

Company Registration Number 04163300

**TRIBAL EDUCATION LIMITED**

**Report and Financial Statements**

**31 December 2014**

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# **TRIBAL EDUCATION LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2014**

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**TRIBAL EDUCATION LIMITED****OFFICERS AND PROFESSIONAL ADVISERS****DIRECTORS**

S D Breach  
K M Evans

**REGISTERED OFFICE**

Kings Orchard  
1 Queen Street  
Bristol  
BS2 0HQ

**BANKERS**

Bank of Scotland plc  
PO Box 112  
Canon's House  
Canon's Way  
Bristol  
BS99 7LB

**SOLICITORS**

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

**AUDITOR**

Deloitte LLP  
Cardiff

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2014. An indication of likely future developments in the business of the company and details of research and development activities are included in the strategic report on pages 4 to 6.

**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 year after taxation was £559,000 (2013: profit of £9,364,000). Dividends paid in the year were £5,000,000 (2013: £7,000,000).

**DIRECTORS**

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

**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 on page 41 of 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 note 5 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 40 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 (2013: £nil).

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**TRIBAL EDUCATION LIMITED**

**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 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 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 has indicated its willingness to remain in office as the company's auditor and a resolution to reappoint Deloitte LLP 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

## **STRATEGIC REPORT**

### **REVIEW OF THE BUSINESS**

The Company is organised into a number of business segments: Product Development and Customer Services, Implementation, Professional & Business Solutions and Quality Assurance Solutions.

The principal activities of the company are as follows:

- Product development and customer services, representing revenues from sale of software and subsequent maintenance revenues, and the costs of developing and maintaining that software;
- Implementation services, representing the results of activities through which we deploy and configure our software for our customers;
- Professional and business solutions, representing a portfolio of performance improvement tools and services, including analytics, benchmarking and transformation services; and
- Quality assurance solutions, representing inspection and review services which support the assessment of educational delivery.

#### **Strategy**

The strategy is developed at a Group level, and comprises the following three key elements:

- To establish Student management systems as the core of our proposition;
- To ensure that the Performance improvement tools complement, and integrate with, our student management systems; and
- To establish a strong presence in each of our chosen markets.

#### **To establish Student management systems at the core of the proposition**

Our student management systems are core operational business system in universities, colleges and schools. Replacement cycles are lengthy, and our customer relationships are long lasting, generating good recurring support revenues. Our systems have also demonstrated their applicability in a range of international markets. These assets, and the customer relationships which spring from them, are at the heart of our business.

#### **To ensure that Performance improvement tools are integrated with our student management systems**

Our customers work in an environment where expectations grow year-on-year. Education outcomes, student experience and efficient delivery are firmly in the spotlight. Our rich education management expertise, coupled to our extensive customer base and data sets, has enabled us to build a strong range of evidence based performance improvement tools. We are now increasingly embedding our tools in our student management systems, and developing new services and technologies which can support education managers to uplift the performance of their institutions. Closer integration will enhance the value of our tools, support more rapid delivery and scaling of our services, and enable the more effective distribution and cross-selling of these tools through our installed SMS customer base.

#### **To establish a balanced regional presence**

Outside the UK, our business has achieved critical mass in Australia and New Zealand, and we are operationally active in a number of English-speaking education markets including Canada, the US, the Middle East, southern Africa and the wider Asia Pacific region. Our attention will now turn to ensuring that we have an increasingly balanced set of country-level operations, here we are able to demonstrate confidently that we are a leading provider, with critical mass, in our chosen markets. In the nearer term, this means a clear emphasis on English-speaking education markets, although we will continue to evaluate and explore non-English speaking markets for future growth opportunities.

The Company plays its role in working towards these objectives with those that reference international growth specifically focussed on the company's branches in New Zealand, South Africa and the Middle East.

Further information can be found in the Tribal Group plc annual report available at [www.tribalgroup.co.uk](http://www.tribalgroup.co.uk)

**STRATEGIC REPORT (continued)****REVIEW OF THE BUSINESS (continued)****Review of operations**

As shown in the Company's profit and loss account on page 9, the company has generated revenues of £102,992,000 for the year ended 31 December 2014 (2013: £98,615,000). The company's gross margin for the year has reduced to 40% (2013: 47%). In 2014, a larger proportion of the company's software sales have been made outside of the UK, through its overseas subsidiaries. Sales of this nature attract a lower margin than those made directly to the end customer.

