

Company Registration Number 04163300

TRIBAL EDUCATION LIMITED

Annual Report and Financial Statements

31 December 2016

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TRIBAL EDUCATION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

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TRIBAL EDUCATION LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S D Breach (resigned 18 July 2016)
R Garner (resigned 2 March 2016)
I Bowles (appointed 2 March 2016)
M Pickett (appointed 18 July 2016)

REGISTERED OFFICE

Kings Orchard
1 Queen Street
Bristol
BS2 0HQ

BANKERS

Lloyds Bank
PO Box 112
Canon's House
Canon's Way
Bristol
BS99 7LB

SOLICITORS

Osborne Clarke
2 Temple Back East
Temple Quay
Bristol
BS1 6EG

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
3 Forbury Place
23 Forbury Road
Reading
RG1 3JH

TRIBAL EDUCATION LIMITED

STRATEGIC REPORT

REVIEW OF THE BUSINESS

Business overview

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

The Company is organised into three business segments being Student Management Systems (SMS), i-graduate and Quality Assurance Services (QAS).

SMS delivers software (licence and development fee), implementation services and related software support (maintenance fees).

- Software and related support includes the enhancement and development of existing and new software products. The principal revenues generated are either delivery and development of software licenses or annually recurring support and maintenance revenues associated with the installed software.
- Implementation services delivers the technical implementation of our software products at customer sites, typically working alongside customer teams. Implementation projects vary in length, and range from a small number of days, to more than two years for more complex projects. Revenues are typically based on day rate fees, although we sometimes operate under fixed fee contracts for defined implementation scopes.

The i-graduate division represents a portfolio of performance improvement tools and services, including analytics, benchmarking and transformation services.

The QAS division provides inspection services used by the Office of Standards in Education, Children's Services and Skills (Ofsted), the UK government agency responsible for monitoring quality in settings such as colleges, schools and nurseries. These services have also been purchased by government agencies in the US and Middle East. Typically, the Company provides these services under multi-year contracts, with fixed and variable pricing elements. The Company also provides complementary services including training for prospective quality assurance inspectors, training and software tools for school leaders to prepare for inspections, online professional development tools for teachers to enhance their professional development, and other similar offerings.

Market overview

In our chosen regional markets and sectors, overall activity levels for the replacement or enhancement of Student Management Systems remain stable and we continue to see a steady stream of new customer opportunities in the Higher Education sector.

Following the UK Government's decision to permit universities, subject to certain conditions, to increase student numbers, we anticipate that the trend of Higher Education institutions becoming more commercially-focused will continue.

Fiscal pressures and the need for efficiencies in the Further Education, Vocational Learning and Schools sectors, coupled with initiatives to reform and restructure these areas, will continue to drive demand over the longer term.

Strategy

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

The main strategic priorities being as follows:

- Deliver the new Student information framework
- Increase Annual recurring Revenue
- Grow market share in established and new territories
- Drive improved margin

Further information can be found in the Tribal Group plc annual report available at www.tribalgroup.co.uk.

TRIBAL EDUCATION LIMITED

STRATEGIC REPORT (continued)

REVIEW OF THE BUSINESS (continued)

Review of operations

The results for the year and the financial position at the year-end were as anticipated by the Directors.

The Directors measure the performance of the Company based on three KPIs (Key Performance Indicators) being revenue, gross margin and profit for the financial year. Revenue for the year reduced to £59,517,000 (2015: £84,579,000) primarily due the disposal of non-core businesses and the ending of certain Ofsted contracts in the QAS segment. The Company's gross margin for the year has increased to 47% (2015: 38%). Loss before tax reduced to £8,805,000 (2015: Loss of £33,049,000).

The Company is in a net liability position as at 31 December 2016. Considerations arising in respect of the adoption of the going concern assumption are set out below.

During the year the £7,500,000 intercompany loan with Tribal Resourcing Limited has been fully provided for as this company has ceased to trade, and is in a net liability position.

PRINCIPAL RISKS AND UNCERTAINTIES

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

- Reputation: Failure to deliver contractual commitments, or failure to meet investor expectations.
- Contract tendering: Poor commercial negotiation and documentation on major contracts. Failure to adapt to local legal framework on international projects. Penetration in new markets increases risk of omissions and mistakes.
- Project delivery: Failure to meet project milestones and other contractual requirements; customer subject to own internal pressures.
- Innovation and technology: Increasing emergence and demand for cloud architected solutions for some legacy technology platforms and core products.
- Information security: Data loss or system security breach. Increasing regulatory data protection and information security requirements including health related controls over student management data.
- People: Key employees leave the Group.

FINANCIAL RISK MANAGEMENT

Credit risk

The Company seeks to reduce the risk of bad debts arising from non-payment by our customers. This risk is closely monitored by the Credit & Collections team, which form part of Group Finance.

Interest Rate risk

At the end of 2016, the Company had no bank loan indebtedness and has no direct exposure to interest rate risk.

TRIBAL EDUCATION LIMITED

STRATEGIC REPORT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Foreign exchange risk

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

The Company's principal currency exchange exposure is to the Australian dollar although as at 31 December 2016, the Company was also exposed to movements in the rates between Sterling and the US dollar, South African Rand, and New Zealand dollar.

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

Contract risk

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

Effect of the decision of the UK to exit the European Union

The Company does not expect the decision of the UK to exit the European Union (Brexit) to have an adverse impact in the short term on demand for Student Management Systems, and the longer-term potential impact remains to be seen and is dependent upon the exit terms agreed. Following the outcome of the Brexit vote, the Company saw some additional benefit in earnings due to the fall in the value of UK Sterling.

RESEARCH AND DEVELOPMENT

The Company continues to invest in research and development of software products. Research and development expenditure recorded in the income statement in the year was £2,112,000 (2015: £1,090,000), with no further development costs being capitalised as intangible fixed assets (2015: £3,200,000).

GOING CONCERN

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

During the year the Group significantly strengthened its balance sheet, including the sale of its Synergy business and a successful rights issue. The Group maintains appropriate cash balances, and has a borrowings facility under a £13.5m revolving credit facility, together with a £5m committed overdraft facility, and a further £6.5m committed guarantee facility.

