TRIBAL

2015

ANNUAL REPORT
AND ACCOUNTS

Summary

We provide software and services that support the effective management of universities, colleges and schools. We work with these institutions, and support their managers, administrators and senior academic staff, to enhance the quality of education and experience they offer their students.

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Highlights

Tribal has become an international specialist in software and services for managing education. In the three years to 2014, Tribal won a number of large international software contracts, bringing growth and healthy financial performance. However, 2015 has presented the Group with significant challenges to which a decisive response is now in hand.

Financial performance

- Challenging year, with slower new business momentum and scope changes on major customer contracts
- Revenue reduced as a result by 14% although recurring software revenues increased by 23% primarily as a result of the Callista acquisition
- Adjusted operating profit reduced by 80% to £2.9m (and adjusted EBITDA fell from £19.7m to £8.2m) in a difficult trading environment
- Statutory loss before tax of £47.3m driven by impairment charges on goodwill (£38.8m) and capitalised product development expenditure (£8.0m)
- Weaker operating cash flow associated with operational challenges led to increased debt levels
- Rights Issue and disposal of Synergy proposed to reduce debt and strengthen balance sheet

Higher Education

- Established leading position in Australian university market through acquisition of Callista; Tribal now provides the student management system of c35% of Australian and New Zealand universities
- Massey University, the largest university in New Zealand, selected SITS system, as did Hull University in the UK
- Secured first customer in the Malaysian university market, and second university customer in southern Africa
- Secured contract to partner JISC, the UK's leading champion of digital services to Higher Education and Skills, to deploy Student Insight analytics for up to 15 universities
- Transformation and Change service, enabling existing customers to optimise their use of our installed software, gathered momentum

TRIBAL

Vocational Learning

- Tribal Campus cloud-hosted student management system continued to develop
  - Continued successful roll-out of global cloud-based student management system for British Council
  - New customers in existing and new geographic markets
- Specialist Learning Solutions business in UK closed due to reductions in Government funding for colleges
- SALM college programme on track

Schools / K-12

- Extended multi-year schools quality assurance contract in the US with New York State Education Department
- Ofsted schools inspection contract ended, but Early Years contract extended to March 2017 and progressing well
- Agreed to commence broad roll-out of SALM schools system to remaining c2,000 schools in New South Wales, Australia in 2016
- Extended multi-year contract in the Middle East with Abu Dhabi Education Council for schools quality assurance

Chairman's statement

I joined the Board of Tribal Group as Chairman late in the year. My task for this report is one of looking towards the opportunities and challenges facing the Group, as much as reflecting on events and performance throughout 2015.

Richard Last
Chairman

I joined the Board of Tribal as Chairman and non-executive director late in the financial year, on 17 November 2015. My task for this report is therefore to look towards the opportunities and challenges facing the Group, as much as reflecting on events and performance throughout 2015.

As for grasping the opportunities, those who know me will, I hope, recognise that I bring extensive public company board experience, particularly in the technology and communications sectors, and in the small cap markets. I aim to use that experience to create value for Tribal shareholders, and look forward to working with the Board and the executive team to do so.

As a leading international provider of student management systems to universities, colleges and schools in the UK, Australia and elsewhere in the world, Tribal has been successful in winning and delivering substantial software and services contracts in recent years. We serve a strong installed customer base, including some of the world's leading universities, colleges and schools, from which we generate good recurring annual support revenues. However, despite being appointed preferred bidder with several important new customers, during 2015 we were adversely affected in two key areas – slower sales momentum and significant changes to timelines on certain key customer contracts. Impacts included increased delivery costs and revenue deferrals in 2016.

Additionally, with Keith Evans retiring from his position as Chief Executive in May 2015, the absence of a permanent Chief Executive for the remainder of 2015 caused uncertainty within the Group's customer base and employees. This, together with a weakening in some of our markets, affected sales performance in the second half.

As a result, 2015 has been a disappointing year. Our adjusted operating profit was significantly below the Board's earlier expectations, and our borrowings increased as operating cash flow was held back.

Looking to the future

Clearly, firm remedial action is needed. The search for a permanent Chief Executive has been underway since May 2015. As announced on 17 February 2016, Ian Bowles joined Tribal, and became Chief Executive on 1 March 2016. As the former Chief Executive of Allocate Software Plc, Ian brings a strong track record of growing and developing a software business with an international customer base.

Rob Garner, previously Managing Director of Tribal's software business, assumed the role of Interim Chief Executive on 1 July 2015. He has performed an admirable task during a difficult period. I would like to thank Rob for his commitment and support during this time.

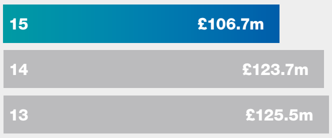
Ian Bowles will need time to fully evaluate our capabilities and markets, and to develop a strategic plan that reflects our ambitions for the business. Whilst Ian will develop a plan in the coming months, at this stage I expect our future strategy broadly to build on existing strategic themes.

Find out more

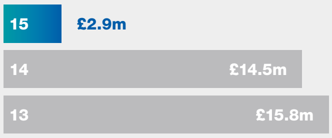
Understand more about the key performance indicators we use to track our progress 14

Read more about our financial performance in 2015 34

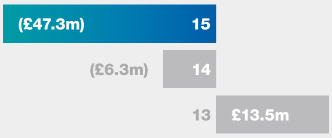
Revenue £106.7m



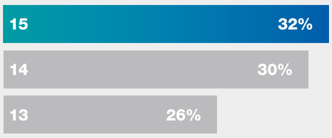
Adjusted operating profit[1] £2.9m



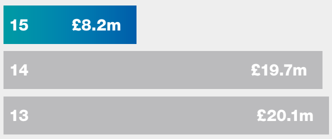
Statutory operating profit/(loss) (£47.3m)



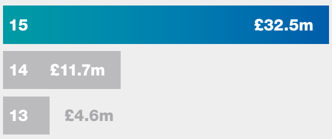
International revenue 32%



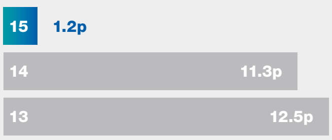
Adjusted EBITDA[2] £8.2m



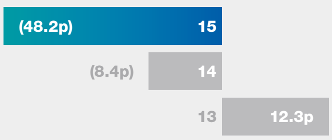
Net debt £32.5m



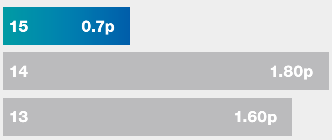
Adjusted eps[3] 1.2p



Statutory eps (48.2p)



Dividend per share 0.7p



[1] Adjusted operating profit is in respect of continuing operations and is stated excluding "other items" charge of £48.1m (2014: charge of £1.5m)

[2] Adjusted EBITDA is in respect of continuing operations and is stated excluding "other items" credit of £0.4m (2014: charge of £1.5m)

[3] Adjusted earnings per share is in respect of continuing operations, excluding "other items" charge of £49.1m (2014: £19.7m), and related tax credit of £2.6m (2014: tax credits of £1.3m)

Chairman's statement continued

As we have previously set out, we expect to continue to extend the capabilities of our software and services portfolio, meet customers' growing aspirations to deploy cloud-based platforms and their increasing interest in adopting software-as-a service, and working towards an increasingly predictable and sustainable recurring subscription revenue model.

To provide financial stability to take our business forward, in December 2015, the Board proposed a Rights Issue in the first quarter of 2016, subject to shareholder approval. On 29 February 2016, we announced that we had agreed to sell our Synergy children's services management information system business to Servelec Group plc for £20.25m, subject to shareholder approval. We will use the proceeds from the Rights Issue of £21m and from the proposed sale of Synergy to reduce net debt.

2015 has been very challenging, but I look to the future with confidence. We have market-leading products, a very strong customer base, and are now moving forward with plans to streamline and simplify our operational structure and to re-build momentum.

We see attractive opportunities in existing markets. Institutions across the world continue to look for ways to improve their educational impact and operating efficiency. Increasing and more effective use of fast-developing technologies provides a solution to these problems.

Cloud computing is progressively being adopted across education to reduce the total cost of ownership of technology. The use of education analytics is growing as institutions strive to improve student recruitment and retention. Institutions are extending their technology platforms to enable better student engagement, more flexible education delivery, and curricula which respond to students' needs.

We see strong potential opportunities in our international markets. At present Tribal has a market-leading position in the UK, Australia and New Zealand, which account for only a small percentage of global higher education enrolment. So we have considerable further opportunity; in this light during the year we won significant new customers in Southern Africa and Malaysia and we continue to build on our presence in North America and the Middle East.

Proposed admission to AIM

Following completion of the Rights Issue, the Board proposes to cancel the listing of Tribal's ordinary shares on the Official List and their admission to trading on the Main Market, and to apply for admission to the Alternative Investment Market (AIM). The Board believes that AIM is a more appropriate market on which to develop the company, bringing the benefit of lower costs, and administration and regulatory requirements more appropriate to a company of our size.

Dividends

The Board continues to believe that paying dividends is important. It has pursued a progressive dividend policy in recent years, and it is our intention to continue this policy in the future once financial performance justifies payment of a dividend. However, as a result of trading performance during the year, the Board is recommending no final dividend for 2015. An interim dividend of 0.7p per share was declared and paid earlier in the year.

Board changes

Regarding changes to the Board, as mentioned earlier, Keith Evans informed the Board in May 2015 of his intention to retire and step down from his role as Chief Executive, and from the Board. The change became effective at the end of June.

Towards the end of the year, John Ormerod also decided to stand down, having served as Chairman for over five years. He remained on the Board as a non-executive director until the end of 2015. Katherine Innes Ker, having served as non-executive director of the company for seven years, also decided to stand down from the Board, and Robin Crewe stepped down after three years on the Board. I join the Board in thanking John, Katherine and Robin for their contributions, and wish them well in the future.

Duncan Lewis was appointed to the Board as a non-executive director in June 2015. He brings extensive non-executive director experience, with similar current roles at a number of leading companies, as well as previous executive experience. Roger McDowell was appointed to the Board in November as a non-executive director, Senior Independent Director and Chairman of the Remuneration Committee. He brings a wealth of experience as a highly successful entrepreneur, with a strong record of creating shareholder value and serving on the boards of public companies.

On 9 March, it was announced that Steve Breach had informed the Board that it was his intention to stand down as Group Finance Director and leave the Group to pursue other interests. Since his appointment in January 2010, Steve has helped take the Group through a period of intense change. The Board would like to thank Steve for his contribution to Tribal and wish him well for the future. The process to appoint his successor has already commenced.

I would also like to thank all our employees for their continued hard work, commitment and support during this challenging period. I am acutely aware of the uncertainties that come with a change of leadership, but Tribal Group is still a great place to work and develop a career.

Outlook and current trading

We expect the wider market backdrop for education management systems and services to be stable in 2016.

While the timing of order completions and the achievement of major customer contract milestones remains difficult to predict, we are well positioned to participate in continuing international demand for student management systems and upgrades. We have secured a number of software and service contract wins in the early part of the current year, including a significant system upgrade programme with the University of Bristol. Discussions in relation to the TAFE Queensland contract are ongoing and it is uncertain as to whether any amounts will be received in respect of past or future work. No revenues or cash receipts have been assumed to be received by the Group in its forecasts.

During this year we will focus on reducing our cost base and improving operating efficiency. While delivering long term benefits for the Group, actions to change our cost base are likely to result in restructuring costs during the year.

Given the factors described above, and after allowing for the effects of the disposal of Synergy, we now expect improvement in our underlying profitability during the current year and we expect our overall results for this year to be weighted strongly towards the second half of the year.

Richard Last
Chairman

What we do and where we work

We enable efficient administration and operation of universities, colleges and schools. Our work is focused on a core business system at the heart of these institutions, the student management system.

What we do

We provide a range of student management systems tailored to different segments of the education world.

Alongside our systems, we offer services which enable managers to enhance the quality of the education their institutions provide, and to improve their operational performance. These include student experience analytics, operational benchmarking and analytics, transformation and change advisory services, and specialist support services to enhance the delivery of education.

For government agencies that fund education, we provide independent quality assurance services to evaluate the activities and outcomes achieved by institutions.

Where we work

Our development and support teams are based mainly in England and Australia, complemented by a development centre in Manila, Philippines.

Our implementation consultants and service delivery teams operate internationally, principally across the UK, Australia and New Zealand, but are also based in North America, Southern Africa and South East Asia.