Details of amounts owed by and to other group companies are shown in notes 14, 16 and 17.

The Company manages its operations by business segments: Product Development and Customer Services, Implementation, Professional & Business Solutions and Quality Assurance Solutions, and monitors performance with the following KPIs: revenue, adjusted operating margin and product development investment. These KPIs are discussed on pages 31 to 32 of the Group's Annual Report that does not form part of this report.

Through the existing product and service-based solutions, new software product development, and carefully selected acquisitions, the Company has continued to strengthen its positions in the markets and regions in which it operates. The decrease in turnover in the year reflects the group strategy to run certain international contracts through overseas subsidiaries.

The three market sectors that the Company focuses on are Higher Education, Vocational Learning and Schools.

**Higher education:** In Higher Education, our activities are oriented around our UK market-leading SITS vision student management system, complemented by a suite of performance improvement services and tools and our transformation services which seek to enhance our customers' use of our software. We have seen good overall growth in our Higher Education revenues.

**Vocational learning:** Our work in vocational learning is based around a portfolio of software products and services, and our capabilities in this sector have continued to develop rapidly in the period. Whilst we have now exited our non-core work in the careers advice and guidance market, our emphasis on software-based activities continues and we now have market-leading positions in the UK, and New Zealand in vocational learning student management systems. In the UK, we have seen quiet conditions in the Further Education market for some time.

**Schools / K-12:** Our work to support schools has historically been weighted strongly towards quality assurance solutions, particularly supporting Ofsted in the UK with its schools and nursery review programme. This work has continued during 2014, but will represent a reducing stream of activity for us over the coming years. In May 2014, Ofsted announced that it would be bringing its schools review work in-house as from September 2015. However, work to provide quality assurance in relation to nurseries will remain outsourced for the time being, and we have agreed with Ofsted that we will continue to provide these services until at least August 2016, and potentially until 2017.

**PRINCIPAL RISKS AND UNCERTAINTIES**

In the current challenging economic climate, the most significant risks the Company is facing relate to uncertainty in Government policy, pressure on public sector spending and increased competition. The international operations of the business introduce operational and financial risk including exposure to movements in foreign currency exchange rates.

Management of foreign exchange risk is overseen by the Group finance team, and policies and procedures are in place that have been approved by the Board. Where appropriate, forward foreign exchange contracts and options are taken out in order to reduce potential financial exposure to an acceptable level. There were no open contracts at the year-end.

Group risks are discussed in the Group's Annual Report which does not form part of this report.

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## **TRIBAL EDUCATION LIMITED**

### **STRATEGIC REPORT (continued)**

#### **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. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied. The Company 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 Company 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 2014.

**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 £50m credit facility committed until June 2018.

**Cash flow risk:** Cash flow is monitored at a group level. The Group prepares regular forecasts of cash flow. Further details are provided in the going concern section below. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

#### **RESEARCH AND DEVELOPMENT**

The Company continues to invest in research and development of software products. Research and development expenditure recorded in the profit and loss account in the year has increased to £1,688,000 (2013: £1,717,000), with a further £4,254,000 of development costs being capitalised as intangible fixed assets (2013: £6,902,000).

#### **FUTURE PROSPECTS**

The directors are satisfied with the results for the period and look forward to continued success in the future.

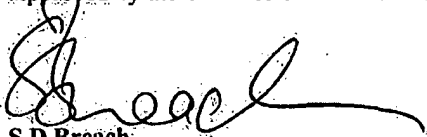
#### **GOING CONCERN**

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 £50m credit facility committed until June 2018.

The Group has a number of long-term contracts with a range of customers across different geographic areas, high levels of committed income and a strong pipeline of new opportunities. The Group's forecasts and projections, which allow for reasonably possible changes in trading performance, show that the Group has adequate headroom against the committed facility 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 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.

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



**S D Breach**

Director

28 April 2015



**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.

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## 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 2014 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 27. 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 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.