Group's software products benefit from a significant installed customer base, whilst its other activities are typically delivered under the framework of long-term contracts. Collectively, they have a range of customers across different geographic areas, good levels of committed income and a pipeline of new opportunities. The Group's forecasts and projections, which allow for reasonable possible changes in trading performance, show that the Group will be cash generative across the forecast period. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis in preparing the Group's financial statements.

In assessing the Company's going concern position and the Group's ability to provide the necessary financial support, the Directors have considered all relevant facts and latest forecasts and assessment of the risks faced by the Group, taking into account reasonably possible changes in trading performance. Accordingly, after making enquiries and receiving confirmation of Group support as set out above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

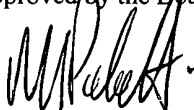
TRIBAL EDUCATION LIMITED

STRATEGIC REPORT (continued)

FUTURE PROSPECTS

During 2017 the Company will continue to focus on increasing market share, including securing new software and service contract wins, reducing its cost base and improving operating efficiency. The Directors expect an improved performance in the year.

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

A handwritten signature in black ink, appearing to read 'M Pickett', is written over the text 'Approved by the Board of Directors and signed on behalf of the Board'.

M Pickett
Director

TRIBAL EDUCATION LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

Under section 414C(11) of the Companies Act, the directors may include in the strategic report such matters otherwise required by regulations made under section 416(4) to be disclosed in directors' report, as the directors consider these to be of strategic importance to the company. Subsequently, details of future developments and events in the business of the company and details of research and development activities are included in the strategic report on pages 2 to 5 and form part of this report by cross-reference.

PRINCIPAL ACTIVITY

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

RESULTS AND DIVIDENDS

The loss for the financial year was £8,536,000 (2015: loss of £31,429,000). Dividends paid in the year were £nil (2015: £nil). The directors have proposed that no final dividend should be declared in respect of 2016.

The Company is in a net liability position as at 31 December 2016. Considerations arising in respect of the adoption of the going concern assumption are set out in the Strategic Report.

Further details of the company's financial performance for the year ended 31 December 2016 are provided in the strategic report on pages 2 to 5.

DIRECTORS

The directors of the company are as shown on page 1.

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

ENVIRONMENT

Tribal 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.

EMPLOYEES

Details of the number of employees and related costs can be found in note 7 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.

Further information is disclosed on page 54 of the Group's Annual Report which does not form part of this report.

POLITICAL DONATIONS

The company made no political donations during the year (2015: £nil).

EXISTENCE OF BRANCHES OUTSIDE THE UK

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

TRIBAL EDUCATION LIMITED

DIRECTORS' REPORT (continued)

RISKS AND UNCERTAINTIES

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

POST BALANCE SHEET EVENTS

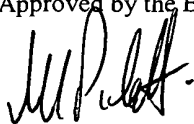
There have been no significant events since the balance sheet date.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In accordance with Section 418, Directors' reports shall include a statement, in the case of each Director in office at the date the Director's report is approved, that:

- (1) so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware.
- (2) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board of Directors and signed on behalf of the Board on 23 May 2017.



M Pickett
Director

TRIBAL EDUCATION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRIBAL EDUCATION LIMITED

Report on the financial statements

Our opinion

In our opinion, Tribal Education Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and 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.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRIBAL EDUCATION LIMITED
(CONTINUED)**

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

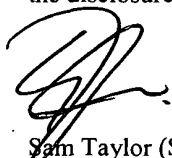
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Sam Taylor (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

23 May 2017

TRIBAL EDUCATION LIMITED

INCOME STATEMENT

for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
REVENUE	4	59,517	84,579
Cost of sales		<u>(31,836)</u>	<u>(52,412)</u>
GROSS PROFIT		27,681	32,167
Administrative expenses		<u>(36,504)</u>	<u>(65,165)</u>
OPERATING LOSS	5	(8,823)	(32,998)
Finance income	8	19	36
Finance cost	9	<u>(1)</u>	<u>(87)</u>
LOSS BEFORE TAXATION		(8,805)	(33,049)
Tax on loss	10	269	1,620
LOSS FOR THE FINANCIAL YEAR		<u><u>(8,536)</u></u>	<u><u>(31,429)</u></u>

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

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Loss for the financial year		(8,536)	(31,429)
Other comprehensive expense:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension schemes	23	(1,706)	(165)
Deferred tax on measurement of defined benefit pension schemes	16	290	33
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		<u>506</u>	<u>(117)</u>
Other comprehensive expense for the year net of tax		<u>(910)</u>	<u>(249)</u>
Total comprehensive expense for the year		<u><u>(9,446)</u></u>	<u><u>(31,678)</u></u>

TRIBAL EDUCATION LIMITED

BALANCE SHEET

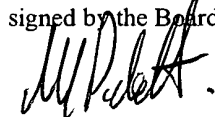
As at 31 December 2016

	Note	2016		2015 (Restated*)	
		£'000	£'000	£'000	£'000
NON-CURRENT ASSETS					
Goodwill	11		2,881		21,988
Other Intangible assets	11		5,538		6,371
Property, plant and equipment	12		1,331		2,691
Investments	13		21,395		15,728
Deferred tax asset	16		2,970		2,335
Retirement benefit surplus	23		-		88
Accrued income			169		1,126
			<u>34,284</u>		<u>50,327</u>
CURRENT ASSETS					
Inventories	14	83		133	
Trade and other receivables	15	32,168		26,112	
Cash at bank and in hand		4,374		1,316	
		<u>36,625</u>		<u>27,561</u>	
CURRENT LIABILITIES					
Trade and other payables	18	(34,538)		(38,804)	
Provisions for liabilities	20	(1,004)		(2,217)	
		<u>(35,542)</u>		<u>(41,021)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>1,083</u>		<u>(13,460)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>35,367</u>		<u>36,867</u>
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Amounts owed to group undertakings	19	(62,749)		(56,736)	
Deferred income	18	(770)		(646)	
Provisions for liabilities	20	(73)		-	
Retirement benefit obligation	23	(1,725)		-	
		<u>(65,317)</u>		<u>(57,382)</u>	
NET LIABILITIES			<u>(29,950)</u>		<u>(20,515)</u>
EQUITY					
Called up share capital	21		1		1
Share premium account	22		6,699		6,699
Share option reserve	22		367		359
Accumulated losses	22		(37,017)		(27,574)
SHAREHOLDERS' DEFICIT			<u>(29,950)</u>		<u>(20,515)</u>

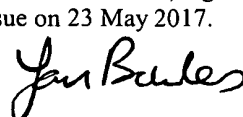
* In the current year the Company has reclassified accrued and deferred income balances so as to disclose between current and non-current assets and liabilities respectively. This has no impact on the results of the previous year.

