Company Registration Number 04163300

TRIBAL EDUCATION LIMITED

Report and Financial Statements

31 December 2012

TRIBAL EDUCATION LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S D Breach
K M Evans

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SOLICITORS

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Temple Quay
Bristol
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AUDITOR

Deloitte LLP
Bristol

DIRECTORS' REPORT

The dırectors present theır annual report and the audıted financıal statements for the year ended 31 December 2012

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company ıs a wholly-owned subsıdıary of Trıbal Group plc (the "Group") The company's prıncıpal activıty ıs to provıde systems and solutıons whıch help educatıon and traınıng provıders to delıver excellence

The Group ıs organısed ınto two busıness segments Solutıons and Systems. The prıncıpal actıvıty of the Systems busıness ıs to provıde a range of proprıetary software products and related servıces to support the busıness needs of educatıon, learnıng and traınıng provıders The prıncıpal actıvıty of the Solutıons busıness ıs to provıde a range of servıces to support the ımprovement of educatıon, learnıng and traınıng delıvery by our customers

As shown ın the company's profit and loss account on page 7, the company has generated revenues of £101,174,000 for the year ended 31 December 2012 (2011 £103,973,000) The company's gross margın for the year has ıncreased to 41% (2011 39%)

Detaıls of amounts owed by and to other group companıes are shown ın notes 13, 14 and 15

The Group manages ıts operatıons by busıness stream Solutıons and Systems, and monıtors performance wıth the key ındıcators revenue and gross margın

PRINCIPAL RISKS AND UNCERTAINTIES

In the current challengıng economıc clımate, the most sıgnıficant rısks the company ıs facıng relate to uncertaınty ın Government polıcy, pressure on publıc sector spendıng and ıncreased competıtıon The ıncreasıng ınternatıonal expansıon of the busıness ıntroduces operatıonal and financıal rısk

Group rısks are dıscussed ın the Group's Annual Report whıch does not form part of thıs report

RESULTS AND DIVIDENDS

The profit for the year after taxatıon was £7,459,000 (2011 £6,407,000) Dıvıdends paıd ın the year were £13,000,000 (2011 £3,000,000)

DIRECTORS

The current dırectors of the company, wıth dates of appoıntment, are as shown on page 1

FUTURE PROSPECTS

The dırectors are satısfied wıth the results for the perıod and look forward to contınued success ın the future

GOING CONCERN

As hıghlıghted ın note 1 to the financıal statements, Trıbal Educatıon Lımıted ıs party to the Trıbal Group plc bankıng facılıtıes and the Group meets ıts day-to-day workıng capıtal requırements vıa a £30m credıt facılıty, whıch ıs not due for renewal untıl 2015, and has combıned bondıng and overdraft facılıtıes of £19m, whıch are renewable annually ın March

Although the current economıc condıtıons create some uncertaınty ın terms of the maıntenance of current publıc sector spendıng levels, the Group has a number of long-term contracts wıth a range of customers across dıfferent geographıc areas, hıgh levels of commıtted ıncome and a strong pıpelıne of new opportunıtıes The Group's forecasts and projectıons, whıch allow for reasonably possıble changes ın tradıng performance, show that the Group have adequate headroom agaınst the commıtted facılıty across the forecast perıod As a consequence, the dırectors belıeve that the Group ıs well placed to manage ıts busıness rısks successfully despıte the current uncertaın economıc outlook

DIRECTORS' REPORT (continued)

GOING CONCERN (continued)

After making enquiries and receiving confirmation of Group support on the basis set out above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Thus, they continue to adopt the going concern basis in preparing the financial statements

FINANCIAL RISK MANAGEMENT

The directors have reviewed the financial risk management objectives and policies of the company and do not believe there to be significant risks in this area The company does not enter into any hedging instruments, as there are not believed to be any material exposures It does not enter into any financial instruments for speculative purposes