#### **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 2014 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.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

#### **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.

*Delyth Jones*

**Delyth Jones (Senior statutory auditor)**

**for and on behalf of Deloitte LLP**

Chartered Accountants and Statutory Auditor

Cardiff, United Kingdom

28 April 2015

# TRIBAL EDUCATION LIMITED

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
<b>TURNOVER</b>	1,2	102,992	98,615
Cost of sales		(62,271)	(52,011)
<b>GROSS PROFIT</b>		<u>40,721</u>	<u>46,604</u>
Administrative expenses		(40,841)	(33,231)
<b>OPERATING (LOSS)/PROFIT</b>	3	<u>(120)</u>	<u>13,373</u>
Income from shares in group undertakings		-	119
Interest receivable and similar income	6	102	26
Interest payable and similar charges	7	(229)	(453)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(247)	13,065
Tax on (loss)/profit on ordinary activities	8	(312)	(3,701)
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>	22,23	<u><u>(559)</u></u>	<u><u>9,364</u></u>

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

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
(Loss)/profit for the financial year		(559)	9,364
Actuarial (loss)/gain on defined benefit pension plan	23	(356)	1,392
Restriction in defined pension asset recognised	23	(393)	-
Associated deferred tax		150	(423)
<b>Total recognised (losses)/gains for the year</b>		<u><u>(1,158)</u></u>	<u><u>10,333</u></u>

# TRIBAL EDUCATION LIMITED

## BALANCE SHEET At 31 December 2014

	Note	2014		2013	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Goodwill	10		43,162		47,105
Intangible assets	10		12,954		14,653
Tangible assets	11		2,652		2,716
Investments	12		7,553		7,781
Net pension asset	23		110		613
			<u>66,431</u>		<u>72,868</u>
<b>CURRENT ASSETS</b>					
Stocks	13	611		714	
Debtors	14	19,415		18,711	
Cash at bank and in hand	26	15,615		12,098	
		<u>35,641</u>		<u>31,523</u>	
<b>CURRENT LIABILITIES</b>					
Creditors	16	(45,604)		(42,745)	
Provisions for liabilities	18	(284)		(2,782)	
		<u>(45,888)</u>		<u>(45,527)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(10,247)</u>		<u>(14,004)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			56,184		58,864
<b>CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>					
Amounts owed to group undertakings	17		(47,203)		(44,191)
Provisions for liabilities	18		(1,898)		(1,531)
<b>NET ASSETS</b>			<u>7,083</u>		<u>13,142</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	20		1		1
Share premium account	21		6,699		6,699
Capital contribution	21		484		390
Currency translation reserve	21		(8)		(13)
Profit and loss account	21		(93)		6,065
<b>SHAREHOLDERS' FUNDS</b>	22		<u>7,083</u>		<u>13,142</u>

The financial statements of Tribal Education Limited, registered number 04163300, were approved and signed by the Board of Directors and authorised for issue on 28 April 2015.



**S D Breach**  
Director

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2014**

**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**

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. Further information is provided in the Strategic Report.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2014****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 the various potential elements 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.
- 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 as the service is provided.
- Interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applied.

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 Group 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.

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 2014****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.

**Derivative financial instruments**

The Group's activities 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 re-measured 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 2014****1. ACCOUNTING POLICIES (continued)****Investments**

Investments held as fixed assets are shown at cost less provision for any impairment.

**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. An internally-generated intangible asset arising from the company'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 lives of three to seven years. Amortisation is not charged until the products are brought into use. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

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 and other equipment	3 to 7 years



**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2014****1. ACCOUNTING POLICIES (continued)****Provisions**

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

**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.

**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. 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 an adjusted Black-Scholes 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2014

**2. BUSINESS SEGMENTS**

The company is organised into a number of business segments: Product Development and Customer Services, Implementation, Professional & Business Solutions and Quality Assurance Solutions.

The principal activities of the company are as follows:

- Product development and customer services, representing revenues from sale of software and subsequent maintenance revenues, and the costs of developing and maintaining that software;
- Implementation services, representing the results of activities through which we deploy and configure our software for our customers;
- Professional and business solutions, representing a portfolio of performance improvement tools and services, including analytics, benchmarking and transformation services; and
- Quality assurance solutions, representing inspection and review services which support the assessment of educational delivery

	2014 £'000	2013 £'000
<b>Turnover split by business segment</b>		
Product Development & Customer Services	42,212	40,660
Implementation	10,658	10,267
Professional & Business Solutions	16,723	16,109
Quality Assurance Solutions	33,398	31,579
	<u>102,992</u>	<u>98,615</u>

	2014 £'000	2013 £'000
<b>Turnover split by geography</b>		
UK	82,431	89,977
Asia Pacific	12,504	3,476
North America and the rest of the world	8,057	5,162
	<u>102,992</u>	<u>98,615</u>