Notes 1 to 27 form part of these financial statements.

The financial statements on pages 11 to 40 of Tribal Education Limited, registered number 04163300, were approved and signed by the Board of Directors and authorised for issue on 23 May 2017.



M Pickett
Director



Ian Bowles
Director

TRIBAL EDUCATION LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Called up Share Capital £'000	Share premium account £'000	Share option reserve £'000	Accumulated losses £'000	Total Shareholders' deficit £'000
Balance at 1 January 2015	1	6,699	484	4,108	11,292
Loss for the year	-	-	-	(31,429)	(31,429)
Other comprehensive loss for the financial year	-	-	-	(249)	(249)
Total comprehensive loss for the year	-	-	-	(31,678)	(31,678)
Credit to equity for share based payments	-	-	(125)	-	(125)
Net tax charge to equity for share based payments	-	-	-	(4)	(4)
Balance at 31 December 2015 and 1 January 2016	1	6,699	359	(27,574)	(20,515)
Loss for the year	-	-	-	(8,536)	(8,536)
Other comprehensive loss for the financial year	-	-	-	(910)	(910)
Total comprehensive loss for the year	-	-	-	(9,446)	(9,446)
Charge to equity for share based payments	-	-	8	-	8
Net tax charge to equity for share based payments	-	-	-	3	3
Balance at 31 December 2016	1	6,699	367	(37,017)	(29,950)

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

1. GENERAL INFORMATION

Tribal Education Limited (the Company) is a Company incorporated in the United Kingdom under the Companies Act 2006. The Company is a private Company limited by shares and is registered in England. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 5.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements because it is included in the group financial statements of Tribal Group plc. The group financial statements of Tribal Group plc are available to the public and can be obtained as set out in note 27.

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the amendments to FRS 101 issued by the FRC in July 2015.

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

Adoption of new and revised standards

In the current financial year, the Group has applied a number of amendments to IFRSs and new interpretations by the International Accounting Standards Board ('IASB') that are mandatorily effective for an accounting period that begins on or after 1 January 2016 including amendments to IAS 19 Employee benefits regarding defined benefit plans, IAS 1 Presentation of financial statements regarding the disclosure initiative for the presentation and structure of financial statements and Annual Improvements to the IFRS 2010-2012 Cycle and 2012-2014 Cycle. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

At the date of the authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not been adopted by the EU):

- IFRS 9 Financial Instruments
- IFRS 15 (amendments) Revenue from Contracts with Customers
- IFRS 2 (amendments) Share based payments
- IFRS 16 Leases
- IFRS 4 (amendments) 'Insurance contracts' regarding the implementation of IFRS 9 'Financial Instruments'
- IAS 12 (amendments) Income taxes on Recognition of deferred tax losses for unrealised losses Operations
- IFRIC 22 Foreign currency transactions and advance consideration
- Annual Improvements 2014-2016 Cycles

It is anticipated that IFRS 15 and IFRS 16 could have a potentially material impact on the Company however it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

The Company is required to implement IFRS15 from 1 January 2018. The Company is currently assessing the new standard and does not expect to be able to quantify the impact of any potential changes until later in 2017.

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

2. ACCOUNTING POLICIES

Basis of accounting

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

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash-flow statement, share based payments, financial instruments, presentation of comparative information in respect of certain aspects, and certain related party transactions.

Where relevant, equivalent disclosures have been given in the group financial statements of Tribal Group plc. The group financial statements of Tribal Group plc are available to the public and can be obtained as set out in note 27.

Going concern

Tribal Group plc, the parent company, has undertaken to make adequate financial resources available to the company to meet its current and future obligations as and when they fall due. Given the reliance on the parent company, it is important that the Directors have considered the ability of the parent company to provide the financial support required by the company to continue to operate as a going concern for the foreseeable future which is at least 12 months from the approval of these financial statements.

The annual report of Tribal Group plc has been prepared on a going concern basis.

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

Group financial statements

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

Leases

Operating lease rentals are charged against income on a straight-line basis over the period of the lease. Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

Share-based payments

Tribal Group plc issues equity-settled share-based payments to certain employees in Tribal Education Limited. Equity-settled share-based payments are measured at fair value at the date of grant. This is expensed on a straight-line basis over the vesting periods of the instruments. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of the particular vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. Fair value is measured by use of an adjusted Black-Scholes model for LTIPS awarded pre 2016, and a Monte-Carlo model for the LTIP awarded in 2016, as these will vest dependent on market conditions.

Business systems

The Group's business systems are treated as an intangible asset where the probable future economic benefits arising from the investment can be assessed with reasonable certainty at the time the costs are incurred. Costs included are those directly attributable to the design, construction and testing of new systems (including major enhancements) from the point of inception to the point of satisfactory completion. Maintenance and minor modifications are expensed against the income statement as incurred. These assets are amortised by equal instalments over an average of five years.

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

2. ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost of each asset, other than properties in the course of construction, by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	life of the lease
Fixtures and fittings and other equipment	3 to 7 years

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 the various potential elements of short-term or repeat service contracts are as set out below. Analysis has been provided by revenue stream:

Student Management Systems:

- Revenue on perpetual 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. The transfer of the risks and rewards takes place when the customer has the opportunity to access the software. Depending on the specific nature of the product in question and whether they are a new site, or an existing customer purchasing new modules, the customer has the opportunity to access the software when links are provided, licence keys issued, or installation completed.
- Revenue from term software licences is spread over the period of the licence.
- Revenue from contracts for software maintenance and support is recognised on a pro rata basis over the contract period, reflecting the Group's obligation to support the relevant software products and update their content over the contract period.
- Other services that are purchased for a specific term are recognised on a pro rata basis over the contract period. This includes services such as hosting and managed IT services.
- Revenue from software implementation, consultancy and other services that involve the purchase of a number of days is recognised as the service is provided.