Appropriate trade terms are negotiated with suppliers and customers Management reviews these terms and the relationships with suppliers and customers and manages any exposure on normal trade terms

Credit risk The Group seeks to reduce the risk of bad debts arising from non-payment from our customers This risk is closely monitored by the Group finance team, of which the credit control function forms part There were no material bad debts during 2012

Liquidity Tribal Education Limited is party to the Tribal Group plc banking facilities and the Group meets its day-to-day working capital requirements via a £30m revolving credit facility, which is not due for renewal until 2015, and has combined bonding and overdraft facilities of £19m, which are renewable annually in March

Cash flow Cashflow is monitored at a group level The Group prepares regular forecasts of cash flow During 2012, the Group's underlying activities generated strong operating cash flows after capital expenditure, but before exceptional cash costs, with cash conversion of 87% (2011 69%)

SUPPLIER PAYMENT POLICY

The company's policy is to comply with the terms of payment agreed with a supplier Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms Creditor days for the year are 21 days (2011 16 days) There were no political or charitable donations made by the company during the year (2011 £nil)

RESEARCH AND DEVELOPMENT

The Group continues to invest in research and development of software products The level of spend in the year has increased to £1,293,000 in 2012 from £771,000 in 2011, with £6,188,000 additionally being capitalised (2011 £3,558,000)

ENVIRONMENT

Tribal Group plc recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Group's activities The company operates in accordance with Group policies, which are described in the Group's Annual Report which does not form part of this Report

EMPLOYEES

Details of the number of employees and related costs can be found in notes 3 and 4 to the financial statements

The company offers equal opportunities to all applicants for employment whatever their sex, race or religion Disabled persons are considered for employment, training, career development and promotion on the basis of their aptitudes and abilities in common with all employees, providing the disability does not make the particular employment impractical or the employee unable to conform to the stringent regulations which apply to the operations of the company

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

DIRECTORS' REPORT (continued)

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and

(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to remain in office as the company's auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

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

S D Breach
Director

DIRECTORS' RESPONSIBILITIES STATEMENT

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

TRIBAL EDUCATION LIMITED

We have audited the financial statements of Tribal Education Limited for the year ended 31 December 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 24 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor
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 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

John Clennett

John Clennett (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom
31 May 2013

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
TURNOVER	1,2	101,174	103,973
Cost of sales		(59,874)	(63,093)
GROSS PROFIT		41,300	40,880
Administrative expenses		(31,850)	(32,298)
OPERATING PROFIT	3	9,450	8,582
Interest receivable and similar income	6	78	22
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		9,528	8,604
Tax on profit on ordinary activities	7	(2,069)	(2,197)
PROFIT FOR THE FINANCIAL YEAR	19	7,459	6,407

All of the company's operations are classified as continuing activities

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Profit for the financial year		7,459	6,407
Actuarial gain/(loss) on defined benefit pension plan	19	248	(83)
Associated deferred tax		63	21
Total recognised gains for the year		7,770	6,345

BALANCE SHEET
At 31 December 2012

	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
FIXED ASSETS					
Intangible assets	9		60,008		59,031
Tangible assets	10		2,550		1,623
Investments	11		368		368
			62,926		61,022
CURRENT ASSETS					
Stocks	12	1,930		332	
Debtors	14	22,202		20,596	
Cash at bank and in hand	23	6,714		6,026	
		30,846		26,954	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(40,356)		(38,221)	
NET CURRENT LIABILITIES			(9,510)		(11,267)
TOTAL ASSETS LESS CURRENT LIABILITIES			53,416		49,755
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15		(43,593)		(34,646)
NET PENSION LIABILITY	20		(109)		(269)
NET ASSETS			9,714		14,840
SHARE CAPITAL AND RESERVES					
Called up share capital	17		1		1
Share premium account			6,699		6,699
Capital contribution	18		135		43
Currency translation reserve	18		147		135
Profit and loss account	18		2,732		7,962
SHAREHOLDERS' FUNDS	19		9,714		14,840