**3. OPERATING (LOSS)/PROFIT**

	2014 £'000	2013 £'000
Operating (loss)/profit is stated after charging:		
Fees payable to the company's auditor for the audit of the company's annual accounts	44	75
Depreciation - owned assets	1,273	1,369
Amortisation of goodwill	3,943	3,943
Amortisation of capitalised development costs	3,295	2,058
Research and development expenditure	1,688	1,717
Loss on disposal of fixed assets	-	4
Impairment losses on capitalised development costs	2,584	250
Rentals under operating leases - land and buildings	943	865
Rentals under operating leases - other	201	223

**4. DIRECTORS' REMUNERATION**

K Evans and S D Breach 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 2014 and comparable amounts for the preceding year are as follows: K Evans: £1,220,544 (2013: £1,590,391) and S Breach : £845,557 (2013: £1,414,618).

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2014

**5. INFORMATION REGARDING EMPLOYEES**

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

	<b>2014</b>	<b>2013</b>
	<b>No.</b>	<b>No.</b>
Administration	220	201
Operations and sales	943	1,099
	<u>1,163</u>	<u>1,300</u>

The aggregate payroll costs of these persons were as follows:

	<b>£'000</b>	<b>£'000</b>
Wages and salaries	44,607	45,421
Social security costs	4,377	4,260
Other pension costs	3,037	2,673
Share-based payment charge (see note 19)	94	255
	<u>52,115</u>	<u>52,609</u>

**6. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest	49	25
Interest receivable on pension scheme	53	1
	<u>102</u>	<u>26</u>

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Other interest	-	87
Unwinding of discount on deferred contingent consideration (see note 18)	229	350
Interest payable on pension scheme	-	16
	<u>229</u>	<u>453</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**

	2014 £'000	2013 £'000
<b>Current tax</b>		
Corporation tax on (losses)/profits for the year	-	3,413
Adjustments in respect of group transfers	10	341
Overseas tax	338	143
Adjustments in respect of prior periods	(31)	(96)
	<u>317</u>	<u>3,801</u>
Double tax relief	-	(145)
	<u>317</u>	<u>3,656</u>
<b>Deferred tax</b>		
Current year	9	(63)
Adjustments in respect of prior periods	(14)	(2)
Effect of rate change on opening balances	-	110
<b>Tax on (loss)/profit on ordinary activities</b>	<u>312</u>	<u>3,701</u>

The average standard rate of tax for the year was 21.5% (2013: 23.25%). The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation:

	£'000	£'000
(Loss)/profit on ordinary activities before taxation	<u>(247)</u>	<u>13,065</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	(53)	3,037
Effects of:		
Expenses not deductible for tax purposes	123	220
Amortisation of goodwill	841	910
Adjustments in respect of prior periods	(31)	(96)
Transfer pricing adjustments	(372)	(271)
Additional deductions for qualifying R&D expenditure	-	(73)
Amounts directly taken to equity	(161)	323
Defined benefit pension scheme timing differences	135	(333)
Effect of differences in overseas tax rates	11	(2)
Other differences	(176)	(59)
<b>Current tax charge</b>	<u>317</u>	<u>3,656</u>

The tax rate is a blended tax rate of 23% to 1 April 2014 and 21% thereafter.

The reduction in the corporation tax rate to 20%, from 1 April 2015, is not expected to materially affect the future tax charge for the company.

**9. DIVIDENDS**

	2014 £'000	2013 £'000
<b>Dividend paid</b>		
£5,000 (2013: £7,000) per ordinary share	<u>5,000</u>	<u>7,000</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2014

**10. INTANGIBLE FIXED ASSETS**

	<b>Goodwill</b>	<b>Development costs</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
At 1 January 2014	78,854	25,254	104,108
Additions	-	4,254	4,254
Disposals	-	(78)	(78)
At 31 December 2014	<u>78,854</u>	<u>29,430</u>	<u>108,284</u>
<b>Amortisation and impairment</b>			
At 1 January 2014	31,749	10,601	42,350
Charge for the year	3,943	3,295	7,238
Impairment loss	-	2,584	2,584
Reclassifications	-	(4)	(4)
At 31 December 2014	<u>35,692</u>	<u>16,476</u>	<u>52,168</u>
<b>Net book value</b>			
<b>At 31 December 2014</b>	<u>43,162</u>	<u>12,954</u>	<u>56,116</u>
At 31 December 2013	<u>47,105</u>	<u>14,653</u>	<u>61,758</u>

We have reviewed the economic lives of our development costs during the year, and have extended the lives in relation to two of our products from three to five years, to seven years. The effect of this change has been to reduce amortisation in 2014 by £0.3m.