Quality Assurance Services and igraduate:

Revenue from the sale of services is recognised upon transfer to the customer of the risks and rewards of ownership. This is generally when services are performed for customers. The method by which the Group measures the service being performed varies depending on the nature of the contract, but will typically be driven by either time incurred or deliverables delivered as appropriate to the particular arrangement with the customer.

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

For multi-element contracts that include more than one revenue stream, we establish the fair value of the component parts and the revenue is recognised for each element in line with the above policy.

In addition to this, the Company has long-term contracts for the provision of more complex, project-based services including arrangements that involve significant production, modification, or customisation of software. Where the outcome of such long-term project-based contracts can be measured reliably, revenue and costs are recognised by reference to the stage of completion of the project at the balance sheet date. This is measured by the proportion that development time incurred for work performed to date bears to the estimated total development time. Variations in contract work and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable. Where the outcome of a long-term project-based contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs that it is probable will be recovered. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

2. ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

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

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

A legal claims provision is recognised and measured as a provision when the Group has a present obligation arising under a legal claim. This includes anticipated costs to resolve any contractual disputes and any anticipated costs in respect of disputes arising on previously disposed of businesses.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

If, after reassessment, the Company's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units ('CGUs') expected to benefit from the combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU (or groups of CGUs) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGUs (or group of CGUs) and then to the other assets of the CGU (or groups of CGUs) pro rata on the basis of the carrying amount of each asset. An impairment loss recognised for goodwill is not reversed in a subsequent period.

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

2. ACCOUNTING POLICIES (continued)

On disposal of a subsidiary or a division, the attributable amount of goodwill is included in the determination of the profit and loss on disposal. Goodwill arising on acquisition before the date of transition to IFRSs has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date.

Foreign currencies

Transactions in currencies other than pounds Sterling are recorded at the rates of exchange on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign 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.

Investments

Investments are initially measured at cost, including transaction costs. Investments are classified as either held-for-trading or available-for-sale. They are measured at subsequent reporting dates at cost, where they relate to unquoted equity investments where fair value cannot be reliably measured, and at fair value otherwise. A provision for any impairment is made where necessary.

Inventories

Stocks and work in progress, other than long-term contracts, are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less all further costs to completion and all marketing, selling and distribution costs.

Internally generated intangible assets – research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's product development is recognised only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally generated intangible assets are amortised on a straight-line basis over their useful economic lives of 2 to 7 years. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

2. ACCOUNTING POLICIES (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying values of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax in the income statement is charged or credited, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Retirement benefit costs

The Company operates two defined contribution pension schemes that are established in accordance with employment terms set by the employing companies. The assets of these schemes are held separately from those of the Company in independently administered funds. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes, where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the Statement of Comprehensive Income in the period in which they occur. Remeasurement recorded in the Statement of Comprehensive Income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurement.

The Company presents the first component of defined benefit costs within cost of sales and administrative expenses in the consolidated income statement. Curtailment gains and losses are accounted for as past-service cost. Net interest expense or income is recognised within finance costs. The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the Group's defined benefit pension schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

2. ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Cash

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand which have a right of offset against cash balances. These instruments are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit and loss (FVTPL) or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3. CRITICAL ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 2, the Board has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Allocation of Goodwill in respect of Synergy

On 1 April 2016 the Group disposed of its Synergy children's services management information system business to Servelec Group plc. As part of the calculation of the profit on disposal, goodwill associated with the Synergy business has been allocated to the profit. This amounted to £19.1m. Further analysis is provided in notes 11 and 24

Goodwill and other intangible assets

The carrying value of goodwill at the year-end is £2.9m (2015: £22.0m). An annual impairment review is required under IAS 36 'Impairment of assets' involving judgement of the future cash flows and discount rates for cash-generating units. The Company prepares such cash flow forecasts derived from the most recent budgets approved by the Board of Directors for the next two years. Further details of the other assumptions used are given in note 12.

The carrying value of development costs is £3.5m (2015: £5.2m). Judgement is required to assess whether costs meet the criteria for capitalisation set out in IAS 38, the useful life of those assets, and subsequently the consideration of the potential need for impairment of these assets, in particular in relation to their expected ability to generate future revenue.

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

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

Revenue recognition

The Group's revenue recognition policies are disclosed in note 2. In some cases, particularly in relation to significant software delivery programmes on which we are engaged in a number of international settings, judgement is required to determine the most appropriate measure of the fair value and the timing of revenue and profit recognition related to the services and products that have been delivered to customers at the balance sheet date. For example on a particular Higher Education customer, we had signed the contract before year end, but in line with our policy did not recognise revenue in respect of the related software due to the installation not having been fully completed. Judgement is also required in the assessment of the risk of recoverability of any associated receivables and accrued income where invoicing and/or payment is subject to certain future milestones. Programme delivery requirements, software specification and customer expectations may evolve during the course of these major projects. This may result in developments to ongoing commercial arrangements that could materially impact the basis of financial judgements made at a period end. Therefore the potential impact of these evolving obligations and the overall customer project status must be considered carefully and where appropriate reflected in accounting judgements.

4. REVENUE

Consistent with the Group, of which it is a part, the company is organised into a number of business segments as detailed below:

Student Management Systems ("SMS") represents the delivery of software and subsequent maintenance and support services (previously Product Development and Customer Services) and the activities through which we deploy and configure our software for our customers (previously Implementation Services);

i-graduate (previously Professional and Business Solutions), representing a portfolio of performance improvement tools and services, including analytics, benchmarking and transformation services; and

Quality Assurance Solutions ("QAS"), representing inspection and review services which support the assessment of educational delivery.