The student journey

Our software and services which support universities, colleges and schools

Find out more

Read about the trends in our markets to which our software and services respond 08

Find out how we work to create value for our customers and shareholders 10

Matching students to the right institutions and courses

Curriculum planning, delivering complex education packages

Enhancing student experience and well-being

Tracking and predicting academic progress

Supporting the step from education into employment

Managing the successful student journey

Student information management

Performance improvement tools and services

Student Management Systems

- Student recruitment and enrolment management
- Curriculum planning and resource utilisation
- Academic and non-academic record management
- Student well-being and support
- Graduation and alumni relationship management

Professional Services and Analytics

- Implementation of student management systems
- Best practice business processes
- Analytics and benchmarking
- Predictive analytics and intervention planning

Quality Assurance

- Evidence-based quality assurance methodologies
- Planned and turn-around inspection reviews
- Improvement programmes

Market overview

The higher education and vocational learning markets are changing rapidly. Student numbers continue to grow – especially in developing economies where there is an increasing need and demand for skills and knowledge, coupled with a growing population. Spending on education remains a key priority around the world, and governments' expectations continue to increase accordingly, while the introduction of student fees has turned students and their parents into discerning consumers.

Predictions for the higher education and vocational learning market over the next ten years point to three defining features, particularly in our existing geographic markets.

Funding

Fiscal pressure is leading to decreasing levels of funding, and the rise of student debt. Financial constraints also result in longer decision-making cycles in our markets. Education managers need to find a way to reduce costs and operate efficiently, to balance these financial constraints against increasing expectations. It also means they increasingly focus only on economically viable activities, and must have a clear view of their organisations' performance across a range of measures. The needs of education managers are becoming similar to those managers of commercial enterprises.

Student recruitment

In an increasingly competitive and globalised market, optimising student recruitment and retention is key to institutions' financial well-being. This will mean streamlining the admissions process and using effective multi-channel marketing and recruitment tools, including student satisfaction as a marketing message. It will mean focusing on the right candidates at an early stage, matching students to the right institutions and courses, and removing barriers for applicants.

Delivery models

Technology presents new teaching and learning methods which can be deployed across multiple media, bringing about an increase in distance learning and the creation of the virtual campus. Students can have far more choice in the components that make up a qualification, and institutions can collaborate to build courses which span education sectors or cross borders.

Thus, education packages and curriculum planning are becoming far more complex. Institutions must also demonstrate continual improvement, not only in their offer, but also in educational outcomes.

These trends cause institutions to look for ways to reduce their total cost of ownership, extend the functional reach of systems and to exploit insights through analytic tools.

Find out more

Understand how our strategic direction relates to trends in our markets 12

How these trends affect our markets

Reducing total cost of ownership

Institutions are looking for ways to reduce their total cost of ownership of technology, including a move towards using Cloud technology and Software-as-a-Service (SaaS). Increasing comfort with, and need for, Cloud-computing has begun to extend to the student management systems market, and Cloud-computing is increasingly being adopted across higher education and vocational learning in key Tribal target markets.

Extending Functionality

The functional map of student management systems continues to change. Education systems are far more than a way of recording data, or a workflow management tool which provides automation and rigour to the administration function. They have developed into systems that help engage with the customer (the student) throughout the entire student journey. The aim of a system now is to help enhance a student's well-being throughout the course, to enrich and broaden the experience beyond the academic curriculum, demonstrate value for money, and retain a student through to course completion. It will track academic progress, potentially across multiple institutions, interact seamlessly with different forms of learning – both physical and virtual – and support intervention to enhance the likelihood of success. At the end of a course, the system will support students' steps into employment, and support lifelong engagement with alumni.

Increasing use of analytics

Although academic performance data is available extensively across groupings of schools, colleges and universities, deep use of analytics on a day-to-day basis is relatively immature compared to sectors such as healthcare and retail. However, the benefits of analytics in education are potentially significant, and analytics activity is growing. The link to student recruitment and retention is clear – in 2012, many US higher education institutions carried out systematic analysis to predict outcomes or to support intervention strategies. Around 70% applied these tools in admissions and enrolments, and around 50% brought these techniques to bear on student progress and student learning.

How we work – our business model

Building strong capabilities

Over time, we have developed a deep understanding of the education world. Through a strong combination of education management knowledge built upon extensive long-standing customer relationships and technology know-how, we have built a portfolio of market-leading education management systems.

This proven and trusted technology is critical to educational institutions, and its rich functionality addresses multiple needs.

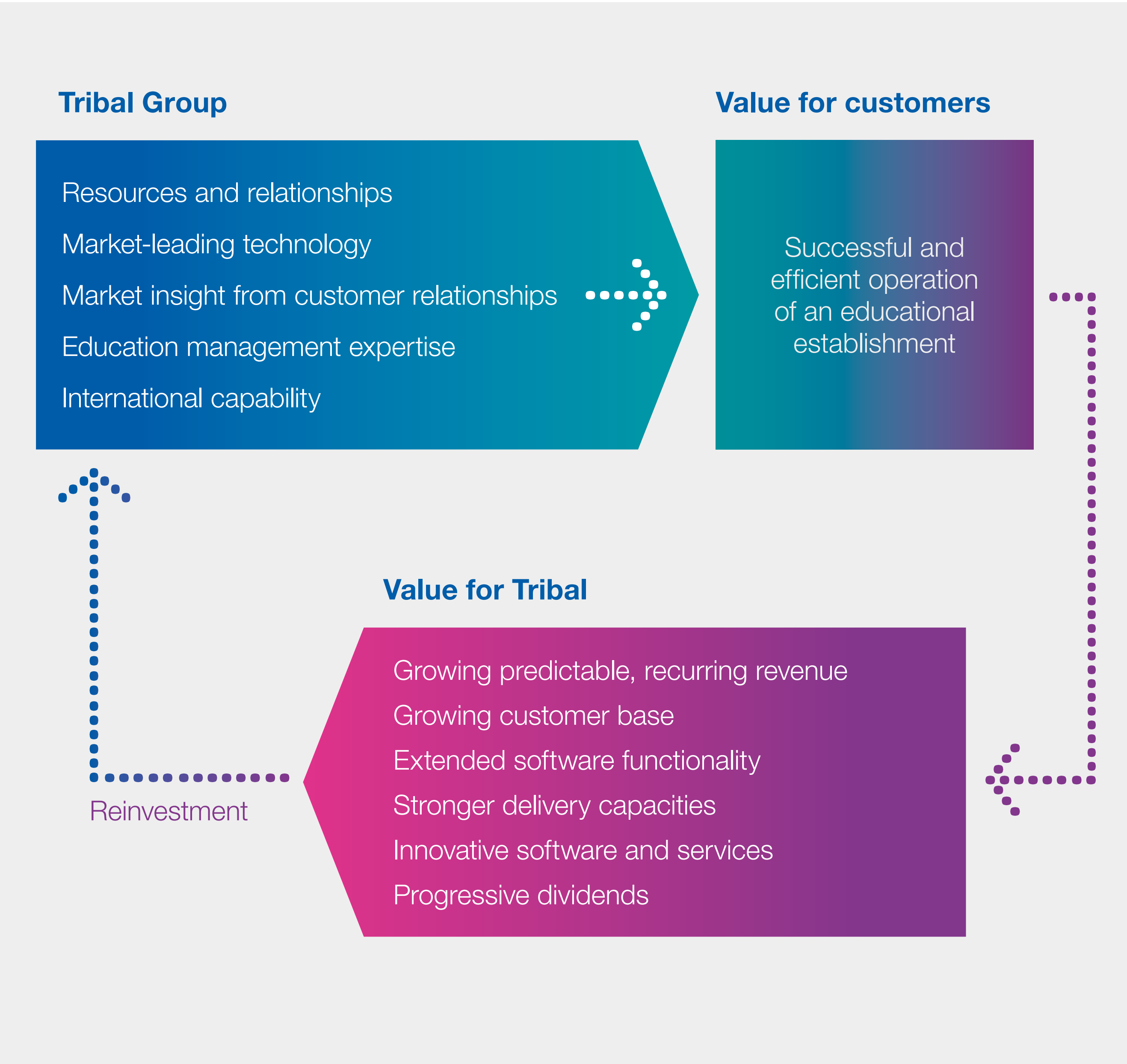
Value for our customers

Our software, tools and services help universities, colleges and schools operate smoothly and seamlessly. They help our customers engage with their students throughout the entire journey from applicant to alumnus.

We help educational institutions meet funders', parents' and students' expectations relating to teaching and resources, student performance, student well-being, academic progression, transition into employment, and general administration and communication.

Value for Tribal

Software-based activities generate good recurring maintenance income and cash flow to enable investment in continual enhancement of our software's functionality and our service offerings.



Case Study

Delivering in the Cloud

Tribal's software portfolio increasingly offers our customers the choice to deploy on-premise or in the Cloud, and to purchase a perpetual licence or to adopt a software-as-a-service payment model. Many of our customers have deployed our software 'on-premise', but we are involved in some of the largest Cloud deployments of student management systems in the world.

BRITISH COUNCIL

Private cloud

- 100 training centres around the world
- 60 languages
- Single instance of our software

NSW GOVERNMENT | Education

Private cloud

- 138 TAFE colleges
- 2,200 schools
- Deployment across New South Wales
- Single instance of our software

Our strategy

Tribal benefits from competitive advantage through its market-leading installed customer base, its broad software and services portfolio, its long-standing customer relationships and its international delivery capabilities. Our strategy combines these attributes and brings them into focus to address key market needs.

Our customers' requirements

Lower cost of ownership

- Enabling Cloud hosting and Software-as-a-Service (SaaS)
- Automating business processes and streamlining customers' back-offices

Better functionality

- Helping to engage with students throughout the entire educational journey
- Tracking academic progress, interacting with different forms of learning and promoting interventions
- Supporting students into employment, and engaging with alumni

Using analytics

- Deep use of analytics supporting operational efficiency and student recruitment
- Predictive analytics enhancing student performance, well-being and retention

Our shareholders' returns

Internal efficiency drivers

- Enhanced local accountability in our international locations
- More efficient deployment of software development resource across our product portfolio
- Simplified organisational structure and streamlined overheads across the business

Find out more

Review the trends in our markets which influence our strategy 08
Understand how we define our KPIs 14

Our key strategic themes

Extension of our portfolio

We will continue to enhance and extend our student management system portfolio and to enhance our capabilities to deploy our software in the Cloud.

We will also continue to offer flexibility so customers can benefit from the breadth of our software portfolio. Through our Transformation and Change services we will help long-standing customers refresh the way they benefit from our software to derive optimal value from their investment with us.

Analytics integrated with our student management systems

Student management systems, and the other systems they interact with, hold valuable information that education managers can use to inform high quality decision-making.

Our software-based analytics offering, Student Insight, is increasingly linked to our student management systems. We will continue to develop our analytics capability and its integration with our student management system portfolio.

Growing recurring and subscription-based revenues

We will continue to offer customers choices to best suit their needs. Our software will be available either through a licence, implementation and maintenance model, or through Software-as-a-Service. Over time we aim to increase our subscription and other recurring revenue streams, improving predictability of revenue and helping customers benefit from more flexible charging structures.

Focused regional investment

We have a substantial business in the UK, and have grown rapidly in Australia and New Zealand. Elsewhere, we have established good initial customer relationships in North America, the Middle East and South East Asia.

We will consolidate our international presence to ensure critical mass in our key markets. We will explore a partner strategy for potential future development in the US.

Cost reduction and simplicity

We will streamline our cost base and reform it with greater flexibility.

We will bring simplified accountability for operational and financial performance, closer to our customers and operations in each key region.

Key performance indicators

Through our key performance indicators (KPIs), we track our progress towards our key strategic and operational goals. As a result of difficult circumstances in 2015, we fell well short of our targets. The Group's financial performance weakened significantly, resulting in reduced profitability, lower operating cash flow and increased net debt. Our indicators currently focus on the following goals:

Software – student management systems are at the heart of our strategy, and we aim to increase our software-related revenues, and the extent to which they are recurring in nature.

