each of EBIT and organic revenue growth 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 EBIT targets are adjusted at the reasonable discretion of the Remuneration Committee to account for events such as acquisitions or disposals. The specific targets are not given in this report as that information is deemed commercially sensitive.

Following the impact of COVID-19 and the detailed reforecast undertaken by management in March and April 2020 an additional one-off 'Sprint Bonus' scheme was implemented for all staff in 2020. For all Central staff other than the Executive Board the Sprint Bonus was set to reward employees up to their on-target bonus award for overachieving the reforecast Group EBIT target. For Executive Directors the maximum Sprint Bonus achievable was capped at 24% rather than 80% of salary. The resulting Sprint Bonus achieved represents 17% of salary as set out in the table below.

	Maximum			Achieved		
	CEO	CFO	CSO	CEO	CFO	CSO
Total as a % of Base Salary	24%	24%	24%	17%	17%	17%

Subject to the independent review of the Directors Remuneration Policy currently being undertaken Directors' base salaries with effect from 1 January 2021 are as follows and the Remuneration Committee has determined to operate the 2021 Executive Bonus Scheme on a similar basis to 2020.

	Base Salary in 2020	Base Salary in 2021
	£'000	£'000
Executive Directors		
Jonathan Satchell	300	315
Neil Elton	240	252
Piers Lea	200	210
Non-executive Directors		
Andrew Brode	-	-
Leslie-Ann Reed	50	50
Aimie Chapple	50	50
Simon Boddie	50	50

Directors' interests in the shares of the Company at 31 December 2020 and 31 December 2019 are as follows:

LTG Ordinary shares of £0.00375 each	Options				Shares	
	2020	2019	2020	2019	2020	2019
	Weighted Average Exercise Price (pence)		Number		Number	
Andrew Brode	-	-	-	-	117,098,930	116,920,080
Jonathan Satchell	68.400	68.400	26,315	26,315	75,336,845	75,139,995
Leslie-Ann Reed	-	-	-	-	4,839,463	6,458,180
Neil Elton	50.226	42.471	3,026,315	4,026,315	439,562	439,562
Piers Lea	55.100	-	32,667	-	8,714,030	8,714,030
	50.433	42.639	3,085,297	4,052,630	206,428,830	207,671,847

Report of the Remuneration Committee (continued)

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. No options over shares were granted to Executive directors in 2020.

Neil Elton was granted 1,000,000 share options in January 2015, 2,000,000 share options in April 2017 and 1,000,000 share options in July 2019 subject to vesting criteria based on a minimum share price being sustained for 30 consecutive days as set out below and subject to a minimum three-year vesting period for all share options under each grant. 3,333,333 of the share options have vested, of which 1,000,000 have been exercised as set out below.

Date	Type	No	Minimum share price vesting requirement (pence)	Exercise Price (pence)
16 January 2015	EMI	-	24.000	19.000
16 January 2015	EMI	-	28.000	19.000
16 January 2015	EMI	-	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
		3,000,000	42.300	31.333

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

On 22 September 2020 Neil Elton exercised 1,000,000 share options under the EMI scheme.

See Note 28 for further details on share option plans.

Dividends paid to Directors during the year were as follows.

	2020	2019
	£'000	£'000
Total	1,548	1,245

See Note 32 for further details on dividends.

Report of the Remuneration Committee (continued)

Remuneration Policy

As part of the adoption of the QCA Guidelines the Remuneration Committee has made no changes to the LTG Directors' Remuneration Policy following its review in 2019. Shareholders voted in favour of the policy at the 2020 AGM. As discussed earlier in the report the Remuneration Committee is undertaking an independent review of the Remuneration Policy and will propose and put to a vote a revised Remuneration Policy at the 2022 AGM to be implemented with effect from the 2021 financial year.

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 determines this is appropriate.		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 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.	n/a
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 in line with all other LTG UK employees and minimum legislated requirements.		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 LTG's 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. 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 2020

The Directors present their report on the Group, together with the audited Consolidated Financial Statements for the year ended 31 December 2020.

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 60.

At the time of LTG's admission to AIM in November 2013, the Board stated that it would pursue a progressive dividend policy. On 30 October 2020 the Company paid an interim dividend of 0.25 pence per share (2019: 0.25 pence per share), together with the postponed final dividend for 2019 of 0.50 pence. Given the robust performance of the Group during the past year the Directors propose to pay a final dividend of 0.50 pence per share for the year ended 31 December 2020, equating to a total payout in respect of the year of 0.75 pence per share (2019: 0.75 pence per share).

Business review and future developments

Details of the business activities and acquisitions made during the year can be found in the Strategic Report and in Note 14 to the Consolidated Financial Statements.

Political donations

The Group made no political donations during the year (2019: nil).

Financial instruments and risk management

Disclosures regarding financial instruments are provided within the Strategic Report and Note 33 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 27 to the Financial Statements. The Company has one class of ordinary share which carries no right to fixed income. The Company has one branch registered in the Philippines: NetDimensions Services Asia Limited.

Research and development

The main areas of research and development for the Group has been the continuing development of the PeopleFluent, Watershed and Gomo software platforms, Rustici's interoperability software and xAPI-enabled analytical software tools, the Breezy HR talent acquisition platform, and various other software developments, as covered in the Strategic Report.

Post balance sheet events

Details of post events since the reporting date can be found in Note 35 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 in the Social section of the ESG report.

SECR Disclosures

In 2020 we report for the first time under the SECR framework. The Board took the decision to go beyond mandated disclosure to report on total emissions for all Group companies and to include Scope 3 GHG (greenhouse gas) emissions in addition to Scopes 1 and 2. For further details please refer to the Environmental Sustainability section.

List of Directors

A full list of Directors who served in the year ended 31 December 2020 is as follows:

- Andrew Brode
- Simon Boddie (from 1 October 2020)
- Leslie-Ann Reid
- Aimie Chapple
- Jonathan Satchell
- Neil Elton
- Piers Lea

Throughout the financial year, the Company maintained Directors' and Officers' Liability insurance policies on behalf of the Directors of the Company. These policies meet the Companies Act 2006 definition of a qualifying third-party indemnity provision.

Directors' interests in shares and contracts

Directors' interests in the shares of LTG at 31 December 2020 and 31 December 2019 are disclosed in the Report of the Remuneration Committee. Directors' interests in contracts of significance to which LTG was a party during the financial year are disclosed in Note 31.

Substantial interests (greater than 3%)

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	117,098,930	15.84
Jonathan Satchell	75,336,845	10.19
Liontrust Asset Management	62,950,769	8.52
Kabouter Management	39,232,756	5.31
BlackRock	38,622,121	5.22
Octopus Investments	30,896,695	4.18
Jupiter Asset Management	30,447,661	4.12
Janus Henderson Investors	30,130,056	4.08
Liontrust Sustainable Investments	29,918,884	4.05

Directors' Report (continued)

For the year ended 31 December 2020

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.

QCA Requirements

The Directors have given due regard to the need to foster the Company's business relationships with suppliers and other stakeholders. Please see the ESG report for further information.

The Company's Code of Conduct is kept under review by the Board.

Annual General Meeting

The Annual General Meeting ('AGM') will be held on 26 May 2021. 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 BDO's appointment is confirmed 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
- That Director has taken all 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

24 March 2021

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

The Directors are responsible for preparing the annual report and the 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. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group and company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM. 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 they have been prepared in accordance with IFRSs as adopted by the European Union, 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. 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.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

Opinion on the financial statements

In our opinion:

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

We have audited the financial statements of Learning Technologies Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard in the United Kingdom and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that

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

Conclusions relating to going concern

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

- A critical evaluation of the Director's assessment of the entity's ability to continue as a going concern, covering the period of 12 months from the date of approval of the financial statements by:
 - Evaluating the process the Directors followed to make their assessment, including confirming the assessment and underlying projections were prepared by appropriate individuals with sufficient knowledge of the detailed figures as well as an understanding of the entities markets, strategies and risks.
 - Understanding, challenging and corroborating the key assumptions included in their cash flow forecasts against prior year, our knowledge of the business and industry, and other areas of the audit.
 - Searching through enquiry with the Directors, review of board minutes and review of external resources for any key future events that may have been omitted from cash flow forecasts and assessing the impact these could have on future cash flows and cash reserves.
 - Assessing stress test scenarios, including those in respect of COVID-19 considerations, and challenging whether other reasonably possible scenarios could occur and including these where appropriate
 - Confirming that sensitised cashflow forecasts prepared by the Directors included the preparation of a reverse stress test to analyse the level of reduction in trade that could be sustained before a covenant breach or liquidity shortfall would be indicated. We assessed the assumptions and accuracy of these calculations.
 - Confirming the financing facilities, repayment terms and financial covenants to supporting documentation. We reviewed the Director's assessment of covenant compliance throughout the forecast period to 31 December 2022 including compliance within sensitised cash flow forecasts.
 - Considering the adequacy of the disclosures relating to going concern included within the annual report against the requirements of the accounting standards and consistency of the disclosures against the forecasts and going concern assessment.

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

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

Overview

Coverage ⁷	96% of Group adjusted profit before tax 91% of Group revenue 94% of Group total assets	
Key audit matters	Revenue recognition Impairment of goodwill and other intangibles Acquisition accounting	2020 ○ ○ ○
Materiality	Group financial statements as a whole £1.9m based on 5% of Adjusted profit before tax	

An overview of the scope of our audit

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

We identified 15 components of which three were identified as significant based on their financial contribution (more than 15% of Adjusted profit before tax). Specific scope procedures were also performed over an additional component. Where a component was considered significant it was subject to full scope audit by the group audit team (2 significant components) or the component auditor, BDO US, a member of the BDO network (1 significant component). The group audit team's work on the other components comprised analytical procedures and certain specified audit procedures.

Our involvement with component auditors

For the work performed by the component auditor, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with the component auditor included issuing detailed audit instructions, attending key meetings remotely (including those with local management), directing the scope and approach of the audit, and performing a detailed review remotely of the audit files.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. 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.

⁷ These are areas which have been subject to a full scope audit or specific procedures by the group engagement team

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

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Revenue recognition (with reference to notes 3, 4 and 5)</p> <p>The Group has a number of revenue streams spanning multiple brands and business units. The revenue recognition policy varies depending on the underlying contract and performance obligations.</p> <p>Contracts can contain multiple performance obligations which require identification and separate accounting treatment. The allocation of transaction prices to performance obligations can be complex.</p> <p>Where revenues are recognised over time based on percentage completion based on costs, estimation is required to assess the percentage and margin on individual contracts.</p> <p>Following a review of the revenue recognition policy applied to revenue in the Rustici cash generating unit, the directors decided that that the contracts comprised multiple performance obligations including certain that should be recognised at point in time on delivery, rather than a single performance obligation for which all revenue was recognised over time.</p> <p>This correction in accounting has resulted in a restatement of the opening reserves, deferred income and tax provisions at 1 January 2019. There is no impact on the income statement for the year ended 31 December 2019.</p>	<p>We developed an understanding of the key revenue processes from inception to disclosure in the financial statements and assessed the design and implementation of the controls over the Group's revenue cycles.</p> <p>We met with group management and finance teams, and local business unit management and finance teams, to develop our understanding of the group revenue streams and performance obligations.</p> <p>We obtained a sample of contracts and critically assessed if the revenue recognition policy applied was appropriate, in line with IFRS 15, and accurately reflected the contract and performance obligations.</p> <p>For a sample of revenue contracts recognised over time, we verified the accounting treatment to contract and source, and verified that the inputs to the schedule generating revenue recognition were accurate.</p> <p>For a sample of revenue contracts recognised based on percentage completion we obtained evidence of contract completion. For a sample of contracts ongoing at the year end we also verified the basis and accuracy of the revenue cut off.</p> <p>Key observations: Based on the procedures we performed we did not identify anything which suggested material error or omission relating to revenue recognition.</p>
<p>Impairment of goodwill and other intangibles (with reference to notes 3 and 15)</p> <p>The Directors perform annual impairment reviews of goodwill for all cash generating units (CGUs).</p> <p>This review also covers the carrying value of other intangible assets, property plant and equipment, and other assets of the CGUs.</p> <p>Impairment reviews require significant estimate and judgement from management based on assumptions in respect of future trading performance. Due to the impact of Covid-19 on the Group there is increased uncertainty surrounding management's trading assumptions in respect of certain CGUs.</p> <p>Key assumptions include revenue assumptions including project work and renewal of contracts.</p> <p>The impairment test is also based on key assumptions in respect of the appropriate discount rates and longer-term growth rates.</p> <p>As a result of the review, management did not identify any impairments.</p>	<p>We tested management's allocation of assets for each CGU and verified the allocation based on our knowledge of the Group and its operations.</p> <p>We challenged management's assumptions and assessed the achievability of the forecasts included in the impairment model using a number of techniques including assessing accuracy of historic forecasting, industry trends and our knowledge of the business and industry, including specific focus on the impact of COVID-19 on each CGU.</p> <p>We also challenged management on any significant changes in assumptions compared to prior year and inconsistencies across the other impairment reviews.</p> <p>We utilised our own valuation specialists, particularly around the mechanics and mathematical accuracy of the modelling and assessing the adequacy of the discount rates applied, comparing this against the cost of capital for the Group and other comparable companies in the industry.</p> <p>We considered management's sensitivities and performed our own sensitivities in respect of key assumptions, including short and long term trading performance, revenue assumptions including contract renewal and project work, to assess the potential impairment of goodwill.</p> <p>Key Observations: Based on the procedures we performed we did not identify anything which may suggest that the carrying value of goodwill and other intangibles should be impaired.</p>
<p>Acquisition accounting (with reference to notes 3 and 14)</p> <p>The Group completed 5 acquisitions during the year, 3 of which were material to the Group (open LMS, eThink and eCreators).</p> <p>Acquisition accounting is complex and highly judgemental. Management used specialist firms to prepare the purchase price allocation (PPA) for Open LMS and eThink.</p> <p>The acquired intangible assets are primarily related to customer relationships and software tools. Key other fair value adjustments relate to the recognition of deferred income at fair value.</p> <p>For certain acquisitions, consideration includes contingent consideration linked to continuous employment, which is treated as acquisition related contingent consideration and earn-out expense over the service period.</p>	<p>For all acquisitions completed in the year, we obtained the acquisition agreements, PPAs and supporting documentation and management's paper on the accounting treatment and key judgements. We also confirmed the independence and qualification of management's experts.</p> <p>For material acquisitions, the audit team, together with internal valuation specialists, critically assessed the acquisition accounting and PPA process, including the completeness of the acquisition balance sheets, identification process for intangible assets, and the fair value exercise to acquired assets and assumed liabilities.</p> <p>We considered the treatment of contingent consideration by reference to the contractual terms, including where linked to continuous employment, and confirmed the proposed accounting was appropriate.</p> <p>Key Observations: Based on the procedures we performed we did not identify anything which suggested material error or omission in the acquisition accounting or disclosures.</p>