	2016 £'000	2015 £'000
Revenue split by business segment		
Student Management Systems	35,675	45,562
i-graduate	5,146	10,093
Quality Assurance Solutions	18,696	28,924
	<u>59,517</u>	<u>84,579</u>
	2016 £'000	2015 £'000
Revenue split by geography by origin		
UK	47,827	70,804
Asia Pacific	4,128	7,416
North America and the rest of the world	7,562	6,359
	<u>59,517</u>	<u>84,579</u>

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

5. OPERATING LOSS

	2016 £'000	2015 £'000
Operating loss is stated after charging/(crediting):		
Staff costs (see note 7)	35,816	42,283
Depreciation and other amounts written off property, plant and equipment	946	1,277
Amortisation of development costs	1,146	3,228
Amortisation of business systems	140	37
Amortisation of software licences	166	273
Cost of inventories recognised as an expense	-	216
Research and development expenditure	2,112	1,090
Impairment of goodwill	-	25,117
Impairment losses on development costs	-	7,495
Movement in deferred contingent consideration*	590	(266)
Provision for intercompany receivables/payables	7,500	979
Net foreign exchange loss	30	449
Profit of sale of Synergy (see note 24)	(301)	7

During the year Tribal Education Limited provided for receivables as follows: Tribal Resourcing Limited £7,500,000 (receivable).

*Included in movement in deferred contingent consideration are £42,000 of professional fees incurred.

6. AUDITORS' REMUNERATION

Fees payable to the Company's current auditors PricewaterhouseCoopers LLP for the audit of the Company's annual financial statements were £45,000 (2015: £nil).

Fees payable to the Company's previous auditors Deloitte LLP for the audit of the Company's annual financial statements were £nil (2015: £65,000).

Fees payable to PricewaterhouseCoopers LLP for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the parent Company are required to disclose such fees on a consolidated basis.

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

7. STAFF COSTS

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

	2016 No.	2015 No.
Administration	191	208
Operations and sales	628	901
	<u>819</u>	<u>1,109</u>

The aggregate payroll costs of these persons were as follows:

	2016 £'000	2015 £'000
Wages and salaries	30,197	38,038
Social security costs	2,736	3,876
Other pension costs	1,626	2,786
Redundancy costs	1,249	908
Share-based payment charge	8	(125)
	<u>35,816</u>	<u>45,483</u>

The total staff costs above include £nil (2015: £3.2m) capitalised as development costs.

Directors' Remuneration

I Bowles and M Pickett are directors of Tribal Group plc and their emoluments and pension details are disclosed in the Group financial statements. They are remunerated by Tribal Group plc for their services to the group as a whole and it is not practicable to allocate their remuneration between their services as directors of this company and their services as directors of other group companies. Their total remuneration payable for 2016 and comparable amounts for the preceding year are as follows: I Bowles £615,196 (2015: £nil) M Pickett £433,492 (2015: £nil) and S Breach £139,593 (2015: £277,981). S Breach ceased being a Director on 18 July 2016 and received an additional payment for loss of office of £281,781.

8. FINANCE INCOME

	2016 £'000	2015 £'000
Bank interest	6	2
Net interest on pension scheme	13	34
	<u>19</u>	<u>36</u>

9. FINANCE COST

	2016 £'000	2015 £'000
Other interest	-	11
Unwinding of discount (see note 20)	1	76
	<u>1</u>	<u>87</u>

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

10. TAX ON LOSS

	2016	2015
	£'000	£'000
Current tax		
UK Corporation tax on losses for the year	-	34
Adjustments in respect of group transfers	(134)	(201)
Overseas tax	119	88
Adjustments in respect of prior periods	88	(42)
Current tax charge/(credit)	<u>73</u>	<u>(121)</u>
Deferred tax		
Current year	(511)	(1,664)
Adjustments in respect of prior periods	9	61
Effect of rate change on opening balances	160	104
Deferred tax credit	<u>(342)</u>	<u>(1,499)</u>
Tax on loss	<u><u>(269)</u></u>	<u><u>(1,620)</u></u>

The average standard rate of tax for the year was 20% (2015: 20.25%). The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation:

	2016	2015
	£'000	£'000
Loss before taxation	<u>(8,805)</u>	<u>(33,049)</u>
Loss before taxation multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(1,761)	(6,692)
Effects of:		
Expenses not deductible for tax purposes	80	43
Impairment of goodwill	-	5,086
Adjustments in respect of prior periods	96	19
Transfer pricing adjustments	(361)	(396)
Intercompany loan provided/written off	1,500	198
Effect of rate changes	223	122
Other timing differences	(46)	-
Total tax credit	<u><u>(269)</u></u>	<u><u>(1,620)</u></u>

In addition to the amount charged to the income statement a current tax credit of £nil (2015: credit of £34,000) and a deferred tax charge of £3,000 (2015: £38,000) has been recognised directly in equity during the year in relation to share schemes. A deferred tax credit of £290,000 (2015: £33,000) has been recognised in the Statement of Comprehensive Income in relation to Defined Benefit pension schemes.

The income tax expense for the year is based on the UK statutory rate of corporation tax for the year of 20% (2015: 20.25%). Tax for other jurisdictions is calculated at the prevailing rates prevailing in the respective jurisdictions.

Further reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 17% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. This will reduce the Group's future tax charge accordingly. The deferred tax balances at 31 December 2016 have been calculated using these rates.

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

11. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Development costs	Software licences	Business systems	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2015	78,854	29,049	-	255	108,158
Written off	-	(3,523)	-	-	(3,523)
Additions	-	3,200	-	1,022	4,222
Disposals	-	(403)	-	-	(403)
At 31 December 2015 and 1 January 2016	78,854	28,323	-	1,277	108,454
Additions	-	-	70	764	834
Transfers	-	-	1,362	-	1,362
Disposals	(19,107)	(6,994)	(35)	-	(26,136)
At 31 December 2016	59,747	21,329	1,397	2,041	84,514
Accumulated Amortisation and impairment					
At 1 January 2015	31,749	16,321	-	30	48,100
Charge for the year	-	3,228	-	37	3,265
Written off	-	(3,523)	-	-	(3,523)
Disposals	-	(359)	-	-	(359)
Impairment	25,117	7,495	-	-	32,612
At 31 December 2015 and 1 January 2016	56,866	23,162	-	67	80,095
Charge for year	-	1,146	166	140	1,452
Disposals	-	(6,504)	(25)	-	(6,529)
Transfers	-	-	1,077	-	1,077
At 31 December 2016	56,866	17,804	1,218	207	76,095
Net book value					
At 31 December 2016	2,881	3,525	179	1,834	8,419
At 31 December 2015	21,988	5,161	-	1,210	28,359

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

11. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Development costs

Disposals of development cost of net book value of £490,000 correspond to the sale of the Synergy business (see note 24).