Certain historical development costs have been impaired following a review of the Group's product portfolio after the acquisitions of Sky Software and Human Edge. .

**11. TANGIBLE FIXED ASSETS**

	<b>Short Leasehold Improvements</b>	<b>Fixtures and fittings</b>	<b>Computer equipment</b>	<b>Office equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>					
At 1 January 2014	1,569	94	3,944	166	5,773
Additions	358	(10)	857	4	1,209
Disposals	(458)	(19)	(116)	(40)	(633)
At 31 December 2014	<u>1,469</u>	<u>65</u>	<u>4,685</u>	<u>130</u>	<u>6,349</u>
<b>Depreciation</b>					
At 1 January 2014	912	49	2,004	92	3,057
Charge for the year	273	12	957	31	1,273
Disposals	(458)	(19)	(116)	(40)	(633)
At 31 December 2014	<u>727</u>	<u>42</u>	<u>2,845</u>	<u>83</u>	<u>3,697</u>
<b>Net book value</b>					
<b>At 31 December 2014</b>	<u>742</u>	<u>23</u>	<u>1,840</u>	<u>47</u>	<u>2,652</u>
At 31 December 2013	<u>657</u>	<u>45</u>	<u>1,940</u>	<u>74</u>	<u>2,716</u>

We have revised the useful economic lives of certain IT hardware equipment included within "Computer Equipment" and have extended them from 3 to 5 years. The effect has been to reduce depreciation in 2014 by £0.2m.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2014

12. INVESTMENTS

	Shares in subsidiary undertakings £'000	Other listed investments £'000	Total £'000
<b>Cost</b>			
At 1 January 2014	21,653	1	21,654
Revaluation of consideration	(228)	-	(228)
At 31 December 2014	21,425	1	21,426
<b>Impairment</b>			
At 1 January 2014 and 31 December 2014	13,873	-	13,873
<b>Net book value</b>			
At 31 December 2014	7,552	1	7,553
At 31 December 2013	7,780	1	7,781

The company holds interests in the following companies:

Name	Proportion of ordinary shares	Country of incorporation	Principal activity
Tribal Hubs Limited	100%	UK	Dormant
Tribal Property Limited	100%	UK	Property management
Class Measures Limited	100%	UK	Management consultancy
International Graduate Insight Group Limited	100%	UK	Educational consultancy
Tribal Systems Canada Limited	100%	Canada	Education related
Tribal Group PTY Limited	100%	Australia	Education related
Tribal Education INC	100%	USA	Education related
Tribal Group South Africa (PTY) Limited	100%	South Africa	Education related

The company holds interests in the following branches:

Name	Proportion of ordinary shares	Country of incorporation	Principal activity
Tribal Education Limited New Zealand Branch	100%	New Zealand	Education related
Tribal Education Limited Australian Branch	100%	Australia	Education related
Tribal Education Limited Abu Dhabi Branch	100%	Abu Dhabi	Education related
Tribal Education Limited South African Branch	100%	South Africa	Education related

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2014

**13. STOCKS**

	2014 £'000	2013 £'000
Work in progress	337	363
Finished goods and goods for resale	274	351
	<u>611</u>	<u>714</u>

**14. DEBTORS**

	2014 £'000	2013 £'000
Trade debtors	8,246	8,485
Amounts receivable from group undertakings	1,355	644
Corporation tax	287	-
Deferred tax	830	803
Amounts recoverable on contracts	115	186
Other debtors	78	39
Prepayments	2,485	2,154
Accrued income	6,019	6,400
	<u>19,415</u>	<u>18,711</u>

Deferred tax asset	£'000	£'000
Opening deferred tax asset	803	964
Profit and loss account credit/(charge)	27	(161)
Closing deferred tax asset	<u>830</u>	<u>803</u>

Deferred tax asset consists of the following amounts:	£'000	£'000
Differences between capital allowances and depreciation	681	629
Other short-term timing differences	97	95
Share schemes	52	79
	<u>830</u>	<u>803</u>

The remaining charge of £23,000 (2013: credit of £116,000) included in the deferred tax credit of £127,000 (2013: charge of £44,000) in the profit and loss account is in respect of the company's defined benefit pension scheme.