The financial statements of Tribal Education Limited, registered number 04163300, were approved by the Board of Directors and authorised for issue on

Signed on behalf of the Board of Directors

S D Breach
Director

K M Evans
Director

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention

The particular accounting policies adopted, which have been consistently applied throughout the current and the prior financial year, are described below

Going concern

In accordance with their responsibilities as directors, the directors have considered the appropriateness of the going concern basis for the preparation of the financial statements

Tribal Education Limited is party to the Tribal Group plc banking facilities and the Group meets its day-to-day working capital requirements via a £30m credit facility, which is not due for renewal until 2015, and has combined bonding and overdraft facilities of £19m, which are renewable annually in March

The Group's forecasts and projections, which allow for reasonably possible changes in trading performance, show that the Group will be cash-generative across the forecast period As a consequence, the directors believe that the Group is well-placed to manage its business risks successfully despite the current uncertain economic outlook

After making enquiries and on the basis set out above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Group accounts

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

Cash flow statement

Under Financial Reporting Standard (FRS) 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

1. ACCOUNTING POLICIES (continued)

Revenue and turnover recognition

Revenue is measured at the fair value of the consideration receivable from the provision of goods and services to third party customers in the normal course of business Revenue is stated exclusive of VAT, sales tax and trade discounts The particular recognition policies applied in respect of short-term or repeat service contracts are as set out below

- Revenue from the sale of goods and services is recognised upon transfer to the customer of the risks and rewards of ownership This is generally when goods are despatched to, or services performed for, customers

- Revenue on software licences is recognised on transfer to the customer of the risks and rewards of ownership providing there are no unfulfilled obligations that are essential to the functionality of the product If such obligations exist, revenue is recognised as they are fulfilled Revenues for arrangements that involve significant production, modification, or customisation of the software are recognised on a time-and-material basis, or using the percentage of completion method, based on direct costs incurred to date as a percentage of total estimated project costs required to complete the project

- Revenue from contracts for software maintenance and support is recognised on a pro-rata basis over the contract period

- Revenue from software implementation, consultancy and other services is recognised when the service has been provided, and

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

In addition to this, the Group has long-term contracts for the provision of more complex, project-based services Where the outcome of such long-term project-based contracts can be measured reliably, revenue and costs are recognised by reference to the stage of completion of the project at the balance sheet date This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion Variations in contract work and claims are included to the extent that they have been agreed with the customer, or are virtually certain of being received

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

Pre-contract costs are expensed as incurred until the Group is virtually certain of being awarded the contract, usually once the "preferred bidder" stage is reached at which point, to the extent that they are expected to be recovered over the contract term, the costs are capitalised and amortised over the life of the contract

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

1. ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on the acquisition of a business represents the excess of the fair value of the consideration given over the fair values of the separable net assets acquired In accordance with FRS 10 "Goodwill and Intangible Assets", goodwill is included within intangible fixed assets and is amortised on a straight-line basis over its estimated useful life, with a maximum of 20 years, subject to any provision required for impairment

A formal review of the carrying value of goodwill is carried out at the end of the first full financial year following the related acquisition, and at any point where events or changes in circumstances indicate that the carrying value may not be recoverable

Where the amount of purchase consideration is contingent on one or more future events, the cost of acquisition includes a reasonable estimate of the fair value of amounts expected to be payable in the future The cost of acquisition is adjusted when revised deferred consideration estimates are made, with consequential adjustments continuing to be made to goodwill until the ultimate deferred consideration is known, in accordance with FRS 7

Where the value of goodwill is revised under FRS 7, the revised carrying value is amortised over the remaining useful economic life

In the event of a disposal or closure of the business, the remaining unamortised goodwill is written off through the profit and loss account

Foreign currencies

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

The assets and liabilities of the company's overseas operations are translated at exchange rates prevailing on the balance sheet date Income and expense items are translated at the average exchange rates for the period Exchange differences arising, if any, are recognised directly within equity in the company's translation reserve Such translation differences are recognised as income or expense in the period in which the operation is disposed of