Business Systems

Included within Business Systems are finance systems with a carrying value of £1.6m (2015: £0.9m). Each system is being amortised over a period of three to five years and have an average of three years left. Upgrades to our finance systems, AX2012 and Longview phase II commenced amortisation in January 2017 following a successful rollout to the business.

Amortisation of development costs include within cost of sales , the amortisation for business systems and software licences is included within administrative expenses.

Goodwill

The Company is organised into three business segments – Student Management Systems, i-graduate and Quality Assurance Solutions (“QAS”). A description of the activities of these CGUs is included in note 4. The Company tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

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

In 2015 the Company suffered a significant downturn in its performance over the course of that year which, together with conservative estimates of the future trading of the Company, led to material impairments totalling £25.1m being recorded across the CGUs as follows: SMS £6.1m, i-graduate £10.7m and QAS £8.3m. QAS was fully impaired

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Office equipment £'000	Total £'000
Cost					
At 1 January 2015	1,469	65	4,685	130	6,349
Additions	448	21	716	1	1,186
Transfers	145	-	-	-	145
Disposals	(8)	-	(342)	-	(350)
At 31 December 2015 and 1 January 2016	2,054	86	5,059	131	7,330
Additions	34	17	155	8	214
Transfers	-	-	(1,362)	-	(1,362)
Disposals	(430)	(47)	(293)	(17)	(787)
At 31 December 2016	1,658	56	3,559	122	5,395
Accumulated Depreciation					
At 1 January 2015	727	42	2,845	83	3,697
Charge for the year	255	10	993	19	1,277
Transfers	5	(1)	-	-	4
Disposals	(8)	-	(331)	-	(339)
At 31 December 2015 and 1 January 2016	979	51	3,507	102	4,639
Charge for year	272	18	640	16	946
Transfers	-	-	(1,077)	-	(1,077)
Disposals	(128)	(40)	(259)	(17)	(444)
At 31 December 2016	1,123	29	2,811	101	4,064
Net book value					
At 31 December 2016	535	27	748	21	1,331
At 31 December 2015	1,075	35	1,552	29	2,691

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

There are £1.7m (2015: £2.2m) worth of assets that are fully amortised within property, plant and equipment.

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

13. INVESTMENTS

	Shares in subsidiary undertakings £'000	Long term loans £'000	Total £'000
Cost			
At 1 January 2015	21,654	7,872	29,526
Additions	75	-	75
At 31 December 2015	21,729	7,872	29,601
Additions	-	5,667	5,667
At 31 December 2016	21,729	13,539	35,268
Impairment			
At 1 January 2015 and 31 December 2016	13,873	-	13,873
Net book value			
At 31 December 2016	7,856	13,539	21,395
At 31 December 2015	7,856	7,872	15,728

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

Name	Registered office	Nature of Business	Proportion of shares held
Class Measures Limited	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Dormant	100%
Class Measures INC*	100 Tower Park Drive, Suite A, Woburn MA 01801, USA	Education related	100%
International Graduate Insight Group Limited	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Educational consultancy	100%
I-Graduate USA LLC*	1007 N Orange Street, 9 th Floor, Wilmington, Delaware, 19801, USA	Educational consultancy	100%
Tribal Systems Canada Limited	1100 One Bentall Centre, 505 Burrard Street, Box 11, Vancouver, BC V7X 1M5, Canada	Education related	100%
Tribal Group PTY Limited	Level 7, 50 Pitt Street, Sydney, NSW. 2000. Australia	Education related	100%
Human Edge Software Corporation PTY Ltd*	Level 1, 17 Madden Grove, Richmond, VIC 3121, Australia	Education related	100%
Tribal Campus PTY Limited*	Level 7, 50 Pitt Street, Sydney, NSW. 2000. Australia	Education related	100%
Callista Software Services PTY Limited*	Level 7, 50 Pitt Street, Sydney, NSW. 2000. Australia	Education related	100%
Human Edge Software Philippines*	12 th floor, West Trade Centre, 132 West Avenue, Quezon City, Philippines 1104	Education related	100%
T2P Limited*	Level 1, 13 Bay Road, Kilbirnie, New Zealand	Education related	100%
Tribal Education INC	4015 Hillsboro Pike, Suite 210, Nashville, TN, 37215, USA	Education related	100%
Tribal Group South Africa (PTY) Limited	UNISA, Muckleneuk Campus, Preller Street, Mucleneuk Ridge, South Africa	Education related	100%
Tribal Group (Malaysia) SDN	Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bazndar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia	Education related	100%

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

13. INVESTMENTS (CONTINUED)

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

14. INVENTORIES

	2016 £'000	2015 £'000
Work in progress	78	117
Finished goods and goods for resale	5	16
	<u>83</u>	<u>133</u>

The cost of inventories recognised as an expense during the year in respect of continuing operations is £nil (2015: £216,000).

15. TRADE AND OTHER RECEIVABLES

	2016 £'000	2015 £'000
Trade debtors	7,823	8,895
Amounts receivable from group undertakings	18,909	9,691
Corporation tax	692	1,776
Other debtors	156	70
Prepayments	2,226	2,232
Accrued income	2,362	3,448
	<u>32,168</u>	<u>26,112</u>

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

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

16. DEFERRED TAX ASSET

	Accelerated capital allowances	Share Based payments	Tax losses	Other short-term timing differences	Retirement Benefit obligations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2015	681	90	-	97	(27)	841
Credit/(charge) to profit and loss	42	(52)	1,589	(58)	(22)	1,499
Credit to other comprehensive income	-	-	-	-	33	33
Charge to equity for share based payments	-	(38)	-	-	-	(38)
At 1 January 2016	723	-	1,589	39	(16)	2,335
Credit/(charge) to profit and loss	(30)	3	350	-	19	342
Credit to other comprehensive income	-	-	-	-	290	290
Charge to equity for share based payments	-	3	-	-	-	3
At 31 December 2016	693	6	1,939	39	293	2,970

The Directors are of the opinion based on currently available forecasts, that these timing differences will reverse in the near future and when they do there will be sufficient taxable profits to recognise the impact of this in the income statement. Accordingly, the Directors believe that it is more likely than not that the deferred tax assets will be recoverable.