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

Our application of materiality

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

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower

materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements	Parent company financial statements
	2020	2020
Materiality	£1.9m	£1.3m
Basis for determining materiality	5% of Adjusted profit before tax	2% of Total assets capped to 75% of Group materiality
Rationale for the benchmark applied	We considered Adjusted profit before tax to be the most appropriate measure for the basis of materiality given it is a key performance indicator of group and management. Adjustments are included in note 6 to the financial statements. Adjusted measures have been used as we believe this more appropriately reflects the Group's underlying performance.	We considered total assets to be the most appropriate measure for the basis of materiality as the Parent Company is primarily an investment holding company
Performance materiality	£1.33m	£0.91m
Basis for determining performance materiality	70% of Group materiality, based on our overall risk assessment, and impact of first year audit.	70% of Company materiality, based on our overall risk assessment, and impact of first year audit.

Component materiality

We set materiality for each significant component of the Group based on a percentage of between 9% and 68% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £177,000 to £1,300,000. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £64,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report 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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material

inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or the Parent Company financial statements are not in agreement with the accounting records and returns; or certain disclosures of Directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management from across the Group to understand where they considered there was a susceptibility to fraud.
- Our audit planning identified fraud risks in relation to management override and revenue recognition. (Revenue recognition has been assessed as a Key Audit Matter above). We considered the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors that processes and controls.
- We designed our audit procedures to detect irregularities, including fraud. Our procedures included journal entry testing, with a focus on large or unusual transactions based on our knowledge of the business; enquiries with the Head of Legal, Group Management; and focussed testing as referred to in the Key Audit Matters section above. We also directed the testing plan of the component auditor to ensure consistency of approach, challenge and corroboration.

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

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

Use of our report

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

Kieran Storan

(Senior Statutory Auditor)
for and on behalf of

BDO LLP
Statutory Auditor
London
24 March 2021

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	Year ended 31 Dec 2020	Year ended 31 Dec 2019
		£'000	£'000
Revenue	5	132,324	130,103
Operating expenses		(114,130)	(110,602)
Share based payment charge		(3,340)	(3,111)
Operating profit		14,854	16,390
Adjusted EBIT		40,348	41,022
Adjusting items included in Operating profit	6	(25,494)	(24,632)
Operating profit		14,854	16,390
Finance expenses	7	(1,385)	(2,092)
Profit before taxation	8	13,469	14,298
Income tax (expense)/credit	11	3,935	(3,426)
Profit for the year		17,404	10,872
Other comprehensive income: Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		(6,616)	(4,293)
Total comprehensive income for the year attributable to owners of the parent Company		10,788	6,579
Earnings per share attributable to owners of the parent:			
Basic (pence)	12	2.450	1.628
Diluted (pence)	12	2.382	1.584
Adjusted earnings per share:			
Basic (pence)	12	4.417	4.470
Diluted (pence)	12	4.294	4.351

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31 Dec 2020	31 Dec 2019	31 Dec 2018
		£'000	£'000 (Restated)	£'000 (Restated)
Non-current assets				
Property, plant and equipment	13	1,025	1,687	2,144
Right of use assets	13	8,806	9,864	-
Intangible assets	15	256,284	228,468	242,458
Deferred tax assets	21	7,614	4,215	2,312
Other receivables, deposits and prepayments	18	76	120	161
Amounts recoverable on contracts	19	624	713	421
		274,429	245,067	247,496
Current assets				
Trade receivables	17	32,984	28,911	34,314
Other receivables, deposits and prepayments	18	4,219	2,478	3,897
Amounts recoverable on contracts	19	3,879	4,699	3,397
Amount owing from related parties	31	54	18	7
Cash and bank balances	20	88,614	42,032	26,794
Restricted cash balances		682	330	336
		130,432	78,468	68,745
Total assets		404,861	323,535	316,241
Current liabilities				
Lease liabilities	24	2,536	2,880	-
Trade and other payables	22	68,015	62,791	72,470
Borrowings	24	7,339	6,344	6,602
Corporation tax		4,591	2,386	1,631
ESPP scheme liability	28	562	203	-
		83,043	74,604	80,703

	Note	31 Dec 2020	31 Dec 2019	31 Dec 2018
		£'000	£'000 (Restated)	£'000 (Restated)
Non-current liabilities				
Lease liabilities	24	7,722	9,077	-
Deferred tax liabilities	21	25,617	25,257	26,299
Other long-term liabilities	23	7,635	6,343	6,908
Borrowings	24	11,073	31,858	31,657
Provisions	26	701	853	301
		52,748	73,388	65,165
Total liabilities		135,791	147,992	145,868
Net assets		269,070	175,543	170,373
Shareholders' equity				
Share capital	27	2,853	2,509	2,501
Share premium account	30	231,671	148,216	147,560
Merger reserve	30	31,983	31,983	31,983
Reverse acquisition reserve	30	(22,933)	(22,933)	(22,933)
Share-based payment reserve	30	7,439	4,413	1,608
Foreign exchange translation reserve	30	(6,968)	(352)	3,941
Accumulated profits		25,025	11,707	5,713
Total equity attributable to the owners of the parent		269,070	175,543	170,373

The Notes on pages 65 to 113 form an integral part of these Consolidated Financial Statements

The Financial Statements on pages 60 to 113 were approved and authorised for issue by the Board of Directors on 24 March 2021 and signed on its behalf by

Neil Elton
Chief Financial Officer
24 March 2021



Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	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 31 December 2018		2,501	147,560	31,983	(22,933)	1,608	3,941	4,159	168,819
Restatement due to IFRS 15 Rustici application change	4	-	-	-	-	-	-	1,554	1,554
Balance at 1 January 2019		2,501	147,560	31,983	(22,933)	1,608	3,941	5,713	170,373
1 January 2019 restatement for IFRS 16		-	-	-	-	-	-	(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/(loss) 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)	11,707	175,543
Profit for the period		-	-	-	-	-	-	17,404	17,404
Exchange differences on translating foreign operations		-	-	-	-	-	(6,616)	-	(6,616)
Total comprehensive profit/(loss) for the period		-	-	-	-	-	(6,616)	17,404	10,788
Issue of shares		344	83,455	-	-	-	-	-	83,799
Share-based payment charge credited to equity		-	-	-	-	3,340	-	-	3,340
Tax credit on share options		-	-	-	-	-	-	1,137	1,137
Transfer on exercise and lapse of options		-	-	-	-	(314)	-	314	-
Dividends paid		-	-	-	-	-	-	(5,537)	(5,537)
Transactions with owners		344	83,455	-	-	3,026	-	(4,086)	82,739
Balance at 31 December 2020		2,853	231,671	31,983	(22,933)	7,439	(6,968)	25,025	269,070

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	Year ended 31 Dec 2020	Year ended 31 Dec 2019
		£'000	£'000
Cash flows from operating activities			
Profit before taxation		13,469	14,298
Adjustments for:			
(Gain)/loss on disposal of PPE and right-of-use assets		(122)	2
Share-based payment charge		3,340	3,111
Amortisation of intangible assets	15	25,639	23,305
Depreciation of plant and equipment	13	769	1,171
Depreciation of right-of-use assets	13	2,476	2,501
Finance expense	7	614	716
Interest on borrowings	7	911	1,487
Acquisition-related contingent consideration and earn-outs	6	3,511	3,509
Fair value movement on contingent consideration	6	(1,357)	-
Payment of acquisition-related contingent consideration and earn-outs		(1,006)	(2,321)
Impairment of acquired intangibles		-	-
Interest income		(140)	(111)
Operating cash flows before working capital changes		48,104	47,668
(Increase)/decrease in trade and other receivables		(4,736)	7,392
(Increase)/decrease in amount recoverable on contracts		(3,427)	(1,593)
Increase/(decrease) in payables		3,883	(10,633)
		43,824	42,834
Interest paid		(750)	(1,449)
Interest received		140	111
Income tax paid		(3,359)	(4,518)
Net cash flows from operating activities		39,855	36,978
Cash flows used in investing activities			
Purchase of property, plant and equipment	13	(114)	(687)
Development of intangible assets	15	(6,115)	(5,690)
Acquisition of subsidiaries, net of cash acquired	14	(38,988)	(8,764)
Net cash flows used in investing activities		(45,217)	(15,141)
Dividends paid	32	(5,537)	(4,007)
Proceeds from borrowings	24	18,182	16,057
Repayment of bank loans	24	(36,640)	(15,468)
Issue of ordinary share capital net of share issue costs	27	80,581	664
Contingent consideration payments in the period		(121)	-
Payments for lease liabilities (principal and interest)	25	(3,317)	(3,275)
Net cash flows from / (used in) financing activities		53,148	(6,029)
Net increase in cash and cash equivalents		47,786	15,808
Cash and cash equivalents at beginning of the year		42,032	26,794
Exchange gains/(losses) on cash		(1,204)	(570)
Cash and cash equivalents at end of the year	20	88,614	42,032

The notes on pages 65 to 113 form an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 accounting standards in conformity with the requirements of the Companies Act 2006. 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

The Group meets its day-to-day working capital requirements from the positive cash flows generated by its trading activities and its available cash resources. These are supplemented when required by additional drawings under the Group's committed \$21.0 million revolving credit facility (RCF) and an uncommitted \$28.0 million accordion facility, which are available until 2023. During the period, the Group drew down the RCF facilities to fund the acquisition of Open LMS in March. In May, following the successful equity placing raising gross proceeds of £81.8 million (£79.6 million net of fees), see Note 27, the RCF drawdown was fully repaid and the lenders agreed to postpone the term loan repayments in the second half of 2020; these postponed

term loan repayments which total \$4.2 million will be paid in equal quarterly instalments from the first quarter of 2021 until the termination of the loan in April 2023.

In early 2020 the Board took a number of actions to protect operating cash flow given the uncertainty of the impact of COVID-19. As the year progressed and cash flows remained resilient the Board was able to reverse many of the precautionary actions that had been taken including ending a salary deferral scheme, the repayment of all furlough grants received from the UK government and the payment of the postponed 2019 final dividend. The Group continues to hold a strong liquidity position overall at 31 December 2020, with gross cash and cash equivalents of £88.6 million and net cash of £70.2 million (see Note 24) (31st December 2019: gross cash was £42.0 million and net cash £3.8 million). Whilst there are a number of risks to the Group's trading performance, including from the COVID-19 pandemic and its impact on the global economy, as summarised in the 'Principal risks and uncertainties' section on pages 25 to 26, the Group is confident of its ability to continue to access sources of funding in the medium term.

The Directors report that they have re-assessed the principal risks, reviewed current performance and forecasts, combined with expenditure commitments, including capital expenditure, business acquisitions, and borrowing facilities. The Group's forecasts demonstrate it will generate profits and cash in the year ending 31st December 2021 and beyond. In addition, following the completion of the acquisitions of Reflektive, PDT Global and Bridge (refer to Note 35) in February and March of 2021 for a total of c£59.7 million, the Group continues to have sufficient cash reserves to enable it to meet its obligations as they fall due, as well as operate within its banking covenants, for a period of at least 12 months from the date of signing of these financial statements.

The Group has also assessed a range of downside scenarios to assess if there is a significant risk to the Group's liquidity position. The forecasts and scenarios prepared consider our trading experience during the pandemic to date and we have modelled downside scenarios such as varying degrees of reductions in content & services project revenues, delay in new sales wins, extended customer payment days and various cost reductions. The directors have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the Annual Report, having undertaken a review of a detailed forecast for 2021 and the impact this forecast has on the Group's gross cash, net debt and ability to meet bank covenants under the existing facilities agreement.