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate

Derivative financial instruments

The Group's activitiers expose it to the financial risks of changes in interest rates and exchange rates The Group uses interest rate and foreign exchange instruments to manage this exposure where appropriate

The use of financial derivatives is governed by the Group's policies approved by the Board, which provides written principles on the use of financial derivatives Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the balance sheet date The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition of the profit or loss depends on the nature of the hedge relationship

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months Other derivatives are presented as current assets or current liabilities

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

1. ACCOUNTING POLICIES (continued)

Investments

Investments held as fixed assets are shown at cost less provision for any diminution in value

Related party transactions

As the company is a wholly-owned subsidiary of Tribal Group plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which are wholly owned within the group

Research and development expenditure

Research expenditure is written off in the period in which it is incurred Development expenditure represents expenditure of a revenue nature in establishing new products of the company Such expenditure is capitalised as an intangible asset and amortised over a period of three to five years once the development is complete

The directors review the capitalised development expenditure on an ongoing basis and, where appropriate, provide for any impairment in value

Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value (based on prices prevailing at the date of acquisition) of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Leasehold improvements	over the life of the lease
Fixtures and fittings	20% to 25% per annum
Computer equipment	33% per annum
Motor vehicles	33% per annum
Office equipment	20% to 25% per annum

Tax

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

In accordance with FRS 19, deferred taxation is provided in full on timing differences which represent an asset or liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

1. ACCOUNTING POLICIES (continued)

Pension costs

Tribal Group operates various defined contribution pension schemes that are established in accordance with employment terms set by the subsidiary undertakings The assets of these schemes are held separately from those of the Tribal Group in independently administered funds The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period

A certain number of employees participate in a defined benefit scheme The amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments The interest cost and the expected return on assets are shown as finance costs or credits Actuarial gains or losses are recognised immediately in the statement of total recognised gains and losses

Stocks

Stocks and work in progress, other than long-term contracts, are stated at the lower of cost and net realisable value Cost comprises materials, direct labour and a share of production overheads appropriate to the relevant stage of production Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs

Share-based payments

The company participates in a number of Tribal Group plc executive and employee share option schemes For all grants of share options, the fair value as at the date of grant is calculated using the stochastic model and the corresponding expense is recognised on a straight-line basis over the vesting period based on the company's estimation of shares that will actually vest

For any lapses or cancellations of share options in the period, the related share-based payment charge accrued on the lapsed or cancelled options is transferred from the capital contribution reserve to the profit and loss reserve

2. BUSINESS SEGMENTS

The Group is organised into two business segments Solutions and Systems The principal activity of the Systems business is to provide a range of proprietary software products and related services to support the business needs of education, learning and training providers The principal activity of the Solutions business is to provide a range of services to support the improvement of education, learning and training delivery by our customers

Turnover split by business segment	2012 £'000	2011 £'000
Systems	43,930	47,289
Solutions	57,244	56,684
	101,174	103,973

Turnover split by geography:	2012 £'000	2011 £'000
UK	87,505	91,462
Asia Pacific	7,900	8,572
North America and the rest of the world	5,769	3,939
	101,174	103,973

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

3. OPERATING PROFIT

Operating profit is stated after charging	2012 £'000	2011 £'000
Auditor's remuneration - audit	74	65
Depreciation - owned assets	1,176	1,089
Amortisation of goodwill	3,942	3,964
Amortisation of capitalised development costs	1,269	1,354
Research and development expenditure	1,293	771
Loss on disposal of fixed assets	9	-
Rentals under operating leases		
- land and buildings	942	1,064
- other	193	189

4. DIRECTORS' REMUNERATION

In the year, K Evans and S D Breach were directors of Tribal Group plc and their emoluments and pension details are disclosed in the group financial statements Where the directors are remunerated by Tribal Group plc for their services to the group as a whole, it is not practicable to allocate their remuneration between their services as directors of this company and their services as directors of other group companies