Financial measures

How we define our Financial KPIs

Adjusted operating margin – adjusted operating profit, divided by adjusted revenue

Adjusted earnings per share – earnings per share calculated using adjusted profit measures

Cash conversion – net cash from operating activities before tax from continuing operations less capital expenditure, as a proportion of adjusted operating profit

Software and analytics-related revenues – percentage of total revenue generated from software and analytics-related activities

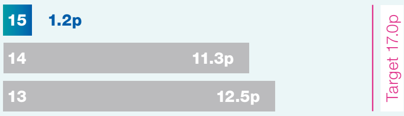
Recurring software revenue – percentage of total revenue which is recurring software-related revenue

Internationalisation – the proportion of revenue arising outside the UK

Product development investment – capitalised software development costs divided by revenue arising from student management system-related activities

Adjusted profit measures are further defined on page 3

Adjusted earnings per share



Target

- 50% increase over the period to 2017, which is 17.0p

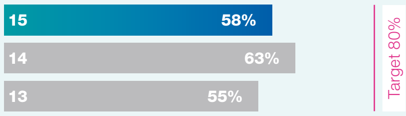
Achievement

- 1.2p in 2015, impacted by challenges during the year

Outlook

Tribal is focussed on recovery after a difficult 2015. Following the disposal of Synergy and the Rights Issue, earnings per share growth will require actions to address cost base and rebuild sales momentum to take effect

Software and analytics-related revenues



Target

- 80% of total revenues by 2017

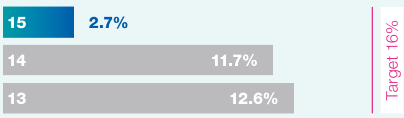
Achievement

- 58% in 2015, lower than prior year, due to difficulties in our operating activities

Outlook

We expect a focus on our main proposition of student management systems to make software and analytics revenues an increased proportion of total revenues

Adjusted operating margin



Target

- 16% adjusted operating margin by 2017

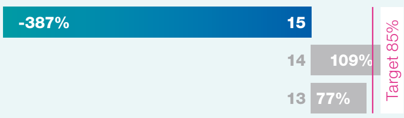
Achievement

- 3% in 2015, with process held back by slower pipeline conversion

Outlook

As with adjusted earnings per share, actions to strengthen the balance sheet and subsequent cost base adjustments need to be delivered in order to support margin growth

Cash conversion



Target

- At least 85% cash conversion

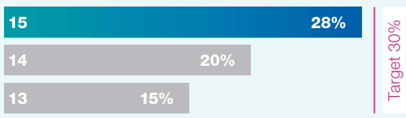
Achievement

- (387)% in 2015, reflecting the phasing of receipts on major programmes and the unwind of advantageous working capital positions on certain contracts at the start of the year

Outlook

Cash conversion should improve as cash flows on longer contracts return to normal, and as the over-hang of the opening position in 2015 no longer affects performance

Recurring software revenues



Target

- 30% of total revenues by 2017

Achievement

- 28% in 2015, increasing with the acquisition of Callista

Outlook

Continued growth of our installed customer base should support growth of recurring revenues in the near term

Find out more

Read more about the strategic plans to which our targets relate 12

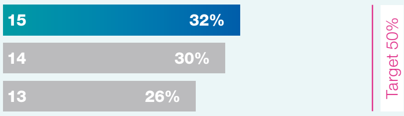
Performance improvement tools – we aim to ensure an increasing proportion of our software customers benefit from integrating these tools and services with our student management systems.

Geography – we wish to develop critical mass and a solid operating structure in each of our key regional markets.

Financial – we aim to increase our operating efficiency, enhance our profit margins and generate strong cash flow for reinvestment.

Resources – retaining talented people is essential to our success.

Internationalisation



Target

- At least 50% of total revenues to be generated outside the UK

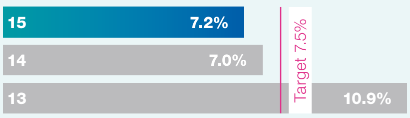
Achievement

- 32% in 2015, with the acquisition of Callista being completed in Australia in the year

Outlook

We continue to see good opportunities to grow our international customer base

Capitalised product development expenditure



Target

- Capitalised product development expenditure at least 7.5% of student management systems-related revenues each year

Achievement

- 7.2% in 2015, complemented by investment in products through acquired business

Outlook

We will continue to enhance and extend our products. However, whilst we expect to continue to invest strongly, we now anticipate lower levels of capitalisation of these costs. As a result, this KPI may be amended in the near term

Non-Financial measures

How we define our Non-Financial KPIs

Integrated software and improvement offering – the percentage of our software customers who also use our performance improvement tools

Staff retention – the proportion of our workforce which has remained with us throughout the year

Staff retention

Target

- Retention rates of at least 85% based on voluntary staff turnover each year

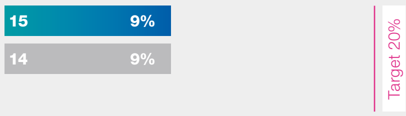
Achievement

- 86% in 2015, maintaining our existing good retention levels

Outlook

We aim to provide attractive career opportunities and to invest in individuals with high potential, to produce strong retention rates

Integrated software and improvement tools



Target

- 20% of software customers also using our performance improvement tools and services by 2017

Achievement

- 9% in 2015, reflecting significant scope to grow our software customers' use of these tools

Outlook

With increasing focus on integrating our software and performance improvement propositions, we anticipate wider interest from customers over the medium-term

Business review

Tribal is transforming into a specialist provider of software and services for education management. However, 2015 was a difficult year and decisive action is in hand to strengthen our financial position, clarify leadership and direction, and to restore momentum.

Rob Garner
Interim Chief Executive Officer

In the three years leading up to 2015, Tribal transformed from a service-based business working for the UK public sector, into a specialist international provider of software and services for managing education. Large software contract wins have previously brought good revenue visibility, and healthy financial performance. However, the year ended 31 December 2015 has presented the Group with significant challenges to which a decisive response is required.

2015 in summary

Tribal continued to grow its customer base during 2015. New customers included Massey University – the largest university in New Zealand, University of Technology Petronas in Malaysia, Hull University in the UK and an important framework contract with JISC (the UK higher education and vocational learning not-for-profit body which supports better use of technology in education) to enable the deployment of our Student Insight analytics tool across up to 15 universities in the UK.

Our presence in the Australian university market also extended significantly with the acquisition of Callista, a leading provider of student management systems, serving approximately 25% of Australian universities. Callista is the third acquisition completed by Tribal in the last two years. In 2014, the Group acquired Sky Software (now re-named Tribal Campus) which brought a new Cloud-ready, multi-tenant student management software into the Group's portfolio, and Human Edge, which established our position as a leading provider of schools student management systems in Australia.

However, during 2015, progress has been adversely affected in a number of operational areas, compounded by events arising during a difficult period associated with changes in leadership. These include the retirement of the Group's former Chief Executive, Keith Evans, in May 2015, the extended search for his permanent successor, and further changes including the appointment of a new chairman in November 2015. These changes have caused uncertainty within the Group's customer base and employees, which has adversely affected customer confidence as well as strategic clarity within the business.

The Group has been engaged in delivering complex, state-wide student management systems in Australia for the New South Wales, Queensland and Tasmanian governments. During 2015, programme timelines on these major contracts were extended, resulting in the deferral of revenue, higher project delivery costs and delayed cash receipts. The scale of these programmes had previously contributed to strong profitability, but has more recently absorbed significant resources and senior management time, distracting from other development efforts within the Group.

During the course of 2015, the Group also experienced loss of momentum in certain parts of its sales activities. The impact of this began to be felt particularly strongly in the second half of the year, with unexpected losses of new customer bids where previously win rates had been high. It became increasingly evident that prospective customers were exploring alternative software deployment models, with more consideration being given to Cloud-hosting and Software-as-a-Service models. In addition, Tribal's customer base typically uses public tendering methods to procure new student management information systems and performance improvement services. These processes often extend over a relatively long period of time, and timing and potential success can be difficult to predict. Tender requirements also increasingly demonstrated a more cautious approach to commitment by customers, affecting the timing of software licence revenue recognition and cash receipt profiles.

The expectations of universities, colleges and schools continue to evolve, and this has attracted the interest of new competitors, particularly in the university market. This has introduced new uncertainties into competitive procurement processes, extending procurement timelines as universities explore alternative options, and creating increased competitive pressure.

During 2014, Ofsted confirmed it would not be renewing one of its contracts (for the inspection of schools and colleges in the UK). In addition, we closed our Specialist Learning Solutions business as a result of changes in its market; it provided services to Further Education colleges, which have experienced significant government funding uncertainty and cuts.

As a result of these difficult circumstances, we fell well short of our targets in 2015. The Group's financial performance weakened significantly, resulting in reduced profitability, lower operating cashflow and increased net debt.

Geographic development

Revenues generated in Tribal's key geographic markets were as follows:

	Revenue (£'000s)	
	2015	2014
UK	72,350	86,599
Asia Pacific	23,699	25,972
North America and Rest of World	10,676	11,132
	106,725	123,703

Tribal's operations in the UK have reduced in scale as part of its contracted work for Ofsted expired in the period, and as the Specialist Learning Solutions business was closed. In Australia, although revenues arising from the large SALM contract reduced, the acquisition of Callista resulted in incremental revenues of £6.3m.

Consistent with the increasing scale of activities in Australia, the workforce in Australia has grown during 2015, although as UK service activities have been scaled back, headcount has adjusted accordingly.

	Headcount as at 31 December	
	2015	2014
UK	996	1,156
Asia Pacific	309	196
North America and Rest of World	18	24
	1,323	1,376

Product and service development

We have continued to enhance our product and service portfolio during 2015. We are focused on delivering to our product roadmaps, which address the priorities identified by our customer user groups across our markets. Our analytics offering is gaining momentum, and by combining offerings in analytics and case management, we are able to create a unique solution to support education managers as they seek to assist students through their time within a school, college or university.

In 2015, we have enhanced our Cloud capabilities. Alongside our Tribal Campus and ebs products which are already well represented in the Cloud, the shift of our SITS product into the Cloud is a response to changing university customer expectations. As we move forwards, we will also simplify our offerings, and bundle functionality to create more compelling customer solutions. Increasing integration between our products will support existing and future customers ability to migrate across our products and therefore to upgrade as their needs develop.

Strategy

Tribal's current strategy was established in early 2015, prior to the resignation of the former Chief Executive. Following the recent appointment of Ian Bowles as Chief Executive, a further focussed review will be undertaken. However, the following themes, as described on pages 12 and 13, are expected to continue to feature:

- Continued extension and enhancement of the core product portfolio
- Embedding rich analytics functionality within Tribal's student management systems
- Growing recurring and subscription-based revenues
- Focused regional investment
- Cost reduction, efficiency and clear accountability

The new Chief Executive's review of the business is expected to be completed in the coming months.

Business review continued

Divisional performance

The Group operates as four divisions, aligned to the functional elements of the business. Tribal's software-related activities sit within the following divisions:

- Product Development and Customer Services (PD & CS)
- Implementation Services (IS).

The Group's services related activities are contained within the following divisions:

- Professional and Business Solutions (PBS); and
- Quality Assurance Solutions (QAS).

Revenue and adjusted operating profit by division

	Revenue (£'000s)		Adjusted Operating Profit (£000s)	
	2015	2014	2015	2014
Product development and customer services	46,131	49,675	2,023	11,192
Implementation services	16,910	19,495	1,140	2,871
Professional and business solutions	13,771	20,377	229	515
Quality assurance solutions	30,482	34,621	2,900	4,039
Inter-division eliminations	(569)	(465)	–	–
Unallocated corporate expenses	–	–	(3,408)	(4,108)
	106,725	123,703	2,884	14,509

Staff employed by Tribal by division

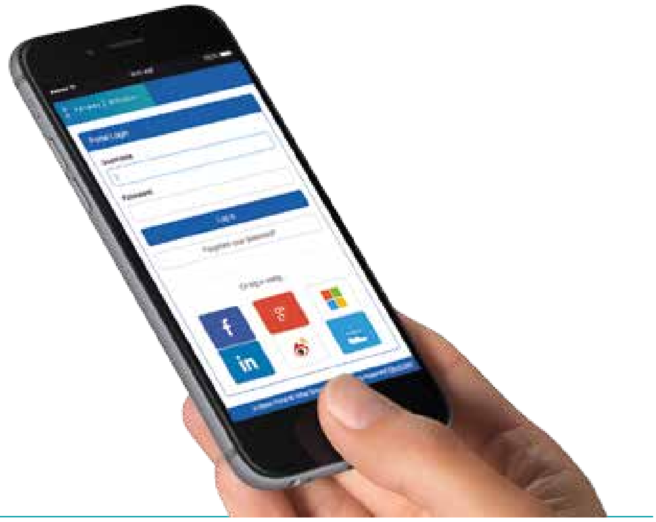
	Headcount as at 31 December	
	2015	2014
Product development and customer services	608	523
Implementation services	158	160
Professional and business solutions	95	188
Quality assurance solutions	230	277
Group / central services	232	228
	1,323	1,376

Divisional review

Product Development and Customer Services

	Year ended 31 December (£000s)	
	2015	2014
Licence and development fees	14,203	21,820
Maintenance fees	30,296	24,542
Other	1,632	3,313
Revenue	46,131	49,675
Of which:		
UK	58%	60%
International	42%	40%
	100%	100%
Adjusted segment operating profit	2,023	11,192
Adjusted operating profit margin	4%	23%
Capitalised product development expenditure	4,083	4,837

The PD & CS division delivers software and related software support. Its work includes the enhancement and development of existing and new software products. The principal revenues generated in this division are either software licences or recurring maintenance and support revenues associated with the installed software customer base.