Changes in accounting policies

(i) New standards, interpretations and amendments adopted from 1 January 2020

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 December 2020 are:

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IFRS 16	COVID-19-Related Rent Concessions
Amendments to IAS 1 and IAS 8	Disclosure Initiative - Definition of Material

The Group has considered the above new standards and amendments and has concluded that, they are either not relevant to the Group or they do not have a significant impact on the Group's consolidated financial statements.

(ii) New standards, interpretations and amendments not yet effective

At the date of authorisation of these consolidated Group financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU). Management is currently assessing the impact of these new standards on the group.

Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS 3	References to Conceptual Framework

Alternative performance measures

The Group has identified certain alternative performance measures ("APMs") that it believes will assist the understanding of the performance of the business. The Group believes that Adjusted EBIT, adjusting items, Shareholders' funds and net cash / debt provide useful information to users of the financial statements. The terms are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures and are discussed further in the Glossary on page 120.

Adjusting items

The Group has chosen to present an adjusted measure of profit and earnings per share, which excludes certain items which are separately disclosed due to their size, nature or incidence, and are not considered to be part of the normal operating costs of the Group. These costs may include the financial effect of adjusting items such as, inter alia, restructuring costs, impairment charges, amortisation of acquired intangibles, costs relating to business combinations, one-off foreign exchange gains or losses, integration costs, acquisition-related contingent consideration and earn-outs, joint venture profits and losses and fixed asset, right-of-use asset and lease liability disposal gains or losses.

(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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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	2-12 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 amortised cost unless criteria are met for classifying and measuring the asset at fair value through profit or loss, 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.

(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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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 33.

(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.

Reporting of cash flows

The Group generally reports cash inflows and outflows gross and the drawdowns and repayments of the Group's RCF have been disclosed within financing activities.

The Group has elected to present payments in relation to acquisition-related contingent consideration as operating cash flows when they relate to payments made to employees in respect of post-combination remuneration. Acquisition-related contingent consideration paid to former owners that do not continued to be employed by the Group are disclosed within financing activities.

The Group has elected to present interest paid and interest received from financial assets held for cash management purposes as operating cashflows.

(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. The cost is recognised as depreciation of leasehold improvements over the remaining term of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease. 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. The nature of the Group's sales means there are no refunds or returns, and no warranties are offered.

(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 has 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 operating expenses. There are no material costs incurred during the period between the contract being awarded and service delivery commencing.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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 2020 management reviewed the contracts in place and did not note any contracts where there was specific increased estimation uncertainty. Management has 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 28 to the Consolidated Financial Statements.

(p) Leases

The Group as a lessee

The Group leases various offices and IT equipment. Rental contracts are typically made for fixed periods of six months to six years but may have extension options.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months) and lease of low-value assets.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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 three-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 debt finance facility as at 1 January 2019.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the Impairment policy above.

For leases acquired as part of a business combination, the lease liability is measured at the present value of the remaining lease payments. The right-of-use asset is measured at the same amount as the lease liability adjusted to reflect favourable or unfavourable terms of the lease when compared to market terms.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets generally comprise IT equipment and small items of office furniture.

The Group as a lessor

The Group enters into lease agreements as an intermediate lessor with respect to some of its property leases. It accounts for the head lease and the sublease as two separate contracts.

The sublease is classified as finance lease or operating lease by reference to the right-of-use asset arising from the head lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Rents receivable from operating leases are recognised on a straight-line basis over the term of the relevant lease.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

(q) Government grants

Government grants are not recognised until there is reasonable assurance that the grants will be received and that the Group will comply with any conditions attached to them.

Government grants are recognised in the income statement over the same period as the costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The Group received £84,000 from the UK Government as part of the furlough scheme and this was fully repaid in July 2020.

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.

(i) Judgements

Revenue recognition

See Note 2 (m).

Adjusting items

The Group has chosen to present an adjusted measure of profit and earnings per share, which excludes certain items which are separately disclosed due to their size, nature or incidence, and are not considered to be part of the normal operating costs of the Group. These costs

may include the financial effect of adjusting items such as, inter alia, restructuring costs, impairment charges, amortisation of acquired intangibles, costs relating to business combinations, one-off foreign exchange gains or losses, integration costs, acquisition related contingent consideration and earn-outs, fair value movements on contingent consideration, joint venture profits and losses and fixed asset, right-of-use asset and lease liability disposal gains or losses. The Group believes that they provide additional useful information to users of the financial statements to enable a better understanding of the Group's underlying financial performance.

The classification of items as adjusting requires significant management judgement. The definition of adjusting items has been applied consistently year on year. Further details of adjusting items are provided in Note 6.

(ii) Estimates

Business combinations and associated acquisition accounting

Contingent Consideration

The agreements to acquire eCreators Pty Ltd and eThink Education LLC include provision for ITG to pay additional consideration to the selling shareholders in future years conditional on the achievement of challenging incremental revenue growth targets. We have evaluated each agreement in accordance with IFRS 3 to determine whether these payments should be included as part of the business combination or post-combination remuneration expensed to the income statement. Both agreements include conditions for continuing employment therefore we have concluded that these payments should be charged to the income statement.

The acquisition-related contingent consideration and earn-out liabilities usually include estimates of future financial performance against targets. When estimating the future financial performance, we use Board-approved budgets and, if the time frame goes beyond available budgets, reasonable growth rates assessed for each business thereafter.

Identifiable assets acquired and liabilities assumed

As required by IFRS 3, we have measured the assets acquired and liabilities assumed of the acquisitions in the year at their fair value on acquisition. The fair values of contract liabilities at acquisition dates were estimated to obtain a price that would be paid to transfer the liability in an orderly transaction between market participants. The approach used was based on a market participant's

estimate of the costs that will be incurred to fulfil the obligation plus a normal profit margin, based on the overall cost profile over the life of the contract. This resulted in a fair value of contract liabilities in relation to Open LMS of £1.3 million below book value, the adjustment to all other acquisitions in the year was immaterial.

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 2020, the Group acquired Open LMS, Patheer, Inc ('Patheer'), JCA Solutions ('JCA'), eCreators Pty Ltd ('eCreators') and eThink Education LLC ('eThink') see Note 14. We have outlined below the intangible assets recognised by the group on acquisition of each of these businesses, the valuation model used to establish the fair value and the associated values.

Acquisition	Intellectual property	Customer relationships	Valuation methodologies
Open LMS	£3.4m	£9.9m	Replacement cost and Excess earnings method respectively
Patheer	£0.2m	£Nil	Replacement cost and Excess earnings method respectively
JCA	£0.2m	£0.2m	Replacement cost and Excess earnings method respectively
eCreators	£1.4m	£1.1m	Replacement cost and Excess earnings method respectively
eThink	£5.1m	£7.6m	Replacement cost and Excess earnings method respectively

We have outlined below a sensitivity analysis on the value of the acquired IP of each acquisition by changing the two significant assumptions used in each replacement cost model. The assumptions flexed being the time needed to rebuild the asset in the state it was acquired and the average employee salaries incurred in the rebuild.

Acquisition	Time to rebuild adjusted by 10%	Average employee salaries adjusted by 20%
Open LMS	+/- £0.30m	+/- £0.70m
Patheer	+/- £0.02m	+/- £0.03m
JCA	+/- £0.02m	+/- £0.03m
eCreators	+/- £0.10m	+/- £0.30m
eThink	+/- £0.50m	+/- £1.00m

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

We have outlined below a sensitivity analysis on the value of the acquired customer relationships of each acquisition by changing the two significant assumptions used in each excess earnings model. The assumptions flexed being annual projected revenues and attrition rate.

Acquisition	Annual projected revenues adjusted by 10%	Annual attrition rate adjusted by 20%
Open LMS	+/- £1.10m	+/- £0.90m
JCA	+/- £0.02m	+/- £0.02m
eCreators	+/- £0.10m	+/- £0.01m
eThink	+/- £0.80m	+/- £0.20m

Useful Economic Lives of Acquired Intangibles

On acquisition, the useful economic lives of acquired intangibles, which are key estimates, are assessed by management. We have outlined below the acquired intangibles arising from each acquisition during the year with their associated estimated useful economic lives.

Acquisition	Intellectual property	Customer Relationships
Open LMS	6 years	12 years
Patheer	6 years	-
JCA	2 years	4 years
eCreators	6 years	5 years
eThink	5 years	11 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 was considered 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.

We have outlined below a sensitivity analysis detailing the impact of changing the useful economic lives of each of the acquired intangibles would have on the amortisation charged to profit or loss for the year ended 31 December 2020.

Acquired intangibles of:	Decreasing the useful economic life by 3 years	Increasing the useful economic life by 3 years
Amortisation impact	Increase in amortisation (£'000)	Decrease in amortisation (£'000)
Open LMS	(605)	254
Patheer	(10)	3
JCA*	(33)	11
eCreators	(139)	40
eThink	(145)	43

*The impact outlined above for decreasing the acquired intangibles of JCA is as a result of decreasing the useful economic lives of both the acquired intangibles to 1 year.

Any acquired 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 15 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 considers all available positive and negative evidence, including historic and projected future performance, and external market factors.

See Note 21 for details of how these estimates and judgements have been applied.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

4. Prior year adjustment

Following a review of the IFRS 15 revenue recognition policy applied in the Rustici CGU, the Group has concluded that Rustici contracts include an additional distinct performance obligation, for which the revenue should be recognised at a point in time on delivery, rather than all over time as the more conservative policy previously applied. As a result of this correction in the accounting, the Group has restated the balance sheet at 1 January 2019 as outlined below. There has been no impact on the income statement for the years ended 31 December 2019 or 2020.

Note	31 Dec 2018	Adjustments	31 Dec 2018
	£'000		(Restated)
	£'000		£'000
Non-current assets:			
Property, plant and equipment	2,144		2,144
Intangible assets	242,458		242,458
Deferred tax assets	2,858	(546)	2,312
Other receivables, deposits and prepayments	161		161
Amounts recoverable on contracts	421		421
	248,042	(546)	247,496
Current assets:			
Trade receivables	34,314	-	34,314
Other receivables, deposits and prepayments	3,897	-	3,897
Amounts recoverable on contracts	3,397	-	3,397
Amount owing from related parties	7	-	7
Cash and bank balances	26,794	-	26,794
Restricted cash balances	336	-	336
	68,745	-	68,745
Total Assets	316,787	(546)	316,241
Current liabilities			
Trade and other payables	72,470	-	72,470
Borrowings	6,602	-	6,602
Corporation tax	1,631	-	1,631
Amount owing to related parties	-	-	-
	80,703	-	80,703
Non-current liabilities			
Deferred tax liabilities	26,299	-	26,299
Other long-term liabilities	9,008	(2,100)	6,908
Borrowings	31,657	-	31,657
Provisions	301	-	301
	67,265	(2,100)	65,165
Total liabilities	147,968	(2,100)	145,868
Net assets	168,819	1,554	170,373
Shareholders' equity			
Share capital	2,501		2,501
Share premium account	147,560		147,560
Merger reserve	31,983		31,983
Reverse acquisition reserve	(22,933)		(22,933)
Share-based payment reserve	1,608		1,608
Foreign exchange translation reserve	3,941		3,941
Accumulated profits/(losses)	4,159	1,554	5,713
Total equity attributable to the owners of the parent	168,819	1,554	170,373

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 2020 and in the year ended 31 December 2019.

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

Recurring and non-recurring revenue is defined in the Glossary on page 120.

Geographical information

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

	UK	Mainland Europe	United States	Canada	Asia Pacific	Rest of the world	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
31 December 2020							
Revenue	21,501	6,184	92,281	4,344	3,508	4,506	132,324
Non-current assets	28,206	-	223,310	24	15,267	8	266,815
31 December 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

The total non-current assets figure is exclusive of deferred tax assets in each of the periods above.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

Revenue by nature

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

	Software & Platforms				Content & Services				Other	Total
	On-premise Software Licences	Hosting and SaaS	Support and Maintenance	Total	Content	Platform development	Consulting & Other	Total	Rental Income	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
31 Dec 2020										
Recurring	16,643	76,345	3,817	96,805	-	1,021	9,212	10,233	98	107,136
Non-Recurring	1,129	1,033	1,053	3,215	12,906	3,541	5,526	21,973	-	25,188
	17,772	77,378	4,870	100,020	12,906	4,562	14,738	32,206	98	132,324
Depreciation & amortisation				(5,626)				(1,811)		(7,437)
Adjusted EBIT				32,224				8,026	98	40,348
Amortisation of acquired intangibles*				(18,132)				(3,315)	-	(21,447)
Other adjusting items				(4,077)				30	-	(4,047)
Finance expenses				(1,095)				(290)	-	(1,385)
Profit / (Loss) before tax				8,920				4,451	98	13,469
Additions to intangible assets*				62,433				-		62,433
Total Assets				342,941				61,920		404,861
31 Dec 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)
Adjusted EBIT				31,577				9,344	101	41,022
Amortisation of acquired intangibles				(15,771)				(5,101)	-	(20,872)
Other adjusting items				(3,760)				-		(3,760)
Finance expenses				(1,737)				(355)		(2,092)
Profit / (Loss) before tax				10,309				3,888	101	14,298
Additions to intangible assets*				15,729				-		15,729
Total Assets (Restated)				223,441				100,094	-	323,535

* Includes additions from business combinations, refer to Note 15.