In 2012 and 2011 there were no directors accruing benefits under a defined contribution pension scheme

5. INFORMATION REGARDING EMPLOYEES

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

	2012 No.	2011 No.
Administration	198	250
Operations and sales	1,150	1,071
	1,349	1,321

The aggregate payroll costs of these persons were as follows	£'000	£'000
Wages and salaries	45,923	43,658
Social security costs	4,356	3,713
Other pension costs	2,937	3,002
Share-based payment charge (see note 15)	92	16
	53,308	50,389

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £'000	2011 £'000
Bank interest	78	22

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 £'000	2011 £'000
Current tax		
Corporation tax on profits for the year	1,345	2,081
Adjustments in respect of group transfers	684	-
Overseas tax	128	427
	2,157	2,508
Deferred tax		
Current year	241	(96)
Adjustment in respect of prior periods	(441)	(283)
Effect of rate change on opening balances	112	68
Tax on profit on ordinary activities	2,069	2,197

The prior year's current tax balances above have been restated to amend the allocation between the two categories

The standard rate of tax for the year was 24 5% (2011 26 5%) The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation

	£'000	£'000
Profit on ordinary activities before taxation	9,528	8,604
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 5% (2011 26 5%)	2,333	2,280
Effects of		
Expenses not deductible for tax purposes	166	(461)
Amortisation of goodwill	958	1,050
Differences between capital allowances and depreciation	(69)	(5)
Movement in short-term timing differences	(24)	73
Adjustments in respect of prior periods	(587)	-
Transfer pricing adjustments	(243)	(533)
Foreign tax credits	14	48
Additional deductions for qualifying R&D expenditure	(367)	-
Amounts directly taken to equity	63	(21)
Defined benefit pension scheme timing differences	(123)	55
Fixed assets ineligible depreciation on disposals	36	22
Current tax charge	2,157	2,508

The tax rate is a blended tax rate of 26% to 1 April 2012 and 24% thereafter

The company is not aware of any factors that will materially affect the future tax charge apart from the phased reduction in corporation tax rates to 23% by 2014

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

8 DIVIDENDS

	2012 £'000	2011 £'000
Dividend paid		
£13,000 (2011 £3,000) per ordinary share	13,000	3,000

9. INTANGIBLE FIXED ASSETS

	Goodwill £'000	Development costs £'000	Total £'000
Cost			
At 1 January 2012	78,854	11,065	89,919
Additions	-	6,188	6,188
At 31 December 2012	78,854	17,253	96,107
Amortisation			
At 1 January 2012	23,864	7,024	30,888
Charge for the year	3,942	1,269	5,211
At 31 December 2012	27,806	8,293	36,099
Net book value			
At 31 December 2012	51,048	8,960	60,008
At 31 December 2011	54,990	4,041	59,031

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

10. TANGIBLE FIXED ASSETS

	Short leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Office equipment £'000	Total £'000
Cost					
At 1 January 2012	1,013	725	5,420	301	7,459
Additions	501	2	1,567	42	2,112
Disposals	-	(11)	(163)	(38)	(212)
At 31 December 2012	1,514	716	6,824	305	9,359
Depreciation					
At 1 January 2012	640	687	4,277	232	5,836
Charge for the year	192	24	919	41	1,176
Disposals	-	(11)	(154)	(38)	(203)
At 31 December 2012	832	700	5,042	235	6,809
Net book value					
At 31 December 2012	**682**	**16**	**1,782**	**70**	**2,550**
At 31 December 2011	373	38	1,143	69	1,623

11. INVESTMENTS

	Shares in subsidiary undertakings £'000	Other listed investments £'000	Total £'000
Cost			
At 1 January 2012 and 31 December 2012	14,240	1	14,241
Impairment			
At 1 January 2012 and 31 December 2012	13,873	-	13,873
Net book value			
At 31 December 2012 and 31 December 2011	**367**	**1**	**368**