**15. LONG-TERM CONTRACTS**

At the end of 2014, accrued income included amounts due from contract customers of £851,000 (2013: £492,000) and deferred income included amounts due from contract customers of £5,000 (2013: £131,000).

	2014 £'000	2013 £'000
Contract costs incurred plus recognised profits less recognised losses to date	2,639	2,544
Less: progress billings	(2,100)	(2,637)
	<u>539</u>	<u>(93)</u>

At 31 December 2014, retentions held by customers for contract work amounted to £793,000 (2013: 194,000).

There are no amounts included in trade and other receivables arising from long-term contracts due for settlement after more than 12 months.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2014

**16. CURRENT LIABILITIES**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	2,093	2,484
Amounts owed to group undertakings	3,791	8
Corporation tax	-	1,794
Other taxation and social security	3,467	2,890
Other creditors	7,359	4,756
Accruals	8,440	9,910
Deferred income	20,454	20,903
	<u>45,604</u>	<u>42,745</u>

**17. AMOUNTS OWED TO GROUP UNDERTAKINGS**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due after more than one year	<u>47,203</u>	<u>44,191</u>

**18. PROVISIONS FOR LIABILITIES**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Opening liability	4,313	-
Additions to provision in year	739	-
Release of provision in year	(241)	-
On acquisition of subsidiary	-	3,963
Unwinding of discount on deferred contingent consideration	229	350
Utilisation of provision	<u>(2,858)</u>	<u>-</u>
<b>Closing liability</b>	<u>2,182</u>	<u>4,313</u>

The provisions are split as follows:

	<b>£'000</b>	<b>£'000</b>
Onerous contracts	726	-
Deferred contingent consideration	<u>1,456</u>	<u>4,313</u>
	<u>2,182</u>	<u>4,313</u>

	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year	284	2,782
Amounts falling due after more than one year	<u>1,898</u>	<u>1,531</u>
	<u>2,182</u>	<u>4,313</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2014

**19. 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. 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.

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

	2014 £'000	2013 £'000
LTIP	92	257
SAYE	2	(2)
	<u>94</u>	<u>255</u>

During the year ended 31 December 2014, LTIPs were granted on 21 March 2014. There were no SAYE grants in the year. The charge of £2,000 in the year relates to grants made in prior years.

During the year ended 31 December 2013, LTIPs were granted on 15 March 2013. There were no SAYE grants in the year. The credit of £2,000 in the year relates to grants made in prior years.

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 £12,000 in the year relates to grants made in prior years.

Options outstanding during the year are as follows:

	ESOS		LTIP		SAYE	
	No. of options '000	Weighted average exercise price	No. of options '000	Weighted average exercise price	No. of options '000	Weighted average exercise price
Outstanding at 1 January 2014	5	£1.96	1,565	£nil	21	£1.08
Exercised during the year	-	-	(453)	£nil	(7)	£1.08
Granted during the year	-	-	475	£nil	-	-
Lapsed during the year	(5)	£1.96	(676)	£nil	-	-
Outstanding at 31 December 2014	-	-	911	£nil	14	£1.08
Exercisable at 31 December 2014	-	-	178	£nil	-	£1.08
Weighted average remaining contracted life (years)	-	-	8.16	-	1.42	-
Weighted average share price at date of exercise	-	-	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2014

**19. SHARE BASED PAYMENTS (continued)**

Share options outstanding at the year-end have the following exercise prices:, LTIP: £nil and SAYE £1.08.

For the year ended 31 December 2014, the Group has used an adjusted Black-Scholes valuation model in order to incorporate a discount factor into the fair value to reflect the market-based performance condition of the LTIP grant. The following table sets out the information about how the fair value of the grant is calculated:

	<b>2014 LTIP</b>
Share price	£1.95
Exercise price	£nil
Expected volatility	38%
Expected life (years)	3.0
Risk-free rate	1.13%
Expected dividend yield	0.8%

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. (i.e three years for the LTIP award). 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.