Adjusted EBIT is the main measure of profit reviewed by the chief operation decision-maker. The total assets figure is inclusive of deferred tax assets in each of the periods above.

Total liabilities by Operating Segment are not regularly reviewed by the chief operation decision-maker and as such, are not included in the table above.

Information about major customers

In the year ended 31 December 2020 and the year ended 31 December 2019, no customer accounted for more than 10% of reported revenues.

6. Adjusting items

These items are included in normal operating costs of the business, but are significant cash and non cash expenses that are separately disclosed because of their size, nature or incidence. It is the Group's view that excluding them from Operating Profit gives a better representation of the underlying performance of the business in the period. Further details of the adjusting items are included in Note 2.

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Adjusting items included in Operating profit:		
Amortisation of acquired intangibles	21,447	20,872
Loss on disposal of fixed assets	21	2
(Profit) on disposal of right-of-use assets	(143)	-
Acquisition-related contingent consideration and earn-outs	3,511	3,509
Fair value movement on contingent consideration	(1,357)	-
Net foreign exchange loss arising due to business acquisition	1,070	-
Acquisition costs	715	249
Integration costs	230	-
Total adjusting items	25,494	24,632

As outlined above, the material adjustments are made in respect of:

- Amortisation of acquired intangibles – these costs are excluded from the adjusted results of the Group since the costs are non-cash charges arising from investment activities. As such, they are not considered reflective of the core trading performance of the Group.
- Acquisition-related contingent consideration and earn-outs – these costs are excluded from the adjusted results since these costs are also associated with business acquisitions and represent post-combination remuneration, which is not included in the calculation of goodwill and not considered part of the core trading performance of the Group.
- Fair value movement on contingent consideration – similar to the above, any adjustments to contingent consideration through profit or loss are excluded from adjusted results on the basis that it is non-cash non-operational income.
- Foreign exchange losses associated with business acquisitions – excluded from the adjusted results of the Group since these costs relate to investment activities and occur irregularly.
- Costs of acquisition and integration – costs associated with completed acquisitions are excluded from the adjusted results on the basis they are directly attributable to investment activities, rather than the core trading activities of the Group.

7. Finance expenses

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Charge on contingent consideration	196	248
Interest on borrowings	911	1,487
Interest on lease liabilities	418	468
	1,525	2,203
Interest receivable	(140)	(111)
	1,385	2,092

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

8. Profit before taxation

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

	Note	31 Dec 2020	31 Dec 2019
		£'000	£'000
Amortisation of software development costs	15	4,192	2,433
Fees payable to the company's auditor and its associates for the audit of the Group's annual accounts		408	204
Other fees payable to auditors:			
- Corporate finance services		-	81
- Taxation		70	32
Depreciation	13	3,245	3,672
Directors' fees (including compensation for loss of office)	10	853	839
Directors' pension contributions	10	22	24
Lease expense – short term leases exempt from IFRS 16		81	77
Acquisition-related contingent consideration and earn-outs		3,511	3,509
Interest income		(140)	(111)
		31 Dec 2020	31 Dec 2019
		£'000	£'000
Total research & development costs		16,265	17,932
Of which capitalised development costs		6,115	5,690
Capitalisation ratio		38%	32%
Amortisation of capitalised development costs		4,192	2,436
Research & development costs (including amortisation) recognised in P&L		14,342	14,678

9. Staff costs

	Year ended 31 December 2020		Year ended 31 December 2019	
	No.	£'000	No.	£'000
The average monthly number of employees was:				
Production	682		626	
Administration	102		100	
Management	6		6	
		790		732
Aggregate remuneration (including Directors):		£'000		£'000
Wages and salaries (including bonuses)		51,781		49,168
Social security costs		4,467		4,104
Share-based payments		3,340		3,111
Pension costs		1,255		1,083
		60,843		57,466

10. Directors' remuneration, interests and transactions

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

11. Income tax

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Current tax expense:		
- UK Current Tax on profits for the year	626	511
- Adjustments in respect to prior years	376	706
- Foreign Current Tax on profits for the year	4,087	4,156
Total current tax	5,089	5,373
Deferred tax (Note 21)		
- Origination and reversal of temporary differences	(4,703)	(1,369)
- Adjustments in respect to prior years	(4,025)	(662)
- Change in deferred tax rate	(296)	84
Total deferred tax	(9,024)	(1,947)
Income tax expense/(credit)	(3,935)	3,426

In the 2021 budget it was announced the UK corporation tax rate would increase to 25% from 1 April 2023.

The deferred tax credit arising from the origination and reversal of temporary differences primarily relates to the deferred tax liability releases associated with acquired intangible amortisation and other temporary differences such as accelerated depreciation, share based payments, provisions and deferred revenue.

Current tax adjustments in respect to prior years primarily relates to minor variances between prior period provisions and final tax returns.

The deferred tax adjustments in respect to prior years primarily relate to the reversal of a short term timing difference recognised in the prior year, the recognition of deferred tax assets relating to tax losses carried forward and changes in the market value of ITG shares when calculating the share-based payment deferred tax assets; refer to Note 21 for further details.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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 2020	31 Dec 2019
	£'000	£'000
Profit before taxation	13,469	14,298
Tax calculated at the domestic tax rate of 19% (2018: 19.00%):	2,559	2,717
Tax effects of:		
Income not subject to tax	(482)	(1,036)
Expenses not deductible for tax purposes	872	188
Joint venture/associate results reported net of tax	-	-
Tax deductions not recognised as an expense	(353)	(246)
Utilisation of previously unrecognised or acquired tax losses	(2,224)	-
Tax losses in the year for which no deferred tax is recognised	(269)	1
Difference between deferred and current tax rate	(246)	1,030
Reversal of prior year deferred tax short term timing difference	(2,100)	
Adjustment to unrecognised deferred tax assets	(1,549)	44
Difference in foreign exchange rates	-	(70)
Effect of different international tax rates	152	882
Changes in deferred tax rate	(295)	(84)
Income tax (credit)/expense	(3,935)	3,426

The aggregate current and deferred tax directly credited to equity amounted to £1,137,000 (2019: £1,352,000).

12. Earnings per share

	31 Dec 2020	31 Dec 2019
	Pence	Pence
Basic profit per share	2.450	1.628
Diluted profit per share	2.382	1.584
Adjusted basic earnings per share	4.417	4.470
Adjusted diluted earnings per share	4.294	4.351

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 on the page opposite.

Adjusted earnings per share is stated after the impact of the adjusting items disclosed in Note 6, excluding profit or losses on disposal of fixed assets and right-of-use assets and additional non-cash finance expenses and non-operational interest income disclosed in Note 7. This is to reflect the underlying operational performance of the Group, and exclude interest income earned from cash reserves held by the Group.

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

	Profit after tax	Weighted average number of shares	Pence per share	Profit after tax (restated)	Weighted average number of shares	Pence per share
	2020			2019		
	£'000	'000	Pence	£'000	'000	Pence
Basic earnings per ordinary share attributable to the owners of the Parent	17,404	710,348	2.450	10,872	668,045	1.628
Effect of adjustments:						
Amortisation of acquired intangibles	21,447			20,872		
Integration costs	230			-		
Cost of acquisitions	715			249		
Fair value movement on contingent consideration	(1,357)			-		
Deferred consideration and earn-outs from acquisitions	3,511			3,509		
Net foreign exchange differences on business acquisitions	1,070			-		
Interest receivable	(140)			(111)		
Finance expense on contingent consideration	196			248		
Finance expense on lease liabilities (IFRS 16)	418			468		
Income tax expense	(3,935)			3,426		
Effect of adjustments	22,155	-	3.119	28,661	-	4.290
Adjusted profit before tax	39,559	-	-	39,533	-	-
Tax impact after adjustments	(8,183)		(1.152)	(9,674)		(1.448)
Adjusted basic earnings per ordinary share	31,376	710,348	4.417	29,859	668,045	4.470
Effect of dilutive potential ordinary shares:						
Share options	-	20,271	(0.123)	-	18,233	(0.119)
Deferred consideration payable (conditions met)	-	-	-	-	-	-
Deferred consideration payable (contingent)	-	-	-	-	-	-
Adjusted diluted earnings per ordinary share	31,376	730,619	4.294	29,859	686,278	4.351
Diluted earnings per ordinary share attributable to the owners of the parent	17,404	730,619	2.382	10,872	686,278	1.584

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

13. Property, plant, equipment and right of use assets

					Right of use assets		
	Computer equipment	Fixtures and fittings	Leasehold improvements	Total	Computer equipment	Property	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 January 2019	3,552	978	366	4,896	-	-	-
Additions on transition to IFRS 16	-	-	-	-	83	11,855	11,938
Additions on acquisitions	18	11	-	29	-	266	266
Additions	506	55	126	687	-	163	163
Foreign exchange differences	(9)	(18)	18	(9)	-	94	94
Disposals	(1,477)	(180)	(220)	(1,877)	-	(123)	(123)
At 31 December 2019	2,590	846	290	3,726	83	12,255	12,338
Additions on acquisitions	4	-	5	9	-	36	36
Additions	102	12	-	114	-	2,219	2,219
Foreign exchange differences	(9)	29	(15)	5	-	(121)	(121)
Disposals	(485)	(30)	(66)	(581)	-	(1,002)	(1,002)
At 31 December 2020	2,202	857	214	3,273	83	13,387	13,470
Accumulated depreciation							
At 1 January 2019	2,145	478	129	2,752	-	-	-
Charge for the year	898	180	93	1,171	60	2,441	2,501
Disposals	(1,385)	(284)	(215)	(1,884)	-	(27)	(27)
At 31 December 2019	1,658	374	7	2,039	60	2,414	2,474
Charge for the year	539	167	63	769	23	2,453	2,476
Disposals	(491)	-	(69)	(560)	-	(286)	(286)
At 31 December 2020	1,706	541	1	2,248	83	4,581	4,664
Net book value							
At 31 December 2019	932	472	283	1,687	23	9,841	9,864
At 31 December 2020	496	316	213	1,025	-	8,806	8,806

14. Acquisitions

We have outlined below a summary of the consideration paid, the fair value of acquired intangible assets, the fair value of other acquired assets and liabilities assumed at the acquisition date and the resulting goodwill for each acquisition, with further detail provided for each acquisition below.

Acquisition	Goodwill	Acquired customer relationships	Acquired software and IP	Acquired deferred tax liabilities	Fair value of other identifiable assets and liabilities	Consideration paid	Cash acquired	Net cash outflow
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Open LMS	17,118	9,868	3,393	(3,580)	(4,859)	21,940	-	21,940
Patheer	8	-	175	(47)	-	136	-	136
JCA	537	166	164	(70)	(22)	775	-	775
eCreators	1,554	1,092	1,385	(742)	40	3,329	356	2,973
eThink	8,173	7,628	5,057	(3,425)	(3,055)	14,378	1,214	13,164
Total	27,390	18,754	10,174	(7,864)	(7,896)	40,558	1,570	38,988

Open LMS

On 31st March 2020, LTG completed the acquisition of the business and assets of Open LMS from Blackboard Inc for initial cash consideration (before some customary price adjustments) of \$31.7 million (£25.6 million) funded by the Group's existing cash and bank facilities. The 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).

Open LMS is a Moodle-based e-learning solution, which allows clients to create, personalise and track instructions for students with simple online tools. Open LMS will be run as a standalone brand within LTG's portfolio of best-in-class businesses. LTG supports 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.

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

Consideration	Fair value
	£'000
Initial purchase price	25,607
Purchase price adjustments	(3,667)
Total consideration	21,940
Recognised amounts of identifiable assets acquired and liabilities assumed	
Trade and other receivables	732
Trade and other payables	(5,591)
Deferred tax liabilities on acquisition	(3,580)
Intangible assets identified on acquisition	13,261
Total identifiable net assets	4,822
Goodwill	17,118
Total	21,940

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

The purchase price adjustments were for customary working capital adjustments.

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 Open LMS 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 £9.9 million relate to the valuation of the customer relationships which are amortised over a period of 12 years, and £3.4 million relates to the value of the acquired intellectual property and software development which is amortised over six years.

Acquisition costs of £0.4 million have been charged to the statement of comprehensive income in the year relating to the acquisition of Open LMS.

A deferred tax liability of £3.6 million in respect of the acquisition-related intangible assets was established on acquisition (refer to Note 21).

Open LMS contributed £10.7 million of revenue for the period between the date of acquisition and the balance sheet date and £3.7 million of profit before tax attributable to equity holders of the parent. As a preliminary assessment, had the acquisition of Open LMS been completed on the first day of the financial year Group revenues would have been

approximately £2.9 million higher and group profit before tax attributable to equity holders of the parent would have been approximately £0.7 million higher

Patheer, Inc.

On 15 September 2020, LTG completed the acquisition of the business and assets of Patheer, Inc ('Patheer') for cash consideration of USD \$175,000 (£136,000) funded by the Group's existing cash. As part of this acquisition, the Group recognised goodwill of £8,000, acquired intellectual property of £175,000 and an associated deferred tax liability of £47,000 on acquisition. The acquisition of Patheer, a talent management software-as-a-service solution, adds to the Group's existing proprietary software solutions delivered through PeopleFluent.