In 2015, the discussions with regards to contract scope on both the SALM and TAFE Queensland programmes has materially reduced software revenues arising. At the same time, although we have secured a number of new university customers, including Hull University, Massey University and University of Technology Petronas, the level of large new software licence revenues has reduced compared to 2014, and some of these revenues have not yet become recognisable due to the implementation profile of these contracts.

As a result of a review of the licensing arrangements of a number of our existing university customers, we agreed adjustments to licence fees totalling £1.3m (2014: £0.1m) relating to increases in the size of these universities' student populations. A significant portion of these adjustments relates to entitlements from prior years.

We generated 23% growth in maintenance revenues through uplifts in the maintenance base from new customer wins, and through the full year contribution of Human Edge and the contribution of Callista for part of the year, each of which brought well-established installed customer bases to the Group.

In the SALM project, our software is now operational across all 138 Technical and Further Education (TAFE) campuses in New South Wales, and is being introduced progressively across New South Wales' school network. In April 2015, we embarked on a major renegotiation and restructuring of the contract, which led to a considerable slowing down in activity. Day-to-day commercial and operational relationships moved away from centrally orientated contacts to new leaders more closely associated with the management of schools and colleges. We chose to keep our team of UK developers together – this team having spent three years working on SALM – and also our local SALM project implementation team. In doing so, we retained project know-how, and also the ability to quickly re-mobilise engagement with the SALM programme after the renegotiation.

Negotiations which we anticipated would take two months actually continued for six months, and we successfully concluded the contract renegotiation in early October 2015. During this process, the Group earned no significant revenue and received no new orders. Since October 2015, activity levels have recovered, but revenue was lower as new work orders associated with the programme had in some cases not been committed by 31 December 2015. Total revenues in this division relating to the SALM programme were £5.3m in 2015 (2014: £8.4m).

During late 2014, we entered into a contract to provide a cloud-based student management system to support all 48 TAFE college campuses in Queensland. Due to changes in the scope of the customer's programme, we incurred additional costs during 2015 and are working with the customer to finalise an amended scope of work. At 31 December 2015, the evolving scope of this project meant that we determined that it would be appropriate to defer revenues amounting to more than £2.0m and to provide against a further £0.4m of accrued income relating to our work on this project during the year.

Tribal's more recently acquired software businesses are included in this segment. We acquired Sky Software (now Tribal Campus) in March 2014, and Human Edge in June 2014. In 2015, revenues generated by Tribal Campus and Human Edge were £5.8m (2014: £5.7m).

We acquired Callista in March 2015. Revenues generated by Callista in FY15 since acquisition were £6.3m.

Divisional operating margins fell from 23% in 2014 to 4% in 2015, primarily as a result of reduced new customer wins and larger contract challenges, including those described above.

We have continued to invest in our products over the period, in line with development roadmaps. Total expenditure amounted to £5.7m (2014: £6.5m), including £4.1m (2014:£4.8m) of capitalised cost. In light of operational issues encountered in the second half of 2015 there was a deterioration in trading performance which has impacted our expected forecast cash flows in to the future. Additionally there have been changes to management and to the Board in the second half of the year with the new team reconsidering the strategy of the group and its future forecasts in conjunction with the assessment of the Group's future funding requirements. As a result, we have recorded impairment charges against certain capitalised development costs where forecast cash flows do not support the carrying value, or where there are decisions not to complete the development. Total impairment charges of £8.0m (2014: £2.6m) include £0.6m (2014: £0.1m) of costs incurred and capitalised in the year.

Business review continued

Implementation Services

	Year ended 31 December (£000s)	
	2015	2014
Revenue	**16,910**	19,495
Of which:		
UK	**54%**	45%
International	**46%**	55%
	100%	100%
Adjusted segment operating profit	**1,140**	2,871
Adjusted operating profit margin	**7%**	15%

The IS division delivers the technical implementation of our software products at customer sites, typically working alongside customer teams. Implementation projects vary in length, and may range from a small number of days, to more than two years for more complex projects. IS revenues are typically based on day-rate fees, although sometimes we operate under fixed fee contracts for defined implementation scopes.

Implementation services relating to the SALM programme fell significantly in 2015 to £1.8m (2014: £5.7m). Whilst implementation services revenues excluding SALM-related work grew from £13.8m to £15.1m in 2015, this was insufficient to offset reduced SALM activity. Operating margins were reduced during 2015 particularly as a result of the slowdown in revenues on the SALM and TAFE Queensland programmes.

Professional and Business Solutions

	Year ended 31 December (£000s)	
	2015	2014
Analytics	**4,865**	4,352
Careers advice and guidance	**808**	6,559
Other	**8,098**	9,466
Revenue	**13,771**	20,377
Of which:		
UK	**88%**	96%
International	**12%**	4%
	100%	100%
Adjusted segment operating profit	**229**	515
Adjusted operating profit margin	**2%**	3%

The PBS division provides a range of services for managers of universities, colleges and schools, so they are able to assess and enhance the quality of the education they provide, and improve their operational performance.

Services provided by this division include:

- Student experience analytics
- Operational benchmarking and analytics
- Transformation and change advisory services
- Information management services
- Specialist learning management solutions
- Specialist support services to enhance the provision of education and training.

This division's activities have focused on those skills and tools that closely relate to our student management systems. Increasingly, we integrate these activities with our software offerings.

We have reduced activity levels in areas which do not offer the potential to complement and enhance our student management systems. Tribal has now withdrawn from its work in careers advice and guidance for the National Offender Management Service as our contracts expired in 2014. Likewise, our Specialist Learning Solutions business, which generated revenue of £3.5m (2014: £4.1m) was closed in October 2015.

Quality Assurance Solutions

	Year ended 31 December (£000s)	
	2015	2014
Ofsted contract revenues	19,610	23,254
Other	10,872	11,367
Revenue	30,482	34,621
Of which:		
UK	80%	84%
International	20%	16%
	100%	100%
Adjusted segment operating profit	2,900	4,039
Adjusted operating profit margin	10%	12%

QAS 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, we provide these services under multi-year contracts, with fixed and variable pricing elements. We also provide 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.

Over time the scale of our activities has reduced as Ofsted is progressively bringing this work back inside Government. Total revenues relating to work on behalf of Ofsted in 2015 were £19.6m (2014: £23.2m). Our school inspection contract for Ofsted expired in August 2015, and contributed revenues in 2015 of £8.4m (2014: £13.6m). Our Early Years inspections contract for Ofsted brought revenues of £11.2m in 2015 (2014: £9.6m) and was extended up to March 2017, with effect from September 2015. Ofsted has now confirmed its intention to bring Early Years inspection activity back inside Government from April 2017.

Our complementary work in the US and Middle East has continued in line with expectations. In November 2015, our contract with the Abu Dhabi Education Council was renewed for two further years. In December 2015, our contract with the New York State Education Department was extended until July 2017.

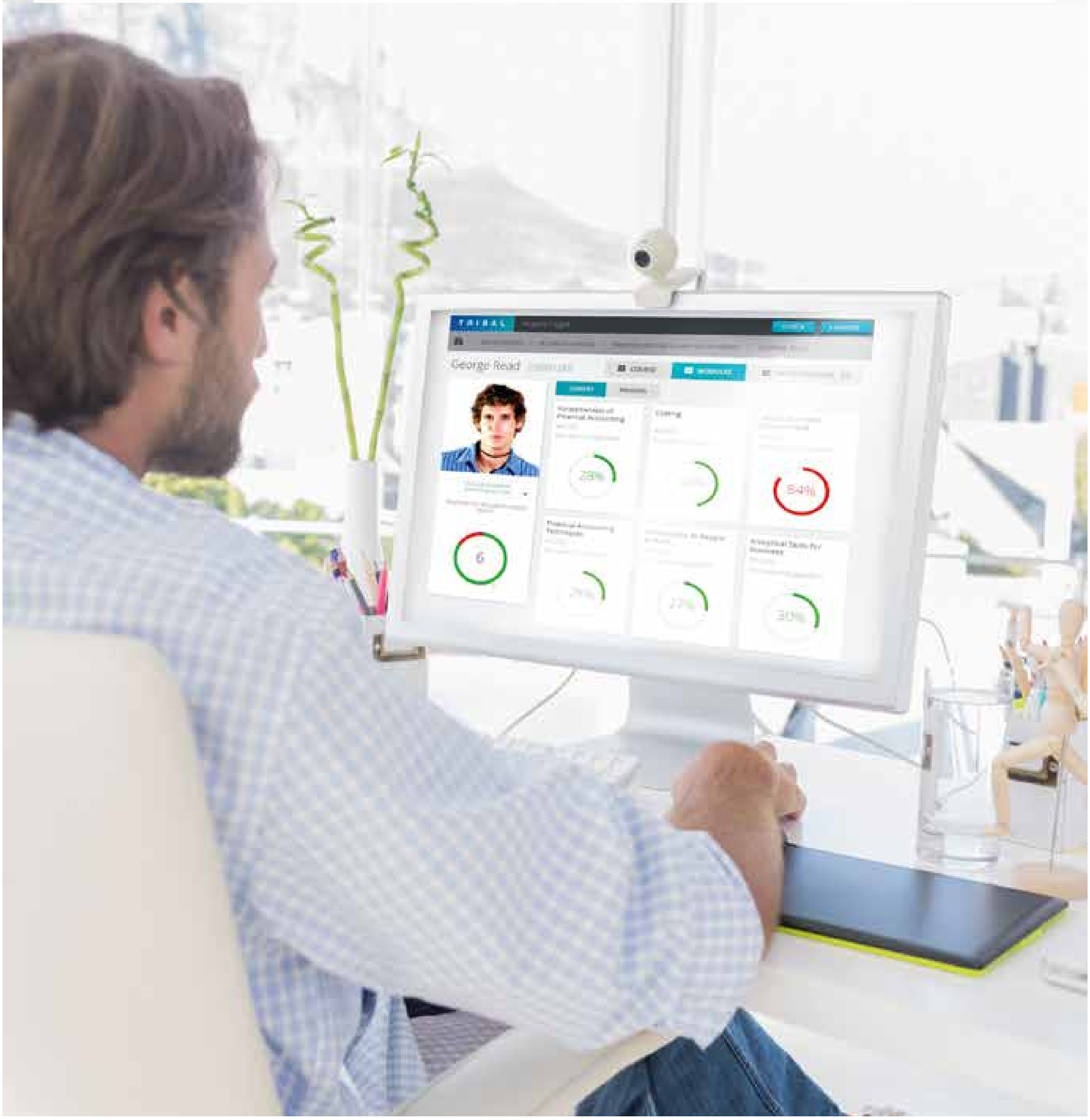
Case Study

Responding to changing market demand – data analytics

With the number of students dropping out of UK universities approaching 10%, student retention and satisfaction is a key focus for higher education. It plays a vital part in the ongoing financial success of educational institutions, and there is something that can help – data analytics.

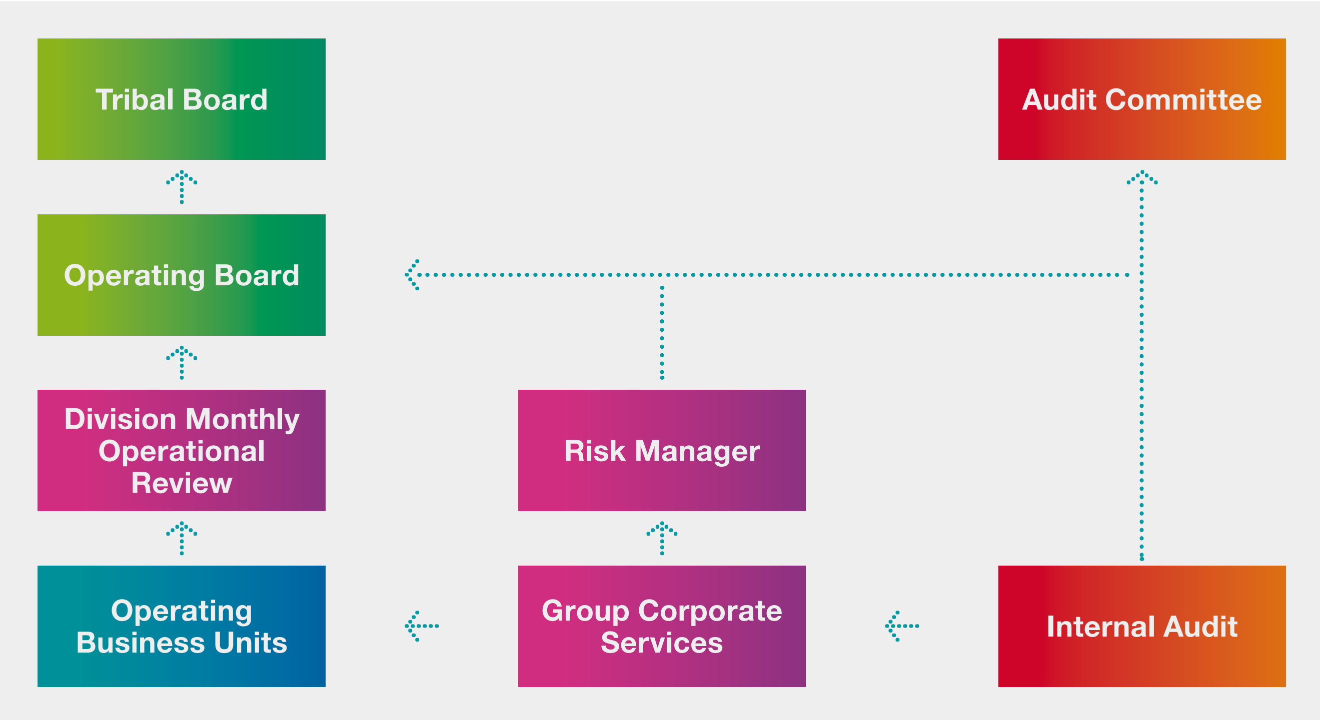
Analytics creates valuable material for higher education institutions, and has been shown to reduce drop out rates and improve the effectiveness of course delivery, learner support and student recruitment. It also provides a broader perspective on the positioning and performance of institutions. By using ‘big data’ you can identify the students that need help and make support more personal. It can also help nurture talent, push up attainment and improve their student experience.