The company holds interests in the following companies incorporated in Great Britain

Name	Proportion of ordinary shares	Principal activity
Tribal Hubs Limited	100%	Dormant
Tribal Property Limited	100%	Property management service
Class Measures Limited	100%	Management consultancy services

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12. STOCKS

	2012 £'000	2011 £'000
Work in progress	1,436	115
Finished goods and goods for resale	494	217
	1,930	332

13. DEBTORS

	2012 £'000	2011 £'000
Trade debtors	10,159	10,112
Amounts receivable from group undertakings	808	1,691
Deferred tax	964	876
Amounts recoverable on contracts	799	178
Other debtors	732	314
Prepayments and accrued income	8,740	7,425
	22,202	20,596

Deferred tax asset	**£'000**	**£'000**
Opening deferred tax asset	876	593
Profit and loss account credit	88	283
Closing deferred tax asset	964	876

Deferred tax asset consists of the following amounts	**£'000**	**£'000**
Differences between capital allowances and depreciation	754	660
Other short-term timing differences	180	216
Share schemes	30	-
	964	876

14. CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Trade creditors	2,879	2,837
Amounts owed to group undertakings	9	1,986
Corporation tax	999	2,317
Other taxation and social security	2,911	2,770
Other creditors	799	823
Accruals and deferred income	32,759	27,488
	40,356	38,221

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £'000	2011 £'000
Amounts owed to group undertakings	43,593	34,646

16. SHARE-BASED PAYMENTS

The company participates in the following Tribal Group plc share option schemes its long-term incentive plan ('LTIP') and its savings related share option scheme ('SAYE')

LTIP

Awards made to eligible employees under the LTIP are nil cost options with an award period of four years The extent to which an award vests is measured by reference to the growth of the Group's adjusted diluted earnings per share over the performance period of three financial years

SAYE

The SAYE scheme provides for a purchase price equal to mid market value at date of grant For grants prior to January 2005, a discount to market value of 20% was applied All schemes prior to 2008 are three-year savings schemes The 2008 SAYE scheme was granted at a discount to market value of 20% and was available as a three, five or seven-year scheme Options are forfeited if the employee leaves the Group before the options vest

The company recognised the following expenses related to share-based payment transactions

	2012 £'000	2011 £'000
LTIP	109	22
SAYE	(17)	(6)
	92	16

During the year ended 31 December 2012, LTIPS were granted on 16 January 2012 There were no SAYE grants in the year The credit of £17,000 in the year relates to grants made in prior years

During the year ended 31 December 2011, LTIPs were granted on 20 June 2011 There were no SAYE grants in the year The credit of £6,000 in the year relates to grants made in prior years

16. SHARE-BASED PAYMENTS (continued)

The fair value of the options is measured by use of the stochastic models The inputs into the stochastic option pricing model are as follows

	2012 LTIP	2011 LTIP
Share price	£0 6125	£0 49
Exercise price	£nil	£nil
Expected volatility	57 6%	62 3%
Expected life (years)	3 0	3 0
Risk-free rate	0 5%	1 3%
Expected dividend yield	1 9%	5 3%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the term commensurate with the expected term immediately prior to the date of grant For SAYE valuations, the model reflects the fact that the options are exercisable only for a short period of six months following their vesting An expected life of three years and three months is the mid-point between the vesting and expiry dates

17. CALLED UP SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	1,000	1,000

18. RESERVES

	Capital contribution £'000	Currency translation reserve £'000	Profit and loss account £'000
At 1 January 2012	43	135	7,962
Profit for the financial year	-	-	7,459
Share-based payment charge	92	-	-
Currency translation difference on foreign currency net investments	-	12	-
Other recognised gains (net)	-	-	311
Dividend paid	-	-	(13,000)
At 31 December 2012	135	147	2,732