JCA Solutions

On 3 November 2020, LTG completed the acquisition of the business of JCA Solutions (JCA), for cash consideration of USD \$1.0 million (£0.8 million) funded by the Group's existing cash and bank facilities. JCA operates in the e-learning interoperability standards market and has been merged with LTG's Rustici Software business.

This small bolt-on acquisition further consolidates Rustici's dominant market-leading position in the e-learning standards market, which is strategically important as companies create, distribute, manage and deploy more digital learning content from a wide array of innovative vendors and platforms.

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

Consideration	Fair value
	£'000
Cash paid	775
Total consideration	775
Recognised amounts of identifiable assets acquired and liabilities assumed	
Trade and other receivables	65
Trade and other payables	(87)
Deferred tax liabilities on acquisition	(70)
Intangible assets identified on acquisition	330
Total identifiable net assets	238
Goodwill	537
Total	775

The total consideration and fair value adjustments to the assets and liabilities assumed are provisional and are management's best estimates at this time.

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 Rustici 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 £0.2 million relate to the valuation of the customer relationships which are

amortised over a period of four years, and £0.2 million relates to the value of the acquired intellectual property and software development which is amortised over two years.

eCreators Pty Ltd

On 1 October 2020, LTG completed the acquisition of the business eCreators Pty Ltd ('eCreators') for initial cash consideration of AUD \$5.99 million (£3.3 million) funded by the Group's existing cash and bank facilities. The acquisition of eCreators further strengthens the Group's expertise in the market's leading open-source Learning Management System (LMS), Moodle.

Further performance-based payments, capped at AUD \$6.5 million (£3.6 million) are payable in cash to the eCreators sellers based on ambitious revenue growth targets in each of the years ending 31 December 2021, 2022 and 2023. These payments are linked to continuous employment so are excluded from the acquisition consideration and instead are recognised as an acquisition-related contingent consideration and earn-outs expense over the service period within the Statement of Comprehensive Income.

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

Consideration	Fair value
	£'000
Cash paid	3,329
Total consideration	3,329
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	356
Property, plant and equipment	5
Trade and other receivables	642
Trade and other payables	(961)
Deferred tax liabilities on acquisition	(742)
Intangible assets identified on acquisition	2,477
Impact of IFRS 16 adjustments on acquisition	(2)
Total identifiable net assets	1,775
Goodwill	1,554
Total	3,329

The total consideration and fair value adjustments to the assets and liabilities assumed are provisional and are management's best estimates at this time.

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 Open LMS 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 £1.1 million relate to the valuation of the customer relationships which are amortised over a period of five years, and £1.4 million relates to the value of the acquired intellectual property and software development which is amortised over six years.

Acquisition costs of £0.1 million have been charged to the statement of comprehensive income in the year relating to the acquisition of eCreators.

A deferred tax liability of £0.7 million in respect of the acquisition-related intangible assets was established on acquisition (refer to Note 21).

eCreators contributed £0.7 million of revenue for the period between the date of acquisition and the balance sheet date and £0.1 million of profit before tax attributable to equity holders of the parent. As a preliminary assessment, had the acquisition of eCreators been completed on the first day of the financial year Group revenues would have been approximately £2.1 million higher and group profit before tax attributable to equity holders of the parent would have been approximately £0.9 million higher.

eThink Education LLC

On 4 December 2020, LTG completed the acquisition of the business eThink Education LLC ('eThink') for initial cash consideration of USD \$20.0 million (£15.9 million) funded by the Group's existing cash and bank facilities. eThink is an industry leader in North America in the high-growth Moodle open-source LMS market and will be integrated into LTG's

Notes to the Consolidated Financial Statements (continued)

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Open LMS business acquired in April 2020. eThink follows the acquisition of eCreators in October 2020 and marks a further step in LG's strategic goal of consolidating the Moodle market, building further complementary expertise and geographical reach into Open LMS.

Further performance-based payments, capped at USD \$16.0 million (£12.0 million) are payable in cash to the eThink sellers based on ambitious revenue growth targets in each of the years ending 31 December 2021, 2022 and 2023.

Consideration	Fair value
	£'000
Cash paid	15,866
Adjustments and hold-backs	(1,488)
Total consideration	14,378
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,214
Property, plant and equipment	4
Trade and other receivables	741
Trade and other payables	(5,014)
Deferred tax liabilities on acquisition	(3,425)
Intangible assets identified on acquisition	12,685
Total identifiable net assets	6,205
Goodwill	8,173
Total	14,378

The adjustments to the purchase price were for customary working capital adjustments.

The total consideration and fair value adjustments to the assets and liabilities assumed are provisional and are management's best estimates at this time.

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 Open LMS 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 £7.6 million relate to the valuation of the customer relationships which are amortised over a period of 11 years, and £5.1 million relates to the value of the acquired intellectual property and software development which is amortised over five years.

These payments are linked to continuous employment so are excluded from the acquisition consideration and instead are recognised as an acquisition-related contingent consideration and earn-outs expense over the service period within the Statement of Comprehensive Income.

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

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

A deferred tax liability of £3.4 million in respect of the acquisition-related intangible assets was established on acquisition (refer to Note 21).

eThink contributed £0.8 million of revenue for the period between the date of acquisition and the balance sheet date and £0.4 million of profit before tax attributable to equity holders of the parent. As a preliminary assessment, had the acquisition of eThink been completed on the first day of the financial year Group revenues would have been approximately £7.2 million higher and group profit before tax attributable to equity holders of the parent would have been approximately £2.3 million higher.

Details regarding the strategic decisions to acquire each of the above can be found in the Chairman's statement and Strategic Report on pages 1 and 15 respectively.

15. Intangible assets

	Goodwill	Customer contracts & relationships	Branding	Acquired software and IP	Internal Software Development	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2019	132,258	92,739	2,577	38,432	6,689	272,695
Additions on acquisitions	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
Additions on acquisition	27,390	18,754	-	10,174	-	56,318
Additions	-	-	-	-	6,115	6,115
Foreign exchange differences	(5,515)	(1,971)	(39)	(1,152)	(301)	(8,978)
At 31 December 2020	156,860	109,315	2,485	48,702	18,103	335,465
Accumulated amortisation						
At 1 January 2019	-	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
Amortisation charged in year	-	15,460	260	5,727	4,192	25,639
At 31 December 2020	-	54,354	1,228	14,430	9,169	79,181
Carrying amount						
At 31 December 2019	134,985	53,638	1,556	30,977	7,312	228,468
At 31 December 2020	156,860	54,961	1,257	34,272	8,934	256,284

Goodwill and acquisition-related intangible assets recognised have arisen from acquisitions. Refer to Note 14 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 £25.6 million includes £21.5 million relating to acquired intangibles. Amortisation

is included within operating expenses in the Statement of Comprehensive Income.

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 nine CGUs. The carrying amount of goodwill has been allocated as follows:

CGU	Goodwill		Growth rate for years 2 to 5		Post-tax discount rate	
	2020	2019	2020	2019	2020	2019
	£'000	£'000	%	%	%	%
LEO*	10,496	7,742	4%	4%	12.0%	11.0%
Preloaded	2,180	2,180	4%	4%	12.0%	12.5%
Eukleia*	-	2,764	4%	4%	-	12.5%
Rustici	13,339	13,280	9%	9%	15.2%	12.5%
PeopleFluent**	42,965	42,761	7%	7%	12.3%	11.5%
Affirmity	18,223	18,864	4%	4%	12.3%	11.0%
VectorVMS	36,033	37,300	4%	4%	10.3%	10.0%
Gomo**	-	1,381*	7%	7%	-	14.0%
Watershed	2,322	2,404	12%	12%	15.2%	12.5%
Breezy HR	6,104	6,309	12%	12%	11.3%	12.0%
Open LMS***	25,198	-	7%	-	15.2%	-
	156,860	134,985				

*Eukleia has been combined with LEO in 2020 to more closely reflect how the Group derives synergies from this previous combination.

**Part of the acquired Gomo business on the acquisition of PeopleFluent has been reallocated to the PeopleFluent CGU to more closely align to how the Group derives synergies from this previous combination.

***The Open LMS CGU includes Open LMS, eCreators and eThink.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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 Board approved forecasts for 2021 and estimated growth rates in years 2 to 5) 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 post-tax cash flows. The Group prepares cash flow forecasts derived from the 2021 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 Open LMS CGUs, which comprise the Open LMS, eCreators and eThink businesses management has cautiously assumed average annual growth rates of 7% during the next five years. For most CGUs there is substantial headroom between the calculated value-in-use and the net book value. In the case of VectorVMS CGU the headroom is more limited. Revenues declined c.7% in 2020 and are anticipated to decline by c.7% in 2021 primarily as a result of multi-year licences terminated prior to acquisition and the impact of COVID-19 on contingent labour utilisation in 2020. Management has assumed the business will grow by an average rate of 4% over the subsequent five years on the basis that it is anticipated that the contingent labour market in the US will expand from H2 2021 as economies recover following the impact of COVID-19 and there will be a continued shift to outsourced digital provision of these services.

Management has assessed that if there was a reasonably possible change to the discount rate assumption for VectorVMS that could give rise to an impairment in the next 12 months. An impairment would result from any increase in discount rate or reduction in growth rate. If the discount rate were to increase to 11.3% an impairment of £5.5 million would be indicated. If the growth rate for years 2 to 5 were to be reduced to 0% an impairment of £6.1 million would be indicated.

Management does not consider that any other reasonably possible changes in the assumptions for other CGUs would result in an impairment.

As disclosed in Note 2, Accounting policies, the forecast cash flows used within the impairment model are based on assumptions which are sources of estimation uncertainty and it is possible that significant changes to these assumptions could lead to an impairment of goodwill and acquired intangibles. Given the uncertainty surrounding the impact of COVID-19 on the Group's operations and on the global economy, management has considered a range of sensitivities on each of the key assumptions, with other variables held constant. The sensitivities which were each assessed in isolation include; applying a 10% reduction in the revenue assumption in the next financial year from the base cash flow projections, representing a slower recovery from the impact of COVID-19; increases in the discount rate by 1% and reductions in the long-term growth rates to 0%. Under these severe scenarios, the estimated recoverable amount of goodwill and acquired intangibles still exceeded the carrying value of all CGUs except VectorVMS which we have discussed above.

The sensitivity analysis showed that no reasonably possible change in assumptions would lead to an impairment.

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 12 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.

16. 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 2019 and 31 December 2020 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.

17. Trade receivables

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Trade receivables	34,479	29,815
Allowance for impairment losses	(1,495)	(904)
	32,984	28,911
Impairment losses:		
At 1 January	904	1,332
Additions on acquisition	43	-
Additions/(disposals)	576	(418)
Foreign exchange	(28)	(10)
At 31 December	1,495	904

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.

Disclosure of the expected credit losses tables are not included as they are not material.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

18. Other receivables and prepayments

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Current assets		
Sundry receivables	371	326
Prepayments	3,848	2,152
	4,219	2,478
Non-current assets		
Sundry receivables	76	120
	76	120

Sundry receivables includes rent deposits and other sundry receivables.

19. Amount recoverable on contracts

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Current assets		
Contract assets	3,879	4,699
	3,879	4,699
Non-current assets		
Contract assets	624	713
	624	713

Disclosure of the expected credit losses tables are not included as they are not material.

20. Cash and cash equivalents, restricted cash and short-term deposits

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less:

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Cash and bank balances	88,614	42,032

Restricted cash balances comprise amounts held on behalf of third parties and employees as part of the Employee Stock Purchase Plan ('ESPP'):

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Restricted cash	682	330

21. Deferred tax assets/(liabilities)

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.

Deferred tax assets	Share options	Tax losses	Short-term timing differences (Restated)	Total
	£'000	£'000	£'000	£'000
At 1 January 2019	730	1,703	425	2,858
Restatement due to IFRS 15 application change (Note 4)	-	-	(546)	(546)
Acquisition of subsidiaries	-	134	-	134
Deferred tax (charge)/credit directly to the income statement	441	(202)	362	601
Deferred tax charged directly to equity	1,352	-	-	1,352
Exercise of share options, charged directly to the income statement	(183)	-	(1)	(184)
Exchange rate differences, charged directly to OCI	-	-	-	-
Changes in tax rate, credited to the income statement	-	-	-	-
At 31 December 2019	2,340	1,635	240	4,215
Deferred tax (charge)/credit directly to the income statement	870	557	1,171	2,598
Deferred tax charged directly to equity	646	-	-	646
Exercise of share options, charged directly to the income statement	(66)	-	-	(66)
Exchange rate differences, charged directly to OCI	(36)	(19)	(32)	(87)
Changes in tax rate, credited to the income statement	240	66	2	308
At 31 December 2020	3,994	2,239	1,381	7,614

Deferred tax liabilities	Intangibles	Accelerated tax depreciation	Short-term timing differences	Total
	£'000	£'000	£'000	£'000
At 1 January 2019	(25,451)	(848)	-	(26,299)
Deferred tax on acquired intangibles and via acquisition	(961)	-	-	(961)
Deferred tax credit/(charge) directly to the income statement	4,772	(1,180)	(2,246)	1,346
Exchange rate differences, charged directly to OCI	657	-	-	657
At 31 December 2019	(20,983)	(2,028)	(2,246)	(25,257)
Deferred tax on acquired intangibles and via acquisition	(7,864)	-	-	(7,864)
Deferred tax credit/(charge) directly to the income statement	4,533	(195)	1,857	6,195
Exchange rate differences, charged directly to OCI	1,142	92	86	1,320
Changes in tax rate, charged to the income statement	-	(11)	-	(11)
At 31 December 2020	(23,172)	(2,142)	(303)	(25,617)

The UK corporation tax rate is 19% effective from 1 April 2017. In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020, and the impact of this change is less than £0.5 million. The US corporation tax rate is 26%.