The use of data analytics in education is fast reaching its prevalence in other industries. We have made a good start, winning contracts with up to 15 universities across the UK as a preferred supplier for the JISC framework. We have the capability and ambition to create further analytics products and services in the future and we are focusing our efforts in this new market area in 2016.



Principal risks and uncertainties

The Board is willing to accept exposure to a certain level of risk in the normal course of business, as we pursue our strategic goals. However, in light of the challenges of 2015, our risk appetite has reduced and we are continuing to enhance the Group's risk management culture.



First line of Defence

Each Business unit is responsible for the identification and assessment of risks, and operating appropriate mitigating controls

Creates stronger risk awareness and culture, and drives accountability and responsibility to the operational leadership

Second line of defence

Risk management and finance function challenge and monitor risk reporting and mitigation strategies

Active monitoring and joining up of risk assessment and mitigation across business units

Third line of defence

Audit committee and Internal Audit provide an objective check on the robustness of the risk management framework and internal controls

Independent assessment and assurance over risk management approach

Principal risks and uncertainties continued

Overall risk management

The risk management process is an integral part of the Board's role in:

- setting strategic direction, including objectives and targets
- determining the risk appetite of the business
- maintaining a clear procedure for authorisation
- reviewing and approving annual plans and budgets
- maintaining documented policies and procedures
- reviewing and monitoring performance in relation to risk through regular Board reports.

We have a number of clear objectives regarding risk management, which are to:

- identify, measure, control and report on any business risk that could undermine the achievement of Tribal's objectives, both strategically and operationally, through appropriate analysis and assessment criteria
- better allocate effort and resources for the management of key and emerging risks
- improve the business and improve intelligence for making key decisions
- support and develop our reputation as a well governed and trusted organisation
- reduce costs and improve efficiency in our combined governance, risk and assurance investment.

Our risk appetite

The Board is responsible for determining the appropriate level of risk appetite for the Group. Our tolerance of a certain level of risk is essential to achieving our ambitions for Tribal. As we have sought to grow in new regional markets, to maintain an attractive offer for our customers, and to undertake significant programmes with them, we have exposed ourselves to increased financial and operational risk. Our appetite for risk in this respect is now reduced, as we seek to bring greater stability to our financial position, and as we focus on streamlining our operational activities. We continue to have minimal tolerance for risks that affect the health and safety of our people, our ability to comply with legal and regulatory requirements, and matters that may affect our reputation as a business which sets high standards.

Robust risk assessment

Our risk management approach is designed to identify risks to the business using both a bottom up and a top down approach.

The impact and likelihood of risks are assessed before and after mitigations, in order that the business can identify those risks which are highly dependent on internal mitigating controls. Our risk assessments consider strategic, market, operational, financial and legal/compliance risk.

The Board has undertaken a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. In addition, the Board regularly reviews the effectiveness of the Group's risk management and internal control systems. The Board's monitoring covers all material controls, including financial, operational and compliance controls. It is based principally on reviewing reports from management to consider whether significant risks re identified, evaluated, managed and controlled, and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The Board has also performed a specific assessment for the purpose of this annual report. This assessment considers all significant aspects of risk management and internal control arising during the period covered by the including the work of internal audit. The Audit Committee assists the Board in discharging its review responsibilities.

During the course of its review of the risk management and internal control systems, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions has not been considered appropriate.

These risks considered, together with key mitigants are set out on the following pages.

As a result of the Board's review, two key changes arose. Additional risk categories are now included relating to the Group's financial position and the risks arising from the Group's involvement in large contract tendering and delivery.

Find out more

Learn more about our monitoring of the efficiency of our internal controls in 2015 58

Understand more about how risk management fits into our internal control framework 57

Risk culture

The executive directors aim to ensure we communicate our risk appetite, policies and risk management processes effectively throughout the organisation, through regular meetings of the senior leadership team, periodic reviews, annual strategic planning with business units, and by clear guidance within the annual budget planning process. We are working to continually improve the way we manage risk, with a consistent cultural attitude towards risk in all of our operations, whether in our well-established businesses or newer activities as we enter new markets.

Our risk management resources and internal audit

The senior leadership team of each division is responsible for the management of risk within its respective business unit. In addition, we identify 'risk owners' from senior management, to lead management of certain risks. We review performance through regular meetings, taking appropriate action where necessary. We also assess and monitor risks at Board meetings, and the Audit Committee reviews risk management processes.

At Group level, the Group Risk Manager and Internal Audit manage and test risk management, reporting to the Group Finance Director, and independently to the Audit Committee. Internal Audit is now run by an internal team, also using a wider range of skills from an outsourcing arrangement with RSM International.

Risk register

We maintain a detailed risk register, which identifies the key risks faced by the Group, including their impact and likelihood, as well as the controls and procedures implemented to mitigate them.

Internal control environment

Tribal operates a clear internal control framework, with suitable approval and authority limits applied throughout the business. Further details of the internal control arrangements are set out in the Audit Committee report.

Principal risks

The principal risks we manage are described here. These risks typically apply to all of our business segments. Alongside the principal risks, details of their potential impact and the likelihood of their occurrence (on a scale of 1 to 3, with 1 being the most likely). In addition to the identification of risk associated with our financial position, other financial risks are covered in the Financial Review and relate principally to funding, credit risk, interest rate risk and foreign exchange risk. In addition, appropriate mitigating actions are also set out in this section.

Principal risks and uncertainties continued

Going concern

The Group's business activities, recent trading performance, key performance indicators, and principal risks and uncertainties are described within the 2015 Annual Report and Accounts.

As a result of the challenging trading environment in which the Group is currently operating, the Group's profitability has weakened, and its net debt has increased. As at 31 December 2015, the Group had net debt of £32.5m, funded by a revolving credit facility (the "Facility") provided by Lloyds Banking Group, HSBC and Clydesdale Bank (collectively "the Banks"), which is committed until June 2018. Under the terms of the Facility, non-contingent deferred consideration relating to historic acquisitions is deemed to fall within the definition of net debt for covenant purposes. Including these amounts, net debt as defined under the terms of the Facility was £34.9m as at 31 December 2015.

The Group generated adjusted EBITDA of £8.2m for the year ended 31 December 2015. The Group's leverage ratio (measured as the ratio of net debt to EBITDA) as at 31 December 2015 was 4.2x, compared to a maximum permissible under the Facility of 3x. Pursuant to an agreement reached on 21 December 2015, the Banks agreed to waive the financial covenant tests that would otherwise have been applicable under the Facility. Had this waiver not been provided, the Group would have been in breach of the terms of the Facility. However, this waiver only represents a "one-time alleviation" that does not fundamentally address the Group's future funding requirements.

As part of an assessment of the Group's working capital and financing position, the Group has prepared a detailed bottom-up two year trading budget and cash flow forecast for the period through to December 2017, being at least 12 months after the date of approval of the financial statements. This is in addition to consideration given to the Group's longer-term strategic planning during the second half of 2015. In assessing the forecast, the Directors have considered:

- the timing of delivery, milestones and cash flows arising from key contracts, in particular the TAFE Queensland, SALM and Ofsted Early Years contracts;
- the Group's sales pipeline and order backlog, and in particular larger new customer deal flow and likely timing of related revenue and cash receipts arising from these potential deals;
- the progress made by the Group in re-establishing momentum in sales performance;
- competitive pressures and trends in technology usage in the education management markets in the UK, Australia and New Zealand, and (to the extent that it provides a leading indicator of trends elsewhere) the US;
- the status of the Group's existing financial arrangements and associated covenant requirements;
- trading risks presented by economic conditions in the education market, particularly in relation to national and state government budgets and spending levels in the UK, Australia and New Zealand; and
- the availability of (and costs of) mitigating actions should business activities fall behind current expectations, including the deferral of discretionary overheads and restricting cash flows.

Additionally, detailed sensitivity analysis has been performed on these forecasts to consider the impact of severe, but plausible, reasonable worse case scenarios on the Group's bank facility headroom and covenant requirements. The scenarios, which sensitised the forecasts for specific identified risks, modelled reduction in anticipated levels of underlying EBITDA, delays in contract milestone cash receipts, and an associated increase in net debt. These scenarios included significant delays and / or terminations of important contracts, and slippage of larger new business opportunities which are currently in the sales team's pipeline, and continued loss of sales momentum over an extended period. These sensitised scenarios included modest allowance for mitigating actions that can be taken if needed. Based on the application of these scenarios, the analysis shows no headroom on covenant test dates for the foreseeable future.

The Directors have acknowledged the latest guidance on going concern. They have made appropriate enquiries and taken into account factors which are detailed in the Strategic Report within the 2015 Annual Report and Accounts. The Group has agreed to sell its Synergy business for £20.25m (the Disposal). The Group is also seeking to raise £21 million (gross of estimated costs of £1.8m) via a Rights Issue in order to achieve a more appropriate capital structure which will eliminate its indebtedness, and thereby to create headroom on its near-term covenants to an acceptable level and is necessary to support the going concern principle. The Rights Issue is fully underwritten by Investec Bank PLC. As a consequence, the Directors believe that the Group is well placed to manage its risks. The Rights Issue and Disposal are, however, subject to shareholder approval.

In making these statements, the directors have made the following key assumptions:

- the Disposal is approved by shareholders;
- the Rights Issue is approved by shareholders;
- the Rights Issue completes during March or April 2016;
- suitable bank facilities continue to be available to the Group on normal market terms; and
- the net proceeds from the Rights Issue and Disposal will be used to reduce indebtedness arising under the Facility during April 2016.

If the Rights Issue and Disposal do not proceed to completion, as there is no headroom the Group is forecast to exceed the maximum leverage ratios permitted under the existing Facility as at 30 June 2016 and subsequent test dates. In this case, there is no guarantee that the Banks would agree to a subsequent waiver or amendment of the covenants in the future, and in the event that the covenants were breached the Banks would be entitled to demand repayment in full of the Facility. In such circumstances, the Group would not have sufficient cash resources available to repay the Facility, without:

- borrowing money from other sources (which might not be available at that time, or might not be available on as favourable terms as the existing Facility); or
- selling assets of the Group at a time which is not of the Group's choosing, and therefore this might result in a failure to realise the full value of such assets, or may not be possible at all.

Adoption of the going concern basis

The Directors, having considered the forecasts, the risks, associated mitigating actions, and the probability of both the Rights Issue and Disposal being approved by shareholders and proceeding, 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. However, as both the Rights Issue and Disposal have not yet been approved by shareholders there remains a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Longer term viability

The Directors have assessed the Group's viability over a three year period to 31 December 2018 based on the above going concern assessment. The downside scenarios tested as part of this longer term viability assessment also included:

- an assessment of a potential termination of a large customer contract, and potential consequences of subsequent litigation, reputational damage and a significant settlement payment which may arise from such a situation if the Group was found to have failed to meet its contractual obligations;
- the effect of a substantial shift by the education management market to demand a Software-as-a-Service model over a small number of years; and
- the effect of introduction by a competitor of a disruptive new technology which leads to a significant change in customer behaviours over the short to medium term.

The Group has also recently appointed a new Chief Executive, and therefore a further review of the strategic plan will be undertaken in the coming months. At this stage, the Directors do not anticipate a fundamental change of strategy is likely to arise from this review.