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £'000	2011 £'000
Opening shareholders' funds	14,840	11,459
Profit for the financial year	7,459	6,407
Dividend paid	(13,000)	(3,000)
Share-based payment charge	92	16
Currency translation difference on foreign currency net investments	12	20
Other recognised gains/(losses) (net)	311	(62)
Closing shareholders' funds	9,714	14,840

20. PENSION SCHEMES

Defined Contribution Schemes

The company contributes to individuals' defined contribution schemes The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £1,352,000 (2011 £1,319,000) Contributions of £334,000 (2011 £331,000) were outstanding at the year-end

Defined Benefit Schemes

During the year, the company continued to participate in the Prudential Platinum Pension Fund ("PPP") and entered the Federated Pension Plan ("FPP") during the year, both are defined benefit arrangements

Prudential Platinum Pension Fund

The PPP Scheme was created on 1 August 2009 An actuarial valuation of the PPP scheme was carried out by a qualified independent actuary as at 31 December 2012

Employer contributions amounting to £27,000 were paid in the year ended 31 December 2012 (2011 £26,000)

The assets of the PPP Scheme have been taken at market value and the actuarial assumptions used to calculate scheme liabilities under FRS 17 are

	2012 % per annum	2011 % per annum
Inflation	2 70	2 50
Salary increases	3 70	3 50
Rate of discount	4 40	4 70
Pension in payment increases (non-GMP component)	2 70	2 50

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0 5%	Decrease by 12%
Rate of inflation	Increase by 0.5%	Increase by 8%
Rate of salary growth	Increase by 0 5%	Increase by 5%
Rate of mortality	Increase by one year	Increase by 3%

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20. PENSION SCHEMES (continued)

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

	2012 £'000	2011 £'000
Equities	49	45
Alternative assets	18	-
Corporate bonds	27	11
Gilts	28	25
Total fair value of the scheme assets	122	81

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

	2012 £'000	2011 £'000
Total fair value of assets	122	81
Present value of scheme liabilities	(108)	(63)
Surplus in the scheme	14	18
Related deferred tax liability	(3)	(5)
Net pension surplus	11	13

Analysis of amounts charged to the profit and loss account under FRS 17

	2012 £'000	2011 £'000
Current service cost	22	23
Other finance charges		
Interest on pension scheme liabilities	4	3
Expected return on pension scheme assets	(3)	(3)
Net finance cost	(1)	-
Total charge to profit and loss account	21	23

Analysis of actuarial gain in the statement of total recognised gains and losses	£'000	£'000
Actual return less expected return on pension scheme assets	5	1
Experience (losses)/gains arising on the scheme liabilities	(15)	16
Actuarial (loss)/gain for the year	(10)	17

20. PENSION SCHEMES (continued)

Movement in the deficit during the year	2012 £'000	2011 £'000
Opening surplus/(deficit)	18	(2)
Movement in the year		
Current employer service cost	(21)	(23)
Employer contributions	27	26
Actuarial (loss)/gain	(10)	17
Closing surplus	14	18

__Federated Pension Plan__

The company entered the FPP on 1 September 2011 The valuation carried out at this date on entry into the FPP has been updated to 31 December 2012 by a qualified actuary, independent of the scheme's sponsoring employer

Employer contributions amounting to £1,558,000 were paid in the year ended 31 December 2012 (2011 £1,785,000)

The assets of the FPP Scheme have been taken at market value and the actuarial assumptions used to calculate scheme liabilities under FRS 17 are

	2012 % per annum	2011 % per annum
Inflation	2 90	3 00
Salary increases	3 00	4 00
Rate of discount	4 50	4 70
Pension in payment increases (non-GMP component)	2 90	3 00
Allowance for commutation of pension for cash at retirement	None	None

The mortality assumptions adopted at 31 December 2012 imply the following life expectancies

Male retiring at age 60 in 2012	28 2
Female retiring at age 60 in 2012	30 8
Male retiring at age 60 in 2032	30 3
Female retiring at age 60 in 2032	32 8