The Group has recognised £2.2 million (2019: £1.6 million) of deferred tax assets relating to carried forward tax losses. These losses have been recognised as it is 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

Unrecognised deferred tax assets, relating primarily to trading losses carried forward arising in the US, total £34.0 million (2019: £48.0 million), and have not been recognised due to uncertainty over the timing and extent of future taxable profits. The losses can be carried forward indefinitely and have no expiry date.

22. Trade and other payables

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Trade payables	2,335	1,508
Contract liabilities	51,679	49,219
Tax and social security	1,687	603
Contingent consideration	493	-
Acquisition-related contingent consideration and earn-outs	1,205	3,230
Accruals	10,616	8,231
Total	68,015	62,791

The acquisition-related contingent consideration and earn-outs balance in 2020 and 2019 relates partly to the acquisition of Watershed Systems Inc. and partly to the acquisition of BreezyHR Inc. This is treated as post-combination remuneration and is accrued over the service period. The contingent consideration balance in 2020 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 2021 and 2022.

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. All of the current liability contract liabilities balance at 31 December 2019 was recognised as revenue in 2020 and the currently contract liabilities deferred income balance at 31 December 2020 is expected to be recognised as revenue in 2021.

The Group acquired £9.9 million of contract liabilities balances as part of the business acquisitions discussed in Note 14. These balances were partly recognised as revenue in 2020 with the remaining balance being expected to be recognised as revenue in 2021.

23. Other long-term liabilities

	31 Dec 2020	31 Dec 2019 (Restated)	31 Dec 2018 (Restated)
	£'000	£'000	£'000
Acquisition-related contingent consideration and earn-outs	1,597	165	20
Contingent consideration	662	2,542	2,378
Contract liabilities	4,778	3,349	4,503
Other long-term liabilities	598	287	7
Total	7,635	6,343	6,908

The acquisition-related contingent consideration and earn-outs balance in 2020 relates to the acquisitions of Watershed Systems Inc., BreezyHR Inc., eCreators Pty Limited and eThink Education LLC. The acquisition-related deferred consideration and earn-outs balance in 2019 relates to the acquisitions of Watershed Systems Inc. and BreezyHR Inc. This is treated as post-combination remuneration and is accrued over the service period.

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 2021 and 2022.

The non-current 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 deferred revenue balance at 31 December 2020 is expected to be recognised during 2022 and 2023.

24. 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 committed \$42.0 million term loan (£30.9 million at the year-end exchange rate) and a committed \$21.0 million multicurrency revolving credit facility (£15.5 million at the year-end exchange rate), both available to the Group for five 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 (c £1.7 million) with the balance repayable on the expiry of the loan in April 2023. As a result of the lenders agreeing to postpone the term loan repayments in the second half of 2020; these term loan repayments will increase to \$2.5 million (c £1.9 million) from Q1 2021 until the termination of the loan in 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 that are tested quarterly.

The financial covenants are that the Group must ensure that its cash flow cover ratio is at least 1.1 times and its leverage ratio does not exceed 2.75. The cash flow cover and leverage ratio is not a statutory measure and so its basis and composition may differ from other leverage measures published by other companies.

The Group was compliant with all financial covenants throughout the year and as at 31 December 2020, the Group's cash flow cover was 4.09 and its leverage ratio was -1.56.

The lease liabilities have arisen on adoption of IFRS 16 and are secured by the related underlying assets. See Note 33 for the undiscounted maturity analysis of lease liabilities at 31 December 2020.

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Current interest-bearing loans and borrowings	7,339	6,344
Non-current interest-bearing loans and borrowings	11,073	31,858
Current lease liabilities	2,536	2,880
Non-current lease liabilities	7,722	9,077
Total	28,670	50,159

Net debt / cash reconciliation

Net debt / cash, which excludes lease liabilities, can be analysed as follows:

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Cash and cash equivalents	88,614	42,032
Short-term deposits	-	-
Borrowings:		
- Revolving credit facility	-	(16,011)
- Term loan	(18,412)	(22,191)
Total	70,202	3,830

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

25. Lease liabilities

This note provides information for leases where the group is a lessee.

	2020	2019
	£'000	£'000
At 1 January	11,957	14,465
Additions	2,219	-
Additions on acquisitions	21	275
Interest expense	418	468
Lease payments	(3,317)	(3,275)
Disposals	(889)	-
Foreign exchange movements	(151)	24
At 31 December	10,258	11,957

Additional profit or loss and cash flow information

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Income from subleasing office premises	230	210
Total cash outflow in respect of leases in the year	(3,317)	(3,275)
Expense related to short term leases not accounted for under IFRS 16	(81)	(77)
Additions to right of use assets	2,255	429

The Group's accounting policy for leases is set out in Note 2. Details of Income statement charges are set out in Note 8. The right-of-use asset categories on which depreciation is incurred are presented in Note 13. Interest expense incurred on lease liabilities is presented in Note 7. The maturity of undiscounted future lease liabilities are set out in Note 33.

26. Provisions

	31 Dec 2020	31 Dec 2019
	£'000	£'000
At 1 January – brought forward	853	301
Released to the income statement	(152)	-
Paid in the year	-	(50)
Addition	-	602
Total	701	853

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.

27. Share capital

Shares were issued during the year as follows:

	Number of shares	Share capital	Share premium	Merger reserve	Total
		£'000	£'000	£'000	£'000
Shares were issued during the year as follows:					
At 1 January 2020	669,120,088	2,509	148,216	31,983	182,708
Shares issued on the exercise of options	3,373,089	13	980	-	993
Shares issued as part of equity placing	64,395,648	241	79,347	-	79,588
Breezy earn-out consideration settled via a share issue	2,408,585	90	3,128	-	3,218
At 31 December 2020	739,297,410	2,853	231,671	31,983	266,507

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company.

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 2020 the EBT holds 404,340 (2019: 404,340) ordinary shares in the Company. These shares are held in treasury.

A total of 3,373,089 ordinary shares were issued during the course of the year as a result of the exercise of employee share options.

The share issue amounts included in the consolidated statement of changes in equity and statement of cash flows, can be reconciled as follows.

	31 Dec 2020		
	Share capital	Share premium	Total
	£'000	£'000	£'000
Proceeds from issuance of shares from equity placing	241	81,541	81,782
Associated placing costs, paid from proceeds	-	(2,194)	(2,194)
Proceeds from issuance of shares from share option scheme	13	980	993
Total proceeds disclosed in the consolidated statement of cash flows	254	80,327	80,581
Breezy earn-out consideration settled via a share issue	90	3,128	3,218
Total issue of shares disclosed in the consolidated statement of changes in equity	344	83,455	83,799

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

28. Share-based payment transactions

The Group operates an Approved and Unapproved share option plan and a number of contributory share save schemes. 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 ABL's guidelines on policies and practices in respect of executive remuneration.

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

	2020		2019	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
Approved share option plan - Enterprise Management Incentive ('EMI'):				
At 1 January	3,259,044	17.247	3,939,044	17.794
Options granted by Company	-	-	-	-
Forfeited	-	-	-	-
Exercised during the year	(2,106,499)	20.578	(680,000)	20.415
At 31 December	1,152,545	12.838	3,259,044	17.247

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:

	2020		2019	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
Unapproved share option plan:				
At 1 January	28,826,568	76.116	22,059,901	70.441
Granted by Company	4,448,998	114.976	12,833,334	79.913
Forfeited	(1,609,901)	56.277	(4,766,667)	71.427
Exercised during the year	(450,000)	50.328	(1,300,000)	34.500
At 31 December	31,215,665	83.099	28,826,568	76.116

Unapproved options are granted to employees of the Group and vesting criteria are subject to challenging performance targets such as revenue and EBIT 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.

In November 2020, given the impact of COVID-19 on performance targets in 2020, the Group and certain option holders entered into Deeds of Variation to effectively amend the vesting period of options vesting in 2020 to the calendar year that immediately follows the final calendar year of each respective Option Agreement. This modification did not change the fair value of the options held by each option holder and as such, the share-based payment charged recognised in the income statement continues to be recognised at the grant date fair value of each option over the new vesting period agreed with each respective option holder. The Executive Directors did not enter into a Deed of Variation over their LTIPs.

(b) Sharesave option scheme

In the UK the Company established the 2016, 2017, 2018, 2019 and 2020 Learning Technologies Group plc Sharesave Scheme in April 2016, April 2017, April 2018, April 2019 and October 2020 respectively. In October 2020 the Company established a Colombian share save scheme. The schemes enables UK and Colombian 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 and Alianza Fiduciaria S.A for UK and Colombian employees respectively.

Each member of the scheme may save a fixed amount of up to £500 (\$COL 2,500,000) 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, 55.0 and 94.7 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 2019, 9 April 2020 and 9 October 2020 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

	2020		2019	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
Sharesave Option Scheme:				
At 1 January	2,298,946	53.993	2,297,473	53.844
Granted by Company	867,809	94.700	764,189	51.000
Forfeited	(284,085)	60.297	(514,966)	66.044
Exercised during the year	(816,590)	40.800	(247,750)	30.973
At 31 December	2,066,080	75.438	2,298,946	53.993

(c) Employee stock purchase plan

The Company established the Learning Technologies Group plc U.S. and Canada 2019 and 2020 Employee Stock Purchase Plan (ESPP) in May 2019 and November 2020 respectively. 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 Learning Technologies Group 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 70.6 and 102.0 pence per share (the 'Option Price'), being a discount of 15% on the share price as of 17 May 2020 and 2 November 2020. 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.

	2020		2019	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
Employee Stock Purchase Plan:				
At 1 January	942,621	70.550	-	-
Granted by Company	880,972	102.000	1,043,094	70.550
Forfeited	(114,321)	70.550	(100,473)	70.550
Exercised during the year	-	-	-	-
At 31 December	1,709,272	86.760	942,621	70.550

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

(d) Employee share ownership plan

The Company established the LTG Peak Performance Trust ('PPT') in December 2020. The scheme enables Australian permanent employees of the Group to buy shares in the Company at a discount on maturity of a one-year savings contract, with an additional two-year savings contract available upon remaining in the scheme each year. The savings are held by Succession Plus Australia.

Each member of the scheme may save AUD416.67 each month over the one-year period, at the end of which each employee may buy shares at a discount of 15% on the share price at the time of acquisition. At the end of the one year, a participant's option to purchase shares will be exercised automatically on the purchase date. In years two and three, an increased monthly purchase limit of AUD625.00 and AUD716.67 is available to employees who have remained in the scheme in the prior years.

	2020		2019	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
Employee Share Ownership Plan				
At 1 January	-	-	-	-
Granted by Company	16,320	139.456	-	-
Forfeited	-	-	-	-
Exercised during the year	-	-	-	-
At 31 December	16,320	139.456	-	-

At 31 December 2020, 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			Exercise Price Pence	Remaining vesting period	Fair value of options Pence	Life Years	Volatility Percent
	Approved Scheme	Unapproved scheme	Sharesave Scheme					
Jun 2013	343,945	-	-	2.718	-	11.96	10	45%
Mar 2014	183,600	-	-	15.500	-	8.76	10	45%
Nov 2014	625,000	-	-	17.625	-	9.96	10	45%
Aug 2016	-	850,000	-	28.500	-	16.11	10	45%
Aug 2016	-	200,000	-	28.500	Dec 2024	16.11	10	45%
Mar 2017	-	150,000	-	42.500	-	19.63	10	34%
Mar 2017	-	200,000	-	42.500	-	19.63	10	34%
Mar 2017	-	200,000	-	42.500	Jan 2021	19.63	10	34%
Apr 2017	-	1,000,000	-	37.500	-	5.2	10	34%
Apr 2017	-	1,000,000	-	37.500	-	13.86	10	34%
May 2017	-	225,000	-	37.500	-	29.63	10	34%
May 2017	-	1,000,000	-	37.500	Jan 2021	29.63	10	34%
May 2017	-	125,000	-	37.500	Mar 2021	29.63	10	34%
May 2017	-	50,000	-	37.500	Apr 2021	29.63	10	34%
May 2017	-	25,000	-	37.500	Sep 2021	29.63	10	34%
May 2017	-	50,000	-	37.500	Oct 2021	29.63	10	34%
May 2017	-	125,000	-	37.500	Dec 2021	29.63	10	34%
Jun 2017	-	600,000	-	42.500	-	20.46	10	36%
Jun 2017	-	200,000	-	42.500	Dec 2024	20.46	10	36%
Dec 2017	-	400,000	-	60.114	-	30.10	10	38%