**20. CALLED UP SHARE CAPITAL**

	<b>2014 £'000</b>	<b>2013 £'000</b>
<b>Allotted, called up and fully paid</b>		
1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

**21. RESERVES**

	<b>Share Premium Account £'000</b>	<b>Capital contribution £'000</b>	<b>Currency translation reserve £'000</b>	<b>Profit and loss account £'000</b>
At 1 January 2014	6,699	390	(13)	6,065
Loss for the financial year	-	-	-	(559)
Share-based payment charge	-	94	-	-
Currency translation difference on foreign currency net investments	-	-	5	-
Other recognised losses (net)	-	-	-	(599)
Dividend paid	-	-	-	(5,000)
<b>At 31 December 2014</b>	<u>6,699</u>	<u>484</u>	<u>(8)</u>	<u>(93)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2014

**22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
Opening shareholders' funds	13,142	9,714
(Loss)/profit for the financial year	(559)	9,364
Dividend paid	(5,000)	(7,000)
Share-based payment charge	94	255
Currency translation difference on foreign currency net investments	5	(160)
Other recognised (losses)/gains (net)	(599)	969
<b>Closing shareholders' funds</b>	<b>7,083</b>	<b>13,142</b>

**23. 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 and amounted to £2,259,000 (2013: £1,386,000). Contributions of £297,000 (2013: £564,000) 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 2014.

Employer contributions amounting to £34,000 were paid in the year ended 31 December 2014 (2013: £42,000).

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:

	<b>2014</b> <b>% per annum</b>	<b>2013</b> <b>% per annum</b>
Inflation	3.1	3.50
Salary increases	3.6	4.50
Rate of discount	3.7	4.40
Pension in payment increases (non-GMP component)	3.1	3.50

The mortality assumptions adopted at 31 December 2014 imply the following life expectancies:

Male retiring at age 65 in 2014	22.3
Female retiring at age 65 in 2014	24.7
Male retiring at age 65 in 2034	23.7
Female retiring at age 65 in 2034	26.3

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2014

**23. PENSION SCHEMES (continued)**

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 3%
Rate of inflation	Increase by 0.1%	Increase by 3%
Rate of salary growth	Increase by 0.1%	Increase by 3%
Rate of mortality	Increase by one year	Increase by 3%

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

	2014 £'000	2013 £'000
Equities	56	70
Alternative assets	19	24
Corporate bonds	60	32
Gilts	61	33
<b>Total fair value of the scheme assets</b>	<b>196</b>	<b>159</b>

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

	2014 £'000	2013 £'000
Total fair value of assets	196	159
Present value of scheme liabilities	(196)	(168)
Deficit in the scheme	-	(9)
Related deferred tax asset	-	2
<b>Net pension liability</b>	<b>-</b>	<b>(7)</b>

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

	2014 £'000	2013 £'000
Administrative expenses:		
Current service (credit)/cost	(16)	20
Other administrative expenses	20	20
	<b>4</b>	<b>40</b>
Other finance charges:		
Interest on pension scheme liabilities	7	5
Expected return on pension scheme assets	(7)	(6)
Net finance income	-	(1)
<b>Total charge to profit and loss account</b>	<b>4</b>	<b>39</b>

Analysis of actuarial gain in the statement of total recognised gains and losses:

	£'000	£'000
Actual return less expected return on pension scheme assets	14	5
Experience (losses)/gains arising on the scheme liabilities	(2)	10
Effects of changes in assumptions	(11)	(41)
<b>Actuarial gain/(loss) for the year</b>	<b>1</b>	<b>(26)</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**23. PENSION SCHEMES (CONTINUED)**

Movement in the (deficit)/surplus during the year:	2014 £'000	2013 £'000
Opening (deficit)/surplus	(9)	14
Movement in the year:		
Charge to profit and loss account	(4)	(39)
Employer contributions	34	42
Actuarial gain/(loss)	1	(26)
Restriction in asset recognised	(22)	-
<b>Closing deficit</b>	<b>-</b>	<b>(9)</b>

**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 2014 by a qualified actuary, independent of the scheme's sponsoring employer.

Employer contributions amounting to £744,000 were paid in the year ended 31 December 2014 (2013: £1,245,000).