The deferred tax assets are expected to be settled as follows: £276,000 less than 12 months from 31 December 2016 and £2,694,000 greater than 12 months from 31 December 2016.

The impact of changes in tax rates on deferred tax balances of £160,000 (2015: £104,000) has been charged to the income statement and is included within the total credit to the income statement of £342,000 (2015: £1,499,000).

17. LONG-TERM CONTRACTS

At the end of 2016, accrued income included amounts due from contract customers of £218,000 (2015: £94,000) and deferred income included amounts due from contract customers of £58,000 (2015: £63,000).

	2016 £'000	2015 £'000
Contract costs incurred plus recognised profits less recognised losses to date	588	3,003
Less: progress billings	(503)	(2,993)
	<u>85</u>	<u>10</u>

At 31 December 2016, retentions held by customers for contract work amounted to £218,000 (2015: £112,000). There are no amounts included in trade and other receivables arising from long-term contracts due for settlement after more than 12 months. £588,000 (2015: £3,003,000) of contract revenue has been recognised.

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

18. TRADE AND OTHER PAYABLES

	2016	2015
	£'000	£'000
Current		
Trade creditors	493	1,426
Amounts owed to group undertakings	13,469	7,815
Other taxation and social security	2,400	2,821
Other creditors	950	823
Accruals	3,356	9,265
Deferred income	13,870	16,654
	<u>34,538</u>	<u>38,804</u>
Non-current		
Deferred income	770	646
	<u>35,308</u>	<u>39,450</u>

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

19. AMOUNTS OWED TO GROUP UNDERTAKINGS

	2016	2015
	£'000	£'000
Amounts owed to Group undertakings	62,749	56,736
	<u>62,749</u>	<u>56,736</u>

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

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

20. PROVISIONS FOR LIABILITIES

	Property related £000	Deferred consideration £000	Onerous contracts £000	Restructuring £000	Legal £000	Total £000
At 1 January 2016	551	1,223	443	-	-	2,217
Increase/(release) in provision	442	549	(33)	1,005	419	2,382
Utilisation of provision	(535)	(1,773)	(180)	(995)	(40)	(3,523)
Unwind of discount	-	1	-	-	-	1
At 31 December 2016	458	-	230	10	379	1,077

	2016 £'000	2015 £'000
Amounts falling due within one year	1,004	2,217
Amounts falling due after more than one year	73	-
	1,077	2,217

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Property related provision relates to the dilapidation costs arising from exiting leasehold properties where the costs are not all expected to be incurred during the next year.

Onerous contracts provision relates to a specific contract and represents the unavoidable costs of meeting the obligations under the contract that exceed the economic benefits expected to be received under it.

Legal claims provision relates to a specific contract and represents the anticipated costs to resolve the contractual dispute.

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

Deferred consideration reflects amounts in respect of the previous acquisition of i-graduate. During 2016 all deferred consideration has been paid.

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

21. CALLED UP SHARE CAPITAL

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
1,000 (2015: 1,000) ordinary shares of £1 each	<u>1</u>	<u>1</u>

22. RESERVES

	Share Premium account £'000	Share option reserve £'000	Accumulated losses £'000
At 1 January 2016	6,699	359	(27,574)
Loss for the financial year	-	-	(8,536)
Share-based payment charge	-	8	-
Currency translation difference on foreign currency net investments	-	-	506
Other recognised losses (net)	-	-	(1,416)
Net tax on charge to equity for share based payment	-	-	3
At 31 December 2016	<u>6,699</u>	<u>367</u>	<u>(37,017)</u>

23. RETIREMENT BENEFIT SCHEMES

Defined Contribution Schemes

The company contributes to individuals' defined contribution schemes. The pension cost charge for the year represents contributions payable by the company and amounted to £1,568,000 (2015: £2,169,000). Contributions of £174,000 (2015: £242,000) 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 the Federated Pension Plan ("FPP"); 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 2015.

Employer contributions amounting to £21,000 were paid in the year ended 31 December 2016 (2015: £21,000).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

23. RETIREMENT BENEFIT SCHEMES (CONTINUED)

The assets of the PPP Scheme have been taken at market value and the actuarial assumptions used to calculate scheme liabilities under IAS 19 are:

	2016 % per annum	2015 % per annum
Inflation	3.5	3.3
Salary increases	nil	3.8
Rate of discount	2.6	3.8
Pension in payment increases (non-GMP component)	3.5	3.3

The salary increase assumption is nil as there are no active members of the Scheme.

The mortality assumptions adopted at 31 December 2016 imply the following life expectancies:

Male retiring at age 65 in 2016	87.4
Female retiring at age 65 in 2016	89.9
Male retiring at age 65 in 2036	88.8
Female retiring at age 65 in 2036	91.4

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 0.1%	Decrease by 4%
Rate of inflation	Increase by 0.1 %	Increase by 4%
Rate of mortality	Increase by one year	Increase by 3%

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

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

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

	2016 £'000	2015 £'000
Corporate bonds	119	100
Index linked	122	97
Total fair value of the scheme assets	241	197

The debt instruments all have quoted prices in active markets.

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

23. RETIREMENT BENEFIT SCHEMES (CONTINUED)

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

	2016	2015
	£'000	£'000
Total fair value of assets	241	197
Present value of scheme liabilities	(308)	(197)
Net pension liability	(67)	-

Analysis of amounts charged to the income statement under IAS 19:

	2016	2015
	£'000	£'000
Administrative expenses:		
Current service credit	(10)	(22)
Other administrative expenses	21	21
	<u>11</u>	<u>(1)</u>
Other finance charges:		
Interest on pension scheme liabilities	7	6
Expected return on pension scheme assets	(7)	(7)
	<u>-</u>	<u>(1)</u>
Net finance income	-	(1)
Total charge/(credit) to income statement	11	(2)

Analysis of actuarial gain in the statement of comprehensive income

	2016	2015
	£'000	£'000
Actual return less expected return on pension scheme assets	37	(6)
Effects of changes in assumptions	(114)	(6)
Actuarial loss for the year	(77)	(12)

Movement in the scheme during the year:

	2016	2015
	£'000	£'000
Opening position	-	-
Movement in the year:		
(Charge)/credit to income statement	(11)	2
Employer contributions	21	21
Actuarial loss	(77)	(12)
Restriction in asset recognised	-	(11)
Closing position	(67)	-

The Company expects to contribute £22,000 to the Scheme during the year to 31 December 2016

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

23. RETIREMENT BENEFIT SCHEMES (continued)

Federated Pension Plan

Tribal Education Limited, a Group subsidiary, participates in the Federated Pension Plan ('FPP'), which is a defined benefit arrangement. This scheme was created on 1 August 2010 and was established to accommodate employees who transferred into the company as a result of the Group being awarded the Ofsted Early Years contract. The Ofsted employees are transferring back to Ofsted in early 2017 and the treatment of the defined benefit scheme is currently being discussed with Ofsted. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 5 April 2015.