Based on the foregoing assessments and assumptions, and the probability of both the Rights Issue proceeding and the Disposal completing, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2018.

Principal risks and uncertainties continued

Risk category	Risk and potential impact	Strategic objectives affected
Financial position	Changes in the Group's trading performance and operating cash flow may create pressure on its funding position, although this is abated by our proposed Rights Issue and the disposal of the Synergy business.	• Revenue growth, particularly in software-based activities. • Investment in new products may be constrained. • Staff retention may be reduced.
Large contract tendering and delivery	Uncertainties associated with timing of deal closure and meeting key contractual obligations/ milestones associated with major customer programmes can lead to significant financial volatility and management time, and may impact the Group's overall financial position: • Contract closure and subsequent milestones may change outside the Group's control. • The timing of revenue recognition may be delayed. • Costs of project delivery may increase significantly. • Material cash receipts may be delayed. • Disputes or legal claims may be brought by customers The public profile of major projects attracts media interest, and project challenges may lead to reputational damage	• Reduced operating margins. • Reduced cash conversion. • Reduced revenues.
Resource allocation	Inappropriate decisions about the resources needed may lead to failure to achieve desired outcomes for: • completion of key customer programmes or software projects • developing new software and services • investments achieving their expected returns • business development	• Revenue growth, particularly in software-based activities. • Delays in achieving regional market growth aspirations. • Reduced operating margins.

Mitigation	Change to residual risk during 2015	Future likelihood	Commentary
The Group is seeking to restructure and strengthen its balance sheet through a Rights Issue and the Disposal of the Synergy business which is expected to take place in early 2016.	Increased, but expected to reduce once Rights Issue and Disposal is completed.	3	The Group increased its net debt levels in the last two years through bolt-on acquisitions. A combination of difficult circumstances in 2015 placed pressure on the Group's financial position. The Group is now seeking to restructure its balance sheet, reducing borrowings significantly, to become more resilient to challenges such as those in 2015 (see page 26). In the event that the Rights Issue and Disposal do not take place, there is a risk that the Group would breach certain of its bank facility covenants, and unless the lending banks agreed to waive such a breach, the banks would be entitled to demand repayment of the facility agreement. This could require Tribal to seek alternative sources of finance.
• Enhanced management and operational capacity, and clear accountability structures. • Enhanced management information and a programme of rolling reviews on major projects. • Broadened portfolio of customer projects to reduce dependence on major contracts. • Increasing sources of recurring revenue. • Enhanced gateways prior to acceptance of large contracts.	Increased, but expected to reduce as progress is made on existing large contracts, and as the Group focusses more on other sources of new business.	1	During 2015, Tribal has been adversely affected by changes in the scope and pace of certain major customer programmes in Australia. These changes have reduced short term profit and cash generation materially, and have affected the Group's financial position. The Group is taking steps to strengthen its balance sheet and reduce its exposure to major customer programme changes. See also page 58 in respect of internal control efficacy in 2015.
• Enhanced management and operational capacity, and clear accountability structures. • Enhanced management information and a programme of rolling reviews on major projects (see page 58).	Increased, but expected to reduce in the future through improved accountability and reporting structures.	3	While the sophistication of our resource allocation systems and controls is increasing, we have seen a number of customer programmes change, and affect the Group adversely – and investments we have made in product development that have not been successful.

[1] **Assessed on a scale of 1 to 3, with 1 being the most likely**

Principal risks and uncertainties continued

Risk category	Risk and potential impact	Strategic objectives affected
Competitive positioning	Whether in our offer or our pricing, we may come under pressure from competitors.	• This would restrict our growth potential, and may reduce the economic value of key elements of our intellectual property. • Our software-related revenues, and the extent to which they are recurring, may be reduced. • Our ability to secure balance across our regional markets may be affected. • Operating margins may be reduced.
Customer demands	Rapid political or economic change may lead to abrupt changes in policy priorities in some regions. This could lead to contract completions being delayed, or contract cancellations.	• Our software-related revenues, and the extent to which they are recurring, may be reduced. • Achieving new regional market growth aspirations may be delayed. • Operating margins may be reduced.
Innovation and technology	Our software products may become obsolete, or we may invest in new products which fail to match market requirements.	• This would restrict our growth and reduce our customer base. • Our software-related revenues, and the extent to which they are recurring, may be reduced. • Achieving regional market growth aspirations may be delayed.

Mitigation	Change to residual risk during 2015	Future likelihood	Commentary
• We monitor market developments carefully, and can adapt quickly to pricing pressure, and to developing our solutions to meet customer needs. • We have a portfolio of software products capable of meeting customers' evolving needs.	Increased, and expected to remain significant as competitive pressure will continue.	2	The Group has continued to win important new customers in 2015, although its win rates have reduced. We have also seen more aggressive activity by certain existing competitors and new entrants to our markets. Uncertainty affecting the Group's leadership and direction in the year has contributed to this environment.
• We seek to maintain close customer relationships, and have good programme management methods. • Our customer user groups ensure our product planning is aligned to customers' priorities. • The terms and conditions of our customer contracts typically provide protection against rapid changes in policy.	Increased, and expected to remain relatively high as customers continue to look to future models of student management.	2	The economic environment in our chosen regional markets has generally been stable during 2015. Political change is a feature we must adapt to across the countries in which we operate. The principal impact on us in 2015 from changing customer demands arose from major contract change and through customers exploring different technology solutions.
• We have a portfolio of software products for customers' evolving needs. • We determine our product development plans through our market evaluation and through work with customer user groups. • Our investment in our product portfolio development remains significant, guided by these plans.	Increased, and expected to remain high due to the increased level of interest in Cloud Solutions.	2	We have seen increasing interest in Cloud and SaaS offerings in some of our markets during 2015, and both we and our competitors are responding. Our Cloud and SaaS offer is developing well, and our product roadmaps are designed to address changes in market direction.

Principal risks and uncertainties continued

Risk category	Risk and potential impact	Strategic objectives affected
People and leadership	Inability to attract and retain high calibre staff in our key regional markets, with the right skills – particularly in leadership roles, sales, business development and implementation capacities – would restrict growth.	• Revenue growth, particularly in software-based activities. • Delays in achieving regional market growth aspirations.
Geographic distribution	The geographic spread of our activities may stretch our managerial and operational capacity, or cause unforeseen failure of our control framework.	• Delays in achieving regional market growth aspirations. • Operating margins may be reduced.
Reputation	A significant programme failure, or manifestation of problems with cyber or data protection or other reputationally damaging events, allied to major media coverage, would damage customer confidence and restrict our business development activities.	• Our software-related revenues, and the extent to which they are recurring, may be reduced. • Our wider deployment of performance improvement tools across our customer base may be inhibited. • Achieving new regional market growth aspirations may be delayed.
Intellectual property	Loss of control of our key intellectual property could undermine our differentiation in the market.	• Our software-related revenues, and the extent to which they are recurring, may be reduced. • Operating margins may be reduced.

Mitigation	Change to residual risk during 2015	Future likelihood	Commentary
• Continued investment in developing and growing our teams. • Performance management and development of our people, and recruiting people with experience to support our aspirations.	Increased, but expected to diminish as stability in our leadership returns.	3	The retirement of the Group's former CEO during the year, and further change later in the year at Board level has led to some uncertainty amongst our people. Nevertheless, our workforce has remained generally stable during this time.
• Enhanced management and operational capacity, and clear accountability structures. • Clear processes to ensure we maintain a high standard in our control environment.	Increased, but expected to reduce as resource is deployed to address the impact of wide geographic dispersion.	2	Our geographic spread has remained wide during 2015, but our investment in additional management capacity is increasing. The difficulties of delivering large projects with teams based in different timezones remains an area of attention.
• We are strongly focused on successfully completing projects and managing customer relationships, including regular project reviews and reports. • Our controls are designed to offer early detection of problems. • We continue to enhance controls relating to cyber and data protection risks.	Increased, but expected to diminish as the profile of major contracts in the media reduces.	2	The level of profile attached to large software development programmes in Australia means that we have been exposed to media scrutiny as the scope of this programme has changed during 2015.
• We protect our intellectual property rigorously, and aim to retain key employees in the business. • Our software requires considerable expertise to sell and implement, and thus the barriers to misappropriation are high.	No change, and not expected to change in the near future.	3	We have not experienced material threats to our intellectual property during 2015.

Financial review

Tribal's financial performance during 2015 was affected badly by operational challenges on our two large software contracts in Australia, and by loss of sales momentum during the second half of the year. Our financial position has been weakened as a result, and we are now strengthening our balance sheet with a proposed Rights Issue and the Disposal of the Synergy business.

Steve Breach
Group Finance Director

Overview

In the year ending 31 December 2015, the Group's revenue from continuing operations was £106.7m (2014: £123.7m). Adjusted operating profit was £2.9m (2014: £14.5m) and our adjusted operating profit margin was 2.7% (2014: 11.7%). Adjusted profit before tax was £1.9m (2014: £13.4m) and adjusted diluted earnings per share were 1.2p (2014: 11.3p).

The statutory operating loss was £45.2m (2014: loss of £4.3m), arising from a number of non-recurring charges, in particular impairment charges relating to goodwill and other intangible assets. The statutory operating margin was (42.4)% (2014: (3.5)%). Statutory loss before tax was £47.3m (2014: loss of £6.3m) and statutory diluted loss per share from continuing operations was (48.1)p (2014: statutory loss per share of 8.4p). The statutory loss for our continuing business after tax was £45.4m (2014: loss of £7.7m).

Further analysis and commentary on the Group's consolidated trading performance, and information about items outside the adjusted profit measures, including a description of the factors giving rise to the impairment changes, is set out below.

Results of operations

Set out below is a summary of Tribal Group's results for the two years ended 31 December 2015.

	2015			2014		
Year ended 31 December	Adjusted £000	Other items £000	Total £000	Adjusted £000	Other items £000	Total £000
Revenue	106,725	–	106,725	123,703	–	123,703
Cost of sales	(68,676)	–	(68,676)	(74,028)	–	(74,028)
Gross profit	38,049	–	38,049	49,675	–	49,675
Administrative expenses	(35,165)	(48,106)	(83,271)	(35,166)	(18,808)	(53,974)
Operating profit / (loss)	2,884	(48,106)	(45,222)	14,509	(18,808)	(4,299)
Investment income	49	–	49	58	–	58
Finance costs	(1,083)	(1,041)	(2,124)	(1,149)	(876)	(2,025)
Profit / (loss) before tax	1,850	(49,147)	(47,297)	13,418	(19,684)	(6,266)
Tax (charge) / credit	(697)	2,558	1,861	(2,830)	1,348	(1,482)
Profit / (loss) for the year from continuing operations	1,153	(46,589)	(45,436)	10,588	(18,336)	(7,748)
Loss after tax from discontinued operations	–	(80)	(80)	–	(196)	(196)
Profit / (loss) for the year	1,153	(46,669)	(45,516)	10,588	(18,532)	(7,944)

Commentary on the performance of each of the Group's segments is set out within the Business Review, but in overall terms, financial performance (and specifically our adjusted operating profit) during 2015 was influenced significantly by two key challenges.

During the course of 2015, Tribal's sales team increasingly lost momentum, with uncertainty around the Group's direction and leadership affecting the business particularly during the second half of the year. The retirement of our former Chief Executive in May 2015 took place as our larger customers and prospective clients were considering carefully their technology strategies, which affected their procurement plans. As a result, and as the second half of the year progressed, this led to unexpected losses of new customer bids, where previously our win rates had been high, and reduced confidence among key sales staff. We are now restructuring the sales function to enhance performance.

We also experienced significant operational challenges on our large software projects for the Student Administration and Learning Management (SALM) programme in New South Wales, and for the TAFE Queensland programme. As a result, related contract revenues slowed, while, for reasons of continuity, we retained our project teams and therefore did not materially reduce our related cost base. The impact of much-reduced revenues and limited cost mitigation affected our short-term profitability. As a result of the evolving scope of the TAFE Queensland project, as at 31 December 2015, in excess of £2.0m of revenue was deferred and £0.4m provided whilst all costs were recognised as incurred, pending establishment of a formalised variation order.

Revenue

Revenue from continuing operations decreased by 14% to £106.7m. As a result of the operational and sales execution challenges experienced during the period, our student management systems activities (comprising our Product Development and Customer Services and Implementation Services segments) reduced by 9% in 2015. Overall revenues were supported by £6.3m of revenues generated by Callista, which we acquired in March 2015. Recurring support and maintenance revenues generated in our software activities grew to £30.3m (2014: £24.5m).

Our performance improvement tools and services revenues (comprising of our Professional and Business Solutions and Quality Assurance Solutions segments) reduced by 20% as our schools inspection contract for Ofsted expired during the year, we withdrew from the Careers Advice and Guidance market, and we closed our Specialist Learning Solutions business in response to weak market conditions.