Date of grant	Number of shares under option			Exercise Price Pence	Remaining vesting period	Fair value of options Pence	Life Years	Volatility Percent
	Approved Scheme	Unapproved scheme	Sharesave Scheme					
Dec 2017	-	300,000	-	60.114	Jan 2022	30.10	10	38%
Dec 2017	-	300,000	-	60.114	Jan 2023	30.10	10	38%
Apr 2018	-	-	598,120	68.400	May 2021	32.15	3	40%
Jul 2018	-	425,000	-	102.000	-	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	-	2,200,000	-	103.490	Jan 2023	56.14	10	40%
Aug 2018	-	2,000,000	-	103.490	Jan 2024	56.14	10	40%
Aug 2018	-	2,000,000	-	103.490	Jan 2025	56.14	10	40%
Apr 2019	-	-	607,753	55.100	-	35.12	3	66%
Apr 2019	-	-	828,300	70.550	-	44.37	2	68%
Apr 2019	-	2,041,666	-	75.200	Jan 2021	55.64	10	68%
Apr 2019	-	450,000	-	75.200	Jan 2022	55.64	10	68%
Apr 2019	-	2,041,667	-	75.200	Jan 2023	55.64	10	68%
Apr 2019	-	2,041,667	-	75.200	Jan 2024	55.64	10	68%
Apr 2019	-	1,591,667	-	75.200	Jan 2025	55.64	10	68%
Jul 2019	-	333,333	-	75.200	-	92.09	10	71%
Jul 2019	-	166,667	-	75.200	Feb 2021	92.09	10	71%
Jul 2019	-	166,667	-	75.200	Jul 2021	92.09	10	71%
Jul 2019	-	166,667	-	75.200	Feb 2022	92.09	10	71%
Jul 2019	-	166,666	-	75.200	Jul 2022	92.09	10	71%
Nov 2019	-	400,000	-	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	-	400,000	-	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%
Apr-2020	-	150,998	-	115.000	Apr-21	74.82	10	56%
Apr-2020	-	775,000	-	115.000	Jan-23	74.82	10	56%
Apr-2020	-	775,000	-	115.000	Jan-24	74.82	10	56%
Apr-2020	-	775,000	-	115.000	Jan-25	74.82	10	56%
Apr-2020	-	775,000	-	115.000	Jan-26	74.82	10	56%
Jul-2020	-	198,000	-	115.000	Jan-23	70.99	10	55%
Oct-2020	-	150,000	-	114.300	Jan-23	62.03	10	52%
Oct-2020	-	150,000	-	114.300	Jan-24	62.03	10	52%
Oct-2020	-	150,000	-	114.300	Jan-25	62.03	10	52%
Oct-2020	-	150,000	-	114.300	Jan-26	62.03	10	52%
Oct-2020	-	100,000	-	114.300	Jan-23	62.03	10	52%
Oct-2020	-	100,000	-	114.300	Jan-24	62.03	10	52%
Oct-2020	-	100,000	-	114.300	Jan-25	62.03	10	52%
Oct-2020	-	100,000	-	114.300	Jan-26	62.03	10	52%
Nov-2020	-	-	860,207	94.7000	Nov-23	50.97	3	52%
Nov-2020	-	-	880,972	102.000	Nov-22	41.89	2	52%
Dec-2020	-	-	16,320	139.456	Dec-21	48.89	1	52%
Totals	1,152,545	31,215,665	3,791,672					

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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

The weighted average share price at grant date of options granted during the year in the Unapproved Share Option Scheme at grant date was £1.223 (2019: £0.841) and the estimated fair value of each share option granted was £0.718 (2019: £0.617).

The weighted average share price at grant date of the Sharesave Scheme was £1.216 (2019: £0.688) and the estimated fair value of each share option was £0.510 (2019: £0.351). 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 £1.216 (2019: £0.830) and the estimated fair value of each share option was £0.419 (2019: 0.444). It is assumed that 50% of members will remain in the Group after two years.

The weighted average share price at grant date of the PPT was £1.700 (2019: £Nil) and the estimated fair value of each share option was £0.489 (2019: £Nil). It is assumed that 50% of members will remain in the Group after one year.

A 0.26% - 0.29% (2019: 1.78%) risk-free interest rate has been assumed for all three schemes. The 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 three years, for ESPP options two years and for PPT options one year.

The expense and equity reserve arising from share-based payment transactions recognised in the year ended 31 December 2020 was £3,340,000 (year ended 31 December 2019: £3,111,000).

The weighted average share price at the date of exercise of options under the EMI Share Option Scheme was £1.339 (2019: £1.016).

The weighted average share price at the date of exercise of options under the Unapproved Share Option Scheme was £1.433 (2019: £0.860).

The weighted average share price at the date of exercise of options under the Sharesave Scheme was £1.356 (2019: £1.008)

The number of options that are exercisable at 31 December 2020 is 6,335,878 (2019: 7,468,945).

29. Subsidiaries of the Group

The subsidiaries of the Group, all of which are private companies limited by shares, as at 31 December 2020, are as follows:

Company	Country of Registration or Incorporation	Registered Office	Principal Activity	Percentage of ordinary shares held by Company
Held directly by Learning Technologies Group Plc:				
Learning Technologies Group Holdings (UK) Limited (previously named Epic Group Limited)	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	Holding company	100%
Line Communications Holdings Limited	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	Dormant	100%
Learning Technologies Group (Trustee) Limited	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	Employee Benefit Trust	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%
Watershed Systems, Inc.	USA	c/o National Registered Agents Inc. 160 Greentree Dr STE 101, Dover, Kent, DE, 19904	SaaS Learning Analytics Platform	100%
Learning Technologies Acquisition Corp	USA	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE 19808	Holding company	100%
Held indirectly by Learning Technologies Group Plc:				
Preloaded Limited	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	Educational Games	100%
Leo Learning Inc	USA	11 Broadway, Suite 466, New York, New York, 10004, USA	Bespoke e-learning	100%
Learning Technologies Group (UK) Limited (previously named Leo Learning Limited)	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	Bespoke e-learning	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	16F/Kingsfield Centre, 18 Shell Street, North Point, Hong Kong SAR	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	16F/Kingsfield Centre, 18 Shell Street, North Point, Hong Kong SAR	e-learning software licencing and services	100%
Learning Technologies Group Pty Limited (previously named NetDimensions (Australia) Pty Limited)	Australia	Level 4, 91 William Street, Melbourne VIC 3000	e-learning software licencing and services	100%
NetDimensions Asia Limited	Hong Kong/Philippines	16F/Kingsfield Centre, 18 Shell Street, North Point, Hong Kong SAR	e-learning software licencing and services	100%
Learning Technologies Group GmbH (previously known as NetDimensions Germany GmbH)	Germany	Dieningholt 9, 59387 Ascheberg, Germany	e-learning software licencing and services	100%

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

Company	Country of Registration or Incorporation	Registered Office	Principal Activity	Percentage of ordinary shares held by Company
Held indirectly by Learning Technologies Group Plc:				
E-Creators Pty Ltd.	Australia	Level 3, 210 Albert Road South Melbourne, VIC 3004	SaaS learning management system	100%
NetDimensions (Holdings) Limited	Cayman Islands	Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Catman, KY1-1104, Cayman Islands	Dormant	100%
Gomo Learning Limited	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	Mobile e-learning	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%
Gomo Learning Inc. (previously named 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	Dormant	100%
PeopleFluent Limited	England and Wales	52 Old Steine, Brighton, BN1 1NH, England	Integrated talent management and learning solutions	100%
Learning Technologies Group Brasil Servicos de Tecnologia Ltda	Brazil	Alameda ITU 215, Conj 52 Sala 7, Jardim Paulista, 01421001 Sao Paulo	SaaS learning management system	100%
LTG UK MEX SDRL	Mexico	Montecito 38, Piso 16, Oficina 27, WTC, Napoles, Benito Juarez, 03810 CDMX, Mexico	SaaS learning management system	100%
Learning Technologies Group (Colombia) S.A.S.	Colombia	Cr 7 #71 52 To A of 706 Bogotá D.C.	SaaS learning management system	100%
Breezy HR, Inc.	USA	Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle DE 19801	SaaS Talent Acquisition Platform	100%
eThink Education LLC	USA	c/o Corporation Service Company 251 Little Falls Drive Wilmington, DE 19808	SaaS learning management system	100%
eThink Education Limited	England and Wales	15 Fetter Lane, Ground Floor London EC4A 1BW	SaaS learning management system	100%

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.

30. 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 Learning Technologies Group (UK) Limited (formerly LEO Learning Limited and 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 28).

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.

31. Related party transactions

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Amount owing (from)/to joint venture/associate:		
Current		
Trade balances with joint venture	(54)	(18)
Total	(54)	(18)

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 10) 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 translation and accommodation services from RWS Group Limited totalling £195,000 in the year ended 31 December 2020 (2019: £428,000). Andrew Brode is the Chairman of LTG and RWS Group Limited. The amount due/accrued to RWS Group Limited at 31 December 2020 was £54,000 (31 December 2019: £39,000). These balances are included in trade and other payables (refer to Note 22).

During the normal course of business, the Group purchased consultancy services totalling £nil in the year ended 31 December 2020 (2019: £6,000) 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 2020 was £nil (31 December 2019: £nil).

During the normal course of business, the Group received services income during the year ended 31 December 2020 totalling £nil (2019: £2,000) from Piers Lea, an Executive Director. The amount due from Piers Lea at 31 December 2020 was £nil (2019: £2,000).

Transactions with joint venture

During the normal course of business, the Group purchased graphics services from its joint venture, LEO Brazil, totalling £1,000 and received licence fee income, totalling £10,000 in the year ended 31 December 2020 (2019: £2,000 and £10,000 respectively).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

32. Dividends paid

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Final dividend paid	-	2,337
Interim dividend paid	5,537	1,670
Total	5,537	4,007

Due to the impact of COVID-19, the Board adopted a prudent approach to shareholder distributions and postponed the 2019 final dividend until market conditions normalised. On 30 October 2020 the Company paid an interim dividend of 0.25 pence per share (2019: 0.25 pence per share), together with the postponed final dividend for 2019 of 0.50 pence; amounting to a total dividend payment of £5.6 million. Given the robust performance of the Group during the past year the Directors propose to pay a final dividend of 0.50 pence per

share for the year ended 31 December 2020, equating to a total payment in respect of the year of 0.75 pence per share (2019: 0.75 pence per share).

The proposed final dividend of 0.50 pence per share, amounting to a final dividend of c.£3.7m, is not included as a liability in these financial statements and, subject to shareholder approval, will be paid on 25 June 2021 to shareholders on the register at the close of business on 4 June 2021. The final dividend will be paid gross.

33. 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:

	United States Dollar	Brazilian Real	Hong Kong Dollar	Euro	Swiss Francs	Canadian Dollar	Australian Dollar	Philippine Peso	Columbian Peso	Mexican Peso	Japanese Yen	Singapore Dollar	New Zealand Dollar	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
31 Dec 2020														
Financial assets	34,344	290	459	4,889	377	975	1,634	43	513	153	142	77	97	43,993
Financial liabilities	39,657	-	379	25	-	41	73	1	2	-	-	-	-	40,178
31 Dec 2019														
Financial assets	55,520	-	579	5,435	482	1,354	569	5	-	-	-	-	-	63,944
Financial liabilities	38,767	-	-	7	-	-	-	-	-	-	-	-	-	38,774

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to possible changes in the relative values of the above financial assets and liabilities held in foreign currencies to which the Group is exposed as at the end of each year, with all other variables held constant. We have disclosed the material sensitivities above £100,000 below:

Effects on profit after taxation/equity	31 December 2020	31 December 2019
	increase/ (decrease)	increase/ (decrease)
	£'000	£'000
United States Dollar:		
- Strengthened by 10%	(531)	1,675
- Weakened by 10%	531	(1,675)
Euro:		
- Strengthened by 10%	486	543
- Weakened by 10%	(486)	(543)
Swiss Franc:		
- Strengthened by 10%	38	48
- Weakened by 10%	(38)	(48)
Canadian Dollar:		
- Strengthened by 10%	93	135
- Weakened by 10%	(93)	(135)
Australian Dollar:		
- Strengthened by 10%	156	57
- Weakened by 10%	(156)	(57)

(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 rate.

Interest rate risk sensitivity analysis

The Group's external borrowings at the balance sheet date comprise loan facilities on floating interest rates at a margin over LIBOR. 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 2020 and net assets at that date would decrease by £137,000 (2019: £177,000). 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 17.

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 (2019: 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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.

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

	31 Dec 2020	31 Dec 2019
	£'000	£'000
United Kingdom	3,510	4,124
North America	22,892	18,443
Europe	3,443	3,497
Asia Pacific	2,393	980
Middle East and Africa	755	2,521
South and Central America	1,486	250
Allowance for impairment losses	(1,495)	(904)
	32,984	28,911

Ageing analysis

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

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Not past due	21,229	21,904
Past due:		
Less than three months	6,333	4,585
Three to six months	4,241	842
Past six months	2,676	2,484
Gross amount	34,479	29,815

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. There is no seasonality to the Group's liquidity risk.

The Group manages its exposure to liquidity risk by reviewing the cash resources required to meet its business objectives through both short- and long-term cash flow forecasts. 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:

	Less than 1 year	1-2 years	2-3 years	>3 years	Total
	£'000	£'000	£'000	£'000	£'000
Year ended 31 December 2020					
Trade payables	2,335	-	-	-	2,335
Borrowings	7,722	7,589	3,740	-	19,051
Contingent consideration	493	662	-	-	1,155
Lease payments	2,934	2,555	2,066	3,810	11,365
	13,484	10,806	5,806	3,810	33,906
Year ended 31 December 2019					
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

Refer to Note 24 for a reconciliation of the Group's net cash / debt position and details of the debt facilities available to the Group.