The Tribal Education section of the Federated Pension Plan had 59 active members at the year-end. Employer contributions amounting to £427,000 were paid in the year ended 31 December 2016 (2015: £678,000). The accounting figures have been calculated using the valuation as at 5 April 2015, updated on an approximate basis to 31 December 2016 by a qualified independent actuary.

The assets of the FPP Scheme have been taken at market value and the actuarial assumptions used to calculate scheme liabilities under IAS 19 are:

	2016 % per annum	2015 % per annum
Inflation	3.5	3.3
Salary increases	nil	2.8
Rate of discount	2.6	3.8
Pension in payment increases (non-GMP component)	2.50 – 3.50	2.30 – 3.30

The salary increase assumption is nil as the members are transferring to Ofsted in early 2017, leaving only deferred members.

The mortality assumptions adopted at 31 December 2016 imply the following life expectancies:

Male retiring at age 60 in 2016	87.8
Female retiring at age 60 in 2016	89.9
Male retiring at age 60 in 2036	89.9
Female retiring at age 60 in 2036	92.2

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 14%
Rate of inflation	Increase by 0.5%	Increase by 11%
Rate of mortality	Increase by one year	No change

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

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

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

23. RETIREMENT BENEFIT SCHEMES (continued)

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

	2016 £'000	2015 £'000
Equities	6,568	5,479
Corporate bonds	3,284	2,948
Cash	99	68
Total fair value of scheme assets	9,951	8,495

All equities and corporate bonds are quoted on active markets.

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

	2016 £'000	2015 £'000
Total fair value of assets	9,951	8,495
Present value of scheme liabilities	(11,609)	(8,407)
Net pension (liability)/asset	(1,658)	88

Analysis of amounts charged to the income statement:

	2016 £'000	2015 £'000
Current service cost	557	618
Other finance charges:		
Interest on pension scheme liabilities	314	263
Expected return on pension scheme assets	(327)	(296)
Net finance income	(13)	(33)
Total charge to income statement	544	585

Analysis of actuarial loss in the statement of comprehensive income

	2016 £'000	2015 £'000
Actual return less expected return on pension scheme assets	826	(172)
Experience gains arising on the scheme assets	789	77
Changes in assumptions underlying the present value of scheme liabilities	(3,437)	(232)
Actuarial loss for the period	(1,822)	(327)

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

23. RETIREMENT BENEFIT SCHEMES (continued)

Movement in the surplus during the year:

	2016	2015
	£'000	£'000
Opening surplus	88	137
Movement in the year:		
Charge to income statement	(544)	(585)
Employer contributions	427	678
Actuarial loss	(1,822)	(327)
Restriction in asset recognised	193	185
Closing (deficit)/surplus	(1,658)	88

The Company expects to contribute £141,000 to the Scheme during the year to 31 December 2017.

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

	2016	2015
	£'000	£'000
Opening surplus	88	137
Movement in the year:		
Charge to income statement	(555)	(583)
Employer contributions	448	699
Actuarial loss	(1,899)	(339)
Restriction in asset recognised		(11)
Change in irrecoverable surplus	193	185
Net pension (liability)/asset	(1,725)	88

Analysis of actuarial loss in the statement of comprehensive income

	2016	2015
	£'000	£'000
Actual return less expected return on pension scheme assets	863	(178)
Experience gains arising on the scheme assets	789	77
Restriction in asset recognised	-	(11)
Changes in assumptions underlying the present value of scheme liabilities	(3,551)	(238)
Change in irrecoverable surplus	193	185
Actuarial loss for the period	(1,706)	(165)

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

23. RETIREMENT BENEFIT SCHEMES (continued)

History of experience gains and losses

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Present value of defined obligations	(11,917)	(8,604)	(7,746)	(5,819)	(5,044)
Fair value of scheme assets	10,192	8,692	7,883	6,585	4,782
Surplus/(deficit) in the scheme	(1,725)	88	137	766	(262)
Experience adjustments arising on scheme assets					
Amount	863	(178)	262	352	301
Percentage of the scheme assets	8%	(2)%	3%	5%	6%
Experience adjustments arising on scheme liabilities					
Amount	789	(161)	(618)	1,040	(54)
Percentage of the scheme liabilities	7%	2%	8%	18%	(1)%

24. DISPOSAL OF SYNERGY

On 1 April 2016 the Company disposed of its Synergy children's services management information system business to Servelec Group plc.

The net assets of the Synergy business at the date of disposal were as follows:

	£'000
Intangible assets	490
Tangible assets	219
Trade and other receivables	1,796
Trade and other payables	(3,364)
Attributable goodwill	19,107
Net assets	18,248
Cash consideration	19,421
Costs associated with the disposal	(872)
Gain on disposal	301

TRIBAL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

25. LEASE COMMITMENTS

	2016 £'000	2015 £'000
Lease payments under operating leases recognised as an expense in the year	790	1,034

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 £'000	2015 £'000
Within one year	807	913
In the second to fifth year inclusive	738	1,331
After five years	380	380
	<u>1,925</u>	<u>2,624</u>

Operating lease payments mainly represent rentals payable by the Company for its office properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of three years.

26. CONTINGENT LIABILITIES

A cross-guarantee exists between the Group companies in respect of bank facilities totalling £nil (2015: £36,204,000). There was no liability at the year-end (2015: £nil).

27. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is a wholly-owned 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 parent of the only group for which group financial statements are prepared. The smallest and largest undertaking for which the company is a member and for which group financial statements are prepared is Tribal Group plc. The consolidated financial statements of this company are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ, or from their website www.companieshouse.gov.uk.