Our international customer base continues to increase its share of our overall revenues, representing 32% of revenues (2014: 30%).

Adjusted operating profit

Our adjusted operating profit decreased by 80% year-on-year to £2.9m, including the effects of deferring revenues of more than £2.4m in relation to the TAFE Queensland programme. In our student management systems activities, our Product Development and Customer Service division saw operating profits reduce to £2.0m from £11.2m as a result of the matters described above. Implementation Services divisional operating profit also fell as a result of these factors to £1.1m (2014: £2.9m).

In our performance improvement tools and services activities, our Quality Assurance Solutions business achieved an operating margin of 10% (2014: 12%) despite revenues falling by 12% as one of the Ofsted contracts ended in the year. Operating profits of this segment were £2.9m (2014: £4.0m). Operating profit in our Professional and Business Solutions division reduced from £0.5m to £0.2m as a result of the closure of the careers and Specialist Learning Solutions business.

Operating profits generated by Callista since acquisition in March 2015 were £0.8m.

Our unallocated central costs were £3.4m (2014: £4.1m), or 3.2% of revenue (2014: 3.3% of revenue). This was within our target range of less than 4% of revenue.

Financial review continued

Items excluded from adjusted profit figures

Tribal's income statement separately identifies adjusted profit. The following sets out those items excluded from the adjusted profit measures in the period.

	Year ended 31 December (£000s)	
	2015	**2014**
Adjusted profit before tax	**1,850**	13,418
Operating loss from closed businesses	**–**	(100)
Other costs excluded from adjusted profit:		
Impairment of development costs and related provisions	**(7,989)**	(2,630)
Impairment of goodwill	**(38,802)**	(12,849)
Costs associated with CEO recruitment and strategy review	**(537)**	–
Property relocation	**210**	(543)
Costs of closure of SLS business	**(823)**	–
Onerous contracts	**294**	(788)
Acquisition-related expenses	**(198)**	(397)
Movement in deferred consideration	**1,020**	228
Gain on bargain purchase	**405**	–
Amortisation of IFRS 3 intangibles	**(1,686)**	(1,729)
	(48,106)	(18,808)
Fees associated with covenant waiver	**(456)**	–
Unwind of discount on deferred contingent consideration	**(585)**	(876)
	(49,147)	(19,684)
Statutory loss before tax	**(47,297)**	(6,266)

Impairment of development costs

The Group continued to invest in its portfolio of student management systems during 2015. However, in light of operational issues encountered in the second half of 2015 there was a deterioration in trading performance which has impacted on expected forecast cash flows into the future. Additionally there have been changes to management and to the Board in the second half of the year with the new team reconsidering the strategy of the Group and its future forecasts in conjunction with the assessment of the group's future funding requirements. As a result, capitalised investments and enhancements with a value of £8.0m (2014: £2.6m) have been written down in the period. Impairment charges have arisen across the product portfolio, but are focussed particularly on enhancements to the ebs product which may now be superseded by development of the Tribal Campus product, and the K2 asset management system and the Synergy EIS product, which remain key products but for which our forecast revenues are now lower than previously expected.

Impairment of goodwill

Total impairment charges of £38.8m have been recognised in the year (2014: £12.8m). These reflect impairments across the PD&CS segment of £23.6m (2014: £nil), PBS segment of £5.5m (2014: £3.6m) and QAS segment of £9.7m (2014: £9.2m).

The PD&CS impairment has resulted from the disappointing trading performance in 2015 combined with the Group's most recent cash flow forecasts adjusted for forecasting volatility and known operational challenges.

PBS closed both its Careers and SLS business during the course of 2015, and has continued to take a conservative position on future growth and opportunities for the division in its impairment calculations. As a result, a further impairment has arisen during the course of 2015 of £5.5m (2014: £3.6m).

During 2014, Ofsted announced its intention to in-source its schools inspection contract held by the Group's QAS business, with the contract ceasing in August 2015. The remaining Ofsted contract, relating to Early Years inspections, was extended a further 18 months during the prior year to March 2017. During the second half of 2015, Ofsted have confirmed that they will in-source the contract at this date; cash flow assumptions for this contract therefore cease at this date. As a result, a further impairment has been recognised in the period of £9.7m (2014: £9.2m), resulting in the full impairment of goodwill in respect of this CGU.

CEO replacement and strategy review costs

Following Keith Evans' retirement in the first half of 2015, a search has been underway to identify his successor. Alongside this replacement process, the Board has undertaken a review of aspects of the Group's strategy. Costs arising from these activities have been excluded from our underlying profits in the year ending 31 December 2015.

Property related costs

During 2014, the Group relocated its Head Office to more suitable premises. In doing so, it secured a significant incentive to enter into the lease of the new premises, the cash value of which offset the costs of exiting the previous premises. The accounting charge of £0.5m in the year ending 31 December 2014 relates to the onerous lease cost of the previous premises. In the year ending 31 December 2015, a credit arises on the amortisation of the related incentive.

Amortisation of IFRS 3 intangibles

The amortisation charge in relation to IFRS 3 intangible assets arose from separately identifiable assets recognised as part of our acquisition programme, principally in relation to the software and customer relationships in the respective businesses at completion.

Deferred contingent consideration

The adjustment to deferred consideration represents changes in expectations of total deferred contingent consideration payments, in respect of the acquisition of i-graduate and Sky Software (now renamed Tribal Campus) based on the Directors' forecasts of expected performance over the earn-out period at the relevant balance sheet dates.

There is also an income statement charge arising from the unwinding of the discount applied to the deferred contingent consideration on the acquisition of i-graduate, Sky Software and Callista, reflecting the fact that payments are expected over a number of years.

Discontinued activities

	Year ended 31 December (£000s)	
	2015	**2014**
Profit attributable to Health and Government	–	74
Loss attributable to Kindred	–	(9)
Profit attributable to Resourcing	–	115
Loss attributable to Nightingale Associates	(80)	(361)
Attributable tax charge	–	(15)
Net loss attributable to discontinued operations	**(80)**	(196)

Since Tribal's major disposal programme, which was initiated in 2010 and completed in 2011, certain deferred consideration payments remained receivable. The Group also undertook a programme to mitigate residual property lease obligations that remained with Tribal. In these respects, the Group recovered significant portions of the receivable amounts by disposing of residual property and securing deferred contingent consideration in excess of our previous expectations. In one instance, connected with Nightingale Associates, residual litigation for which Tribal had a remaining liability within the disposed of business, necessitated an increased provision. The provision was increased in the year ending 31 December 2014, and settled in the year ending 31 December 2015 to cover costs to the extent that they were not fully addressed by insurance arrangements.

Net finance costs

	Year ended 31 December (£000s)	
	2015	**2014**
Investment income	(49)	(58)
Finance costs	1,083	1,149
Adjusted finance costs (net)	1,034	1,091
Fees associated with covenant waiver	456	–
Unwind of discount	585	876
Total finance costs (net)	2,075	1,967

Underlying interest on the revolving credit facility decreased to £1.1m (2014: £2.0m) as a result of lower overall drawings on the facility during 2015 although due to payments made in relation to acquisitions and the weaker operating cash flow position experienced in the period borrowings increased as the year progressed.

Financial review continued

Tax

The corporation tax charge on continuing operations was £0.7m (2014: £2.8m), and the adjusted effective tax rate was 38% (2014: 21%). This includes the impact of higher rates of taxation arising in overseas jurisdictions, as well as a conservative position in respect of overseas tax losses and transfer pricing, given the Group's performance in the year.

As the Group continues to grow its activities in international jurisdictions that operate with a higher rate of corporation tax, it is anticipated that the tax charge on profits in the near to medium-term future is likely to be higher than the standard UK corporation tax rate.

The total tax credit of £1.9m (2014: charge of £1.5m) includes a credit of £0.3m in respect of previous periods, but offset by the impact of goodwill impairments, which are not deductible for tax purposes.

Earnings per share

Adjusted diluted earnings per share from continuing operations before other costs, the results of closed businesses and intangible asset impairment charges and amortisation, which reflects the Group's underlying trading performance, reduced from 11.3p to 1.2p.

Basic losses per share from continuing and discontinued operations were (48.2)p (2014: loss per share of 8.4p).

Shareholder returns and dividends

The Board continues to believe that paying dividends is important, and has pursued a progressive dividend policy in recent years. It is the Board's intention to continue this policy when it is justified by financial performance. However, adjusted operating profit for the year was £2.9m, the Group generated weak operating cash flow, and the statutory loss before tax for the year was £47.3m (2014: loss of £6.3m).

On this basis, and taking into account the financial performance of the Group in 2015, the Board has not proposed a final dividend for 2015. An interim dividend of 0.70p per share was declared and paid in the year, and therefore the total dividend for 2015 is 0.70p per share (2014: 1.80p). The full-year dividend is covered 1.7 times by adjusted earnings per share (2014: 6.3x).

As a result of the Group's poor financial performance in 2015, action is being taken to strengthen the balance sheet, in respect of which the Board has proposed a Rights Issue and disposal of Synergy.

Analysis of net debt

	As at 31 December (£000s)	
	2015	**2014**
Cash at bank and in hand	**3,896**	9,345
Overdraft	**(2,160)**	–
Syndicated bank facility (net of bank arrangement fees)	**(34,207)**	(21,023)
Net debt	**(32,471)**	(11,678)

Group net debt increased to £32.5m (2014: £11.7m), primarily as a result of acquisition-related payments and the unwind of advantageous working capital positions on certain contracts at the start of the year.

As at 31 December 2015, cash at bank and in hand included restricted advance cash receipts in relation to customer programmes of £0.2m (2014: £6.6m).

Cash flow analysis

	Year ended 31 December (£000s)	
	2015	**2014**
Continuing operations		
Net cash (used in)/ from operating activities before tax and before other cash flows	**(4,119)**	22,254
Capital expenditure (net)	**(1,679)**	(1,345)
Capital expenditure on software product development and business systems	**(5,138)**	(5,156)
Operating cash flow from underlying operations after capital expenditure before other cashflows	**(10,936)**	15,753
Other cash flows	**(390)**	(1)
Operating cash flow from underlying operations after capital expenditure	**(11,326)**	15,752
Operating cash flow from discontinued operations after capital expenditure	**(80)**	34
Net interest	**(762)**	(513)
Tax	**(1,827)**	(2,571)
Free cash flow	**(13,995)**	12,702
Acquisitions and deferred consideration	**(4,510)**	(15,100)
Disposal of discontinued operations	**–**	321
Dividends paid	**(1,794)**	(1,587)
Financing	**12,912**	5,619
Net (decrease)/increase in cash	**(7,387)**	1,955
Effect of foreign exchange rate changes	**(222)**	(165)
(Decrease) / increase in cash and cash equivalents in year	**(7,609)**	1,790

Operating cash flow

During the year ending 31 December 2015, the Group's underlying activities experienced significant adverse working capital movements.

At the start of the year, the Group anticipated some negative working capital movements associated with contracted changes to payment schedules in relation to its Ofsted contracts, and the expiry of a non-core contract associated with which £6.6m of advance cash receipts were recorded at 31 December 2014.

Additional negative working capital movements arose during the year associated with the SALM contract renegotiation where, despite contractual completion in early October 2015, significant cash receipts remained outstanding at 31 December 2015. Since the end of the year, the majority of outstanding invoices relating to the SALM programme have been settled.

There were also significant delays in cash receipts relating to the TAFE Queensland contract during 2015; the Group's invoicing schedule on this programme is linked to milestones that had not been met at 31 December 2015 due to changes in the customer's programme timeline, and as a result, significant anticipated cash receipts of approximately AUD 3.9m were deferred beyond 2015.

Capital expenditure

Capital expenditure totalled £6.8m (2014: £6.5m), comprising £4.1m (2014: £4.8m) on software product development, and £2.7m (2014: £1.7m) on enhancing office premises and replacing IT systems and equipment.

Financial review continued

Acquisitions and deferred consideration

Cash payments relating to acquisitions comprised:

	Year ended 31 December (£000s)	
	2015	2014
Acquisition of i-graduate	–	2,858
Acquisition of Sky Software (now renamed Tribal Campus)	5,592	1,082
Acquisition of Human Edge	–	11,160
Acquisition of Callista	737	–
Cash acquired with acquisitions	(1,819)	–
	4,510	15,100

Payments in relation to Sky Software relates to an on-going earn-out arrangement. Payments in relation to Callista relate to the first three instalments of the consideration payable for the acquisition of the business.

Order book

The total forward order book of the Group as at 31 December 2015 was £121.3m (2014: £102.7m). Our order book relates to business we expect in the next five years, but includes only two years of software maintenance income where subject to annual renewal.