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:

	2014 % per annum	2013 % per annum
Inflation	3.10	3.50
Salary increases	2.60	3.00
Rate of discount	3.70	4.40
Pension in payment increases (non-GMP component)	2.10 – 3.10	2.50 – 3.50
Allowance for commutation of pension for cash at retirement	None	None

The mortality assumptions adopted at 31 December 2014 imply the following life expectancies:

Male retiring at age 60 in 2014	27.6
Female retiring at age 60 in 2014	29.9
Male retiring at age 60 in 2034	30.4
Female retiring at age 60 in 2034	32.4

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 0.5%	Decrease by 10%
Rate of inflation	Increase by 0.5%	Increase by 12%
Rate of salary growth	Increase by 0.5%	Increase by 3%
Rate of mortality	Increase by one year	Increase by 3%

**NOTES TO THE FINANCIAL STATEMENTS**  
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**23. PENSION SCHEMES (continued)**

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

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Equities	5,051	4,222
Corporate bonds	2,521	2,108
Cash	115	96
<b>Total fair value of scheme assets</b>	<b>7,687</b>	<b>6,426</b>

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

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Total fair value of assets	7,687	6,426
Present value of scheme liabilities	(7,550)	(5,651)
Surplus in the scheme	137	775
Related deferred tax liability	(27)	(155)
<b>Net pension asset</b>	<b>110</b>	<b>620</b>

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

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	707	1,596
Other finance charges:		
Interest on pension scheme liabilities	245	259
Expected return on pension scheme assets	(298)	(243)
Net finance (income)/cost	(53)	16
<b>Total charge to profit and loss account</b>	<b>654</b>	<b>1,612</b>

Analysis of actuarial (loss)/gain in the statement of total recognised gains and losses:

	<b>£'000</b>	<b>£'000</b>
Actual return less expected return on pension scheme assets	248	347
Experience (losses)/gains arising on the scheme assets	(62)	1,377
Changes in assumptions underlying the present value of scheme liabilities	(543)	(306)
<b>Actuarial (loss)/gain for the period</b>	<b>(357)</b>	<b>1,418</b>

# TRIBAL EDUCATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

### 23. PENSION SCHEMES (continued)

Movement in the deficit during the year:

	2014 £'000	2013 £'000
Opening surplus/(deficit)	775	(276)
Movement in the year:		
Charge to profit and loss account	(654)	(1,612)
Employer contributions	744	1,245
Actuarial (loss)/gain	(357)	1,418
Restriction in asset recognised	(371)	-
<b>Closing surplus</b>	<b>137</b>	<b>775</b>

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

	2014 £'000	2013 £'000
Opening surplus/(deficit)	766	(262)
Movement in the year:		
Charge to profit and loss account	(658)	(1,651)
Employer contributions	778	1,287
Actuarial (loss)/gain	(356)	1,392
Restriction in asset recognised	(393)	-
Closing surplus	137	766
Related deferred tax liability	(27)	(153)
<b>Net pension asset</b>	<b>110</b>	<b>613</b>

History of experience gains and losses

	31 December 2014 £'000	31 December 2013 £'000	31 December 2012 £'000	31 December 2011 £'000	31 December 2010 £'000
Present value of defined obligations	(7,746)	(5,819)	(5,044)	(2,999)	(761)
Fair value of scheme assets	7,883	6,585	4,782	2,640	612
Surplus/(deficit) in the scheme	137	766	(262)	(359)	(149)
Experience adjustments arising on scheme assets					
Amount	262	352	301	29	7
Percentage of the scheme assets	3%	5%	6%	1%	1%
Experience adjustments arising on scheme liabilities					
Amount	(618)	1,040	(54)	(113)	-
Percentage of the scheme liabilities	8%	18%	(1%)	4%	-

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2014

**24. OPERATING LEASE COMMITMENTS**

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

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
<b>Land and buildings</b>		
Operating leases which expire:		
- less than one year	337	43
- between one and five years	581	664
	<u>918</u>	<u>707</u>
	<b>£'000</b>	<b>£'000</b>
<b>Other</b>		
Operating leases which expire:		
- between one and five years	<u>53</u>	<u>53</u>

**25. CONTINGENT LIABILITIES**

A cross-guarantee exists between the Group companies in respect of bank facilities totalling £14,510,000 (2013: £5,921,000). There was no liability at either year-end.

**26. CASH AT BANK AND IN HAND**

Cash at bank and in hand of £15,615,000 (2013: £12,098,000) 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, £6,616,000 (2013: £4,764,000) represents funds restricted in use by the relevant commercial terms of certain trading contracts.

**27. 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.