Assumption	**Change in assumption**	**Impact on scheme liabilities**
Discount rate	Increase by 0 5%	Decrease by 12%
Rate of inflation	Increase by 0 5%	Increase by 8%
Rate of salary growth	Increase by 0 5%	Increase by 5%
Rate of mortality	Increase by one year	Increase by 3%

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

20. PENSION SCHEMES (continued)

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

	2012 £'000	2011 £'000
Equities	3,018	1,706
Corporate bonds	1,509	852
Cash	133	1
Total fair value of scheme assets	4,660	2,559

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

	2012 £'000	2011 £'000
Total fair value of assets	4,660	2,559
Present value of scheme liabilities	(4,936)	(2,936)
Deficit in the scheme	(276)	(377)
Related deferred tax asset	156	95
Net pension liability	(120)	(282)

Analysis of amounts charged to the profit and loss account under FRS 17

	2012 £'000	2011 £'000
Current service cost	1,762	1,916
Other finance charges		
Interest on pension scheme liabilities	137	91
Expected return on pension scheme assets	(184)	(92)
Net finance credit	(47)	(1)
Total charge to profit and loss account	1,715	1,915

Analysis of actuarial loss in the statement of total recognised gains and losses	£'000	£'000
Actual return less expected return on pension scheme assets	297	29
Changes in assumptions underlying the present value of scheme liabilities	(39)	(129)
Actuarial gain/(loss) for the period	258	(100)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

20. PENSION SCHEMES (continued)

Movement in the deficit during the year

	2012 £'000	2011 £'000
Opening deficit	(377)	(147)
Movement in the year		
Current employer service cost	(1,762)	(1,916)
Net finance credit	47	1
Employer contributions	1,558	1,785
Actuarial gain/(loss)	258	(100)
Closing deficit	(276)	(377)

A summary of the movement in the deficit during the year for both schemes is set out below

	2012 £'000	2011 £'000
Opening deficit	(359)	(149)
Movement in the year		
Current employer service cost	(1,783)	(1,939)
Net finance credit	47	1
Employer contributions	1,585	1,811
Actuarial gain/(loss)	248	(83)
Closing deficit	(262)	(359)
Related deferred tax asset	153	90
Net pension liability	(109)	(269)

History of experienced gains and losses

	31 December 2012 £'000	31 December 2011 £'000	31 December 2010 £'000	31 December 2009 £'000
Present value of defined obligations	(5,044)	(2,999)	(761)	(15)
Fair value of scheme assets	4,782	2,640	612	12
Deficit in the scheme	(262)	(359)	(149)	(3)
Experience adjustments arising on scheme assets				
Amount	(301)	(29)	(7)	-
Percentage of the scheme assets	6%	1%	1%	-
Experience adjustments arising on scheme liabilities				
Amount	(54)	(113)	-	-
Percentage of the scheme liabilities	(1%)	(4%)	-	-

21. OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	2012 £'000	2011 £'000
Land and buildings		
Operating leases which expire		
- less than one year	119	383
- between one and five years	562	491
	681	874

	£'000	£'000
Other		
Operating leases which expire		
- within one year	-	20
- between one and five years	55	42
	55	62

22. CONTINGENT LIABILITIES

A cross-guarantee exists between the Group companies in respect of bank facilities totalling £12,630,000 (2011 £18,968,000) There was no actual liability at either year-end

23. CASH AT BANK AND IN HAND

Cash at bank and in hand of £6 7m (2011 £6 0m) comprises cash held by the company and short-term bank deposits The carrying amount of these assets approximates their fair value

Of the above balance, £0 8m (2011 £0 5m) represents funds restricted in use by the relevant commercial terms of certain trading contracts

24. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is a subsidiary of Tribal Group plc

The company's ultimate parent company and controlling party is Tribal Group plc which is incorporated in the United Kingdom Tribal Group plc is the smallest and largest group for which group financial statements are prepared The consolidated financial statements of this company are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