(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 24 – this is the only external debt finance of the Group.

The Company made dividend distributions of 0.75 pence per share during the year ended 31 December 2020 (2019: 0.60 pence per share).

Total equity increased from £175.5 million to £269.1 million during the year and net funds increased from net cash of £3.8 million to net cash of £70.2 million.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

(c) Classification of financial instruments

Financial assets	31 Dec 2020	31 Dec 2019
	£'000	£'000
Financial assets at amortised cost		
Trade receivables	32,984	28,911
Amounts recoverable on contracts	4,503	5,412
Amount owing by related parties	54	18
Cash and bank balances	88,614	42,032
	126,155	76,373

Financial liabilities	31 Dec 2020	31 Dec 2019
	£'000	£'000
Fair value through the profit and loss:		
Contingent consideration	1,155	2,542
	1,155	2,542
At amortised cost:		
Trade payables	2,335	1,508
Borrowings	18,412	38,202
Lease liability	10,258	11,957
	31,005	51,667

(d) Reconciliation of liabilities arising from financing activities

	Note	1 January 2020	Net financing cashflows	Interest paid	Fair value movement	Interest accrued	Acquisition of subsidiary	Net additions	Foreign exchange movement	31 December 2020
Borrowings	24	38,202	(18,458)	(750)	-	911	-	-	(1,493)	18,412
Lease liabilities	24	11,957	(3,317)	-	-	418	21	1,330	(151)	10,258
Contingent consideration	22, 23	2,542	(121)	-	(1,357)	196	-	-	(105)	1,155

	Note	1 January 2019	Net financing cashflows	Interest paid	Fair value movement	Interest accrued	Acquisition of subsidiary	Foreign exchange movement	31 December 2019
Borrowings	24	38,259	589	(1,449)	-	1,487	-	(684)	38,202
Lease liabilities	24	14,465	(3,275)	-	-	468	275	24	11,957
Contingent consideration	22, 23	2,386	(8)	-	-	248	-	(84)	2,542

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.

Refer to Note 24 for details of the loan covenants attached to the loan from Silicon Valley Bank.

(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.

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.

The fair value of contingent consideration has been adjusted during the year, resulting in a gain of £1,357,000 which has been recognised within operating expenses included in Operating Profit. This has been treated as an adjusting item for the purposes of calculating Adjusted EBIT, refer to Note 6 for further details.

2020	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Contingent consideration	-	-	1,155	1,155
Total	-	-	1,155	1,155

2019	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Contingent consideration	-	-	2,542	2,542
Total	-	-	2,542	2,542

34. Reclassification of expenses

The costs outlined below were previously separately disclosed from Operating expenses and/or Operating profit, are now included within the Group's Operating expenses and Operating profit figures. This is to present a more accurate reflection of the Operating profit of the group. Prior year results have been restated to provide a consistent comparative.

	31 Dec 2019
	£'000
Acquisition-related contingent consideration and earn-outs	3,509
Acquisition costs	249
Loss on disposal of fixed assets	2
Impact of restatement to Operating expenses	3,760
Impact of restatement to Operating profit	251

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

35. Events since the reporting date

Acquisition of Reflektive

On 1 February 2021, Learning Technologies Group plc announced the completion of the acquisition of Reflektive Inc ("Reflektive"), a leading performance management software provider, from a group of institutional investors for a cash consideration of \$14.2 million (c.£10.4 million), funded from LTG's cash resources.

Headquartered in San Francisco, Reflektive specialises in engagement and analytics tools. It offers a collaborative goal-setting, continuous feedback and analytics platform used by corporate teams and individuals to provide measurable results for boosting productivity, engagement, and retention. Reflektive will join LTG's PeopleFluent business, integrating its solution with the existing PeopleFluent talent management portfolio. The combination with LTG's other software solutions provides opportunities for cross-sell and upsell-led growth.

Acquisition of PDT Global

On 5 February 2021, Learning Technologies Group plc acquired UK-based PDT Global ('The People Development Team'), a leading provider of online Diversity and Inclusion (D&I) training solutions, for an initial cash consideration of £13.2 million funded from LTG's cash resources. Further performance payments capped at £7.0 million are payable in cash, based on ambitious incremental revenue growth targets in each of the years ending 31st December 2021, 2022 and 2023.

Acquisition of Bridge

On 1 March 2021, Learning Technologies Group plc, acquired gefBridge LLC and related assets ("Bridge"), a leading learning and talent development software provider, from Instructure Inc for a cash consideration of \$50.0 million (c.£36.1 million), funded from LTG's existing cash resources.

Bridge is a learning, performance and skills development platform for mid-enterprise organisations, headquartered in the US with operations in the UK and Hungary. Bridge provides a learning management system in addition to performance, engagement and skills development products, on a single, easy-to-use, SaaS-based platform.

The acquisition of Bridge significantly extends LTG's mid-enterprise learning and talent offering. Bridge is highly complementary to PeopleFluent, which serves the large enterprise market, and Breezy HR, which serves the small and medium-sized business market. The acquisition is strategically important because it enables LTG to provide a holistic learning and talent development offering to meet the needs of small, mid-size and large enterprises, three distinct groups with varying requirements. The combination and integration of Bridge with LTG's other portfolio offerings, including the recently acquired Reflektive engagement and analytics platform, will create opportunities for cross-sell and upsell-led growth within the Group.

The purchase price allocation exercises for each of the above acquisitions will be completed in due course.

There have been no other notifiable events between the 31 December 2020 and the date of this Annual Report.

Company Statement of Financial Position (Registered number: 07176993)

As at 31 December 2020

	Note	31 Dec 2020	31 Dec 2019
		£'000	£'000
Non-current:			
Investment in subsidiaries	3	155,820	152,297
		155,820	152,297
Current assets:			
Trade and other receivables	4	93,753	46,654
Cash and bank balances		39,562	17,886
		133,315	64,540
Current liabilities			
Trade and other payables	7	8,119	7,018
		8,119	7,018
Net current assets		125,196	57,522
Total assets less current liabilities		281,016	209,819
Non-current liabilities			
Trade and other payables	8	11,073	31,858
Net Assets		269,943	177,961
Capital and reserves:			
Share capital	5	2,853	2,509
Share premium account	6	231,631	148,176
Merger reserve	6	9,714	9,714
Share-based payments reserve	6	7,439	4,411
Retained profits		18,306	13,151
		269,943	177,961

Capital and reserves includes profit or (loss) for the year of the parent company, of £10.379 million (2019 - (£0.724) million).

The Notes on pages 116 to 119 form an integral part of these Financial Statements.

The Financial Statements on pages 114 to 119 were approved and authorised for issue by the Board of Directors on 24 March 2021 and were signed on its behalf by:



Neil Elton

Chief Financial Officer

24 March 2021

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 2019		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	5	8	656	-	-	-	664
Payment of dividends		-	-	-	-	(4,007)	(4,007)
Share-based payment charge credited to equity	10	-	-	-	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
Profit for the year		-	-	-	-	10,379	10,379
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	10,379	10,379
Issue of shares	5	344	83,455	-	-	-	83,799
Payment of dividends		-	-	-	-	(5,537)	(5,537)
Share-based payment charge credited to equity	10	-	-	-	3,341	-	3,341
Transfer on exercise and lapse of options		-	-	-	(313)	313	-
Transactions with owners		344	83,455	-	3,028	(5,224)	81,603
At 31 December 2020		2,853	231,631	9,714	7,439	18,306	269,943

Notes to the Company Financial Statements

For the year ended 31 December 2020

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 profit attributable to members of the Company for the year ended 31 December 2020 is £10,379,000 (year ended 31 December 2019: loss of £724,000).

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.

(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 (continued)

For the year ended 31 December 2019

3. Investment in subsidiaries

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Cost		
At 1 January	152,297	164,404
Additions	3,523	3,015
Disposals	-	(15,122)
At 31 December	155,820	152,297
Amortisation/impairment:		
At 1 January	-	-
Provision for impairment	-	-
Disposals	-	-
At 31 December	-	-
Net Book Value	155,820	152,297

Additions in the year relates to the recognition of share based payment transactions between the Company and its subsidiaries.

In 2019, the Company transferred its investments in Preloaded Limited and Eukleia Training Limited to its subsidiary, Learning Technologies Group (UK) Limited, as part of a Group restructuring project.

Details of the Company's subsidiaries as at 31 December 2020 are set out in Note 29 to the Consolidated Financial Statements.

4. Trade and other receivables

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Amounts due from subsidiary undertakings	93,725	46,627
Other debtors	-	-
Other debtors	28	27
	93,723	46,654

5. Share capital

Details of the Company's authorised, called-up and fully paid share capital are set out in Note 27 to the Consolidated Financial Statements.

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

6. 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.

7. Trade payables: amounts falling due within one year

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Trade creditors	180	85
Other creditors and accruals	600	589
Borrowings	7,339	6,344
	8,119	7,018

8. Trade payables: amounts falling due after more than one year

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Borrowings	11,073	31,858
	11,073	31,858

The interest expense relating to the movement in present value of contingent consideration in the year ending 31 December 2020 amounted to £nil (2019: £ nil).

Refer to Note 24 to the Consolidated Financial Statements for further details of the Company's borrowings.

Notes to the Company Financial Statements (continued)

For the year ended 31 December 2020

9. Related party transactions

The only key management personnel of the Company are the Directors. Details of their remuneration are contained in Note 10 to the Consolidated Financial Statements.

The following transactions with subsidiaries occurred in the year

	31 Dec 2020	31 Dec 2019
	£'000	£'000
Opening amount due from related parties	46,627	49,919
Amounts (repaid) by related parties	(75,067)	(40,361)
Amounts advanced from related parties	118,584	35,754
Management recharges	1,852	454
Interest charged on loans	2,394	2,157
Foreign exchange differences	(665)	(1,296)
Closing amount due from related parties	93,725	46,627

The amounts owing to/from related parties are unsecured, interest-free and repayable on demand.

10. Share-based payments

Details of the group share-based plans are contained in Note 28 to the Consolidated Financial Statements.

The Company operates an Approved share option plan. The Company's share-based payment arrangements are summarised below.

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 (2019: nil options). No options were granted, forfeited or expired during the year (2019: nil)

The number of options that are exercisable at 31 December 2020 is nil (2019: nil).

Share-based payments which were expensed in the entity and taken to equity in the year ended 31 December 2020, amounted to £nil (year ended 31 December 2019: £nil). The remaining difference between the share-based payments which were expensed as per Note 28 and the entity, relate to the options over the Company's share capital held by employees of subsidiaries.

11. Dividends paid

Disclosure of dividends paid can be found in Note 32 to the Consolidated Financial Statements.

12. Subsequent events

Disclosures in relation to events after 31 December 2020 are shown in Note 35 to the Consolidated Financial Statements.

Glossary

Alternative Performance Measures

In reporting financial information, the Group presents alternative performance measures, "APMs", which are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional useful information on the underlying trends, performance and position of the Group and are consistent with how business performance is measured internally. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures. The key APMs that the Group uses are outlined below.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Income Statement Measures			
Adjusted EBIT	Operating profit	Adjusting items	Adjusted EBIT excludes adjusting items. A reconciliation from Adjusted EBIT to Operating profit is provided in the Consolidated statement of comprehensive income on page 60.
Adjusting items	None	Refer to definition	Items which are not considered part of the normal operating costs of the business, are separately disclosed because of their size, nature or incidence are treated as adjusting. The Group believes the separate disclosure of these items provides additional useful information to users of the financial statements to enable a better understanding of the Group's underlying financial performance. An explanation of the nature of the items identified as adjusting is provided in Note 6 to the financial statements.
Recurring revenue	Revenue	Refer Note 5	Recurring revenue is defined as the revenue streams of the Group that are predictable and expected to continue into the future upon customer renewal.
Non-recurring revenue	Revenue	Refer Note 5	Non-recurring revenue is defined as the revenue streams of the Group that arise from one-off fees or services that may or may not happen again.
Balance Sheet Measures			
Net cash or debt	None	Refer to Note 24	Net cash / debt is defined as Cash and cash equivalents and short-term deposits, less Bank overdrafts and other current and non-current borrowings. A reconciliation is provided in Note 24 to the financial statements.
Shareholders' funds	None	Refer to definition	Calculated as Total Equity at the end of the period/year divided by the number of shares on issue at the end of the period/year. The shares on issue at 31st December 2019 were 669,120,088 and 739,297,410 at 31st December 2020, please refer to on Note 27.

Company Information

Directors

Simon Boddie, Non-executive Director
 Andrew Brode, Non-executive Chairman
 Aimie Chapple, Non-executive Director
 Neil Elton, Chief Financial Officer
 Piers Lea, Chief Strategy Officer
 Leslie-Ann Reed, Non-executive Director
 Jonathan Satchell, Chief Executive

Company Secretary

Claire Walsh

Company number

07176993

Registered address

15 Fetter Lane
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Independent auditor

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 Chartered Accountants and Statutory Auditors
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Nominated adviser and joint broker

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 10 Paternoster Square
 London
 EC4M 7LT

Joint broker

Goldman Sachs
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Registrar

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Principal banker

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