Pension obligations

As a consequence of certain contract awards, some employees participate in defined benefit pension schemes – the largest of which relates to the Ofsted Early Years inspection contract we entered into during the year ending 31 December 2010. Across these pension schemes, the combined surplus calculated under IAS 19 at the end of the year totalled £0.1m (2014: surplus of £0.1m) (with gross assets of £8.7m and gross liabilities of £8.6m). Under the terms of our recently announced contract extension with Ofsted, we benefit from an arrangement whereby Ofsted will protect Tribal from significant additional pension costs relating to employees currently engaged in this activity, in the event that Ofsted's approach to future inspections work requires changes to its workforce requirements.

Acquisitions

On 7 March 2015, the Group acquired the entire issued capital of Callista Software Services Pty Ltd (Callista), a company incorporated in Victoria, Australia, which provides student management systems to the Australian university market. Total consideration for the entire issued share capital was AUD3.6m, payable in cash in equal instalments over a three-year period. The unaudited revenue of Callista for the year ending 31 December 2014 was AUD15.9m, and operating profit was AUD1.6m. The value of gross assets at 31 December 2014 was AUD14.1m.

In March 2015, we amended the deferred contingent consideration agreement with the vendors of Sky Software Pty Limited to increase the maximum consideration from AUD17m to AUD18m, and to amend the timing and calculation of these payments to better incentivise the creation of a long-term sustainable business, recognising the significant outperformance in the initial year post-acquisition.

Post balance sheet event –disposal

On 29 February 2016, the Group announced that it had agreed to dispose of its Synergy children's services management information systems business to Servelec Group plc for total consideration of £20.25m. The Disposal allows the Group to reduce the scale of the proposed Rights Issue whilst continuing to reduce net debt and strengthen the Group's balance sheet.

It is noted that two of the Group's directors, Richard Last and Roger McDowell, are also directors of Servelec Group plc; given the conflict thus arising, neither director has participated in the Board's consideration of the disposal of Synergy.

During 2015, the Synergy business generated revenues of £6.3m (2014: £6.6m), of which £5.2m (2014: £5.6m) related to the Product Development and Customer Services segment, and included £4.1m (2014: £4.0m) of recurring software maintenance revenues. Other revenue generated by the Synergy business of £1.1m (2014: £1.0m) related to the Implementation Services segment.

The Synergy business delivered an operating profit of £2.7m in 2015 (2014: £3.2m), stated before allocation of costs of central support services which will not transfer to Servelec Group plc. Theses non-transferring activities include IT services, HR, finance, legal, marketing and head office costs. Additionally, the operating profit for 2015 is stated before exceptional charges of £1.0m (2014: £nil).

It is expected that, subject to shareholder approval, the disposal will complete at the beginning of April 2016.

Financial risks

The main financial risks the Group faces relate to the availability of funds to meet business needs, credit risk arising from contractual delays or scope changes, fluctuations in interest rates, and foreign exchange risk.

Funding arrangements

The Group finances its operations by a combination of cash reserves from equity capital, retained profits and bank borrowings. The Group Finance team leads treasury management and operates within policies and procedures reviewed and approved by the Board. Liquidity matters are discussed below, in the going concern section, and in the Directors' Report.

On 28 January 2014, Tribal entered into a revolving credit facility (the "Facility") with Lloyds Banking Group, HSBC and Clydesdale Bank (collectively "the Banks"). This facility is committed until June 2018, subject to compliance with covenants. Under the terms of the facility, £45m is available under a revolving credit facility and £5m is available as an overdraft facility.

Pursuant to an agreement reached on 21 December 2015, the Banks agreed to waive the financial covenant tests that would otherwise have been applicable under the Facility on 31 December 2015. Had this waiver not been provided, the Group would have been in breach of the terms of the Facility.

In addition to the Facility, the Group has bilateral bank guarantee facilities with HSBC and Lloyds Banking Group of £8.5m (2014: £8.5m) as at 31 December 2015. During the course of January 2016 certain of these facilities were extended to 31 December 2016.

Going concern

Attention is drawn to the going concern and viability statement on pages 26 to 27 of the Strategic Report.

Credit risk

The Group seeks to reduce the risk of bad debts arising from non-payment from our customers. This risk is monitored closely by the Group finance team that the credit control function is part of. Tribal incurred no material bad debts during 2015, due to the nature of our customer base.

Interest rate risk

Forward rate agreements and interest rate swaps are used, where appropriate, to achieve the desired mix of fixed and floating rate debt.

Foreign exchange risk

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

Tribal's principal translation currency exposure is to the Australian Dollar although as at 31 December 2015, the Group was also exposed to movements in the rates between Sterling and the US dollar, South African Rand and New Zealand dollar. See note 34 for further details.

The Group Finance team oversees management of foreign exchange risk, and policies and procedures approved by the 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.

Steve Breach
Group Finance Director

Strategic Report Approval

The Strategic Report contained on pages 2 to 45, incorporates the sections dealing with what we do, where we work, our markets and our business model and strategy, as well as the principal risks and uncertainties, key performance indicators, the Business Review, the Financial Review and the Corporate Responsibility Statement.

By order of the Board

Rob Ewin
Company Secretary
16 March 2016

Cautionary statement

This statement has been prepared solely to provide information to shareholders to assess how the Directors have performed their duty to promote the success of the Group.

The Strategic report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking statement.

Corporate and social responsibility

Tribal helps educators to do their jobs well, and we are proud to support an industry that changes people's lives. We believe in fairness, integrity, and 'doing the right thing'. This means we treat our people well, and that we expect to give something back to the communities where we work through our charitable activities.

Growing our capabilities through our people

Tribal's capabilities are founded on the talent and expertise of our people. Our development, retention and recruitment strategies at all levels of the business have a strong emphasis on diversity. Our work with Business in the Community has helped us to benchmark our practices and seek new approaches to attracting, retaining and developing a diverse range of talent and we continually review our people practices to ensure they enable all talent to thrive at Tribal.

Our success as a growing international business is a tribute to our people's energy, commitment and know-how. We invest in our people, and provide them with the tools and training to support and enable them to realise their potential. Our development programmes will continue and evolve with our growing workforce during 2016, as we rebuild momentum in our business after a difficult 2015.

We continue to build on our learning and development programmes, which focus on professional sales and business development programmes, technical training for our developer community, and broadening the skills and commercial awareness of our future leaders. Our enhanced leadership development programme – supporting key individuals' advancement through in-house and external executive development opportunities, and including attendance at programmes delivered by major business schools – has continued through 2015.

Employee statistics	2015	2014
Average number of employees	**1,352**	1,411
Location of our people at 31 December		
UK	**996**	1,156
Asia Pacific	**309**	196
Rest of the World	**18**	24
Voluntary employee turnover	**14%**	15%
Employee gender at 31 December		
– female	**568**	747
– male	**755**	629
Directors at 31 December		
– female	**–**	1
– male	**5**	5
Senior managers (earning over £50,000 pa)		
– female	**65**	66
– male	**185**	185
Ethnicity (white, British)	**73%**	76%
Workforce aged 29 or under	**20%**	22%
Workforce aged 45 or over	**32%**	31%
Average training spend per employee	**£286**	£379
Staff survey engagement score	**46%**	48%

Note: Comparative statistic amended to present on a like-for-like basis, as the methodology applied on our engagement survey in 2015 was changed compared with that used in 2014

Diversity

We see diversity as a source of strength and work hard to ensure that attention to diversity is a given in all that we do. Our culture aims to ensure the best people want to work with us, where people are promoted on merit, where development opportunities are available to all and respect of all differences is both demanded and valued. Our staff survey in 2015 identified that responses were consistent across each diversity segment of the workforce showing that all staff felt they had equal opportunities within the business. In our Australian business we are proud that Callista was awarded the Workplace Gender Equality Agency Employer of Choice for Gender Equality Citation and in 2016 we shall seek to expand this accreditation across the wider Australian businesses.

Our values

We pride ourselves on our values:

- Customer focus – we put customers first in everything we do.
- Excellence – we strive for excellence in all we do, and each person's contribution is key to our success.
- Innovation – we are bold and creative in our approach to developing solutions.
- Integrity – we are open, honest and direct in all our dealings.
- Teamwork – we work together in partnership with colleagues, customers and communities.

Our business is active in an increasing number of jurisdictions around the world, where business cultures may vary. We are proud of our reputation for acting fairly and ethically wherever we do business, and we are committed to upholding the highest legal, ethical and moral standards. Our employees and business partners are expected to share this commitment. Tribal condemns bribery and corruption in all its forms, and we will not tolerate it in our business or in those we do business with. Our commitment and determination in this respect is reflected in our anti-bribery and ethics policy, for which our staff have received training.

Engaging with people

Tribal operates from a range of offices in the UK and around the world. Our people work in many locations, including Australia, New Zealand, US, Canada, the Philippines, South Africa and the Middle East. In 2015, our presence expanded into Malaysia.

Communication among our people is crucial. We use a combination of group-wide updates with specific local communications and engagement surveys, to ensure our people have a good understanding of the direction we are moving in as a business. Throughout the year we undertake a series of communication events, including a global 'Tribal Summit', supplemented by regional summits and staff roadshows, that supports engagement across all levels and disciplines in the business, on matters ranging from strategy and market developments to equality and diversity awareness. We supplement these events by communicating on a number of channels, on corporate social media and in staff newsletters and magazines.

Thanking our staff

Tribal's contribution to the world of education, and its success as a business over the last few years, is a reflection of our people's expertise and determination. This last year has been difficult, and we recognise the uncertainties a change of leadership can bring. We are very grateful for the support of our staff around the world during this time, and we look forward to 2016 as we seek to bring clarity and renewed confidence to our people as they help our customers improve education in the UK and in many parts of the world.

Corporate and social responsibility continued

The Tribal Foundation

We believe in making a contribution beyond our activities in the education market. Doing the right thing means, for us, helping in the communities in which we work. Tribal's charity, the Tribal Foundation, supports projects in the UK, Australasia and elsewhere, that reflect Tribal's expertise in education. The Foundation is a registered charity supported by staff fundraising initiatives, our payroll-giving scheme and donations from Tribal's profits. A Board of trustees, the majority of whom are Tribal staff, determine the focus of the Foundation's activities and approve the projects we support.

Since its establishment, the Foundation has contributed around £0.6m to a variety of programmes. During 2015, the Foundation donated approximately £39,000, allowing us to sustain our support for our chosen projects. Fundraising takes place throughout the year, through activities organised by Tribal's team of Foundation Champions, individuals and staff groups.

The Foundation focuses on projects that bring sustainable benefits, rather than short-term remedies. While we seek projects with a strong education theme, we complement our support for these programmes with our local giving initiative, where Tribal offices donate to a local charity, towards a project connected to one or more of our staff.

Human rights

Tribal is confident in its operations' human rights performance, but recognises that the business practices of its business partners may not always be transparent, and may represent a risk that must be managed. We make every effort to ensure these issues are managed effectively. We support the principles defined within the United Nations Universal Declaration of Human Rights and the International Labour Organisation Core Conventions, including the conventions that relate to child labour, forced labour, non-discrimination, freedom of association and collective bargaining.

Compliance with, and respect for, these core principles are part of the risk assessment procedures and impact assessments we undertake when entering into business in a new territory, and within the due diligence processes when making an acquisition or entering a joint venture.

Sustainability

Tribal's corporate commitment to sustainability aims to make a positive difference to our business, the market place in which we operate, the wider community and the environment.

During 2015, we continued to work to minimise our carbon emissions by changing travel patterns , and making more effective use of online communications.

In Tribal offices we continue to use only renewable / green energy for our electricity supply. We also undertook an Energy Savings Opportunity Scheme audit of three key offices and have received recommendations which we will act upon in 2016. Our policies require consideration of sustainability in our selection of, and continued relationship with, our suppliers. Offices managed by Tribal recycle 81% of all daily waste, and aim to send minimal amounts to landfill. We also ask our landlords to recycle waste where appropriate. We recycle surplus furniture to charities, schools or recycling units, and all printer toners are recycled. All electrical items are recycled via Waste Electrical and Electronic Equipment recycling. We also recycle confidential waste and use recycled paper where possible. Our paper recycling in 2015 was equivalent to saving 58 trees and we saved 38,478 CO_2 (kg) through recycling and print management initiatives. As we move forward, we are aiming to gain independent accreditation of our environmental sustainability programmes. We run ecologically friendly programmes, such as the Cycle to Work scheme, as part of our well established broader staff wellness programme.

During 2015, our carbon emissions on travel were as follows.

Assessment Parameters	
Base line year	FY 2014
Consolidation approach	Operational control
Boundary summary	All entities and all facilities under operational control were included
Consistency with financial statements	The only variation is that our leased properties, under operational control, are included in scope 1 and 2 data, all scope 3 emissions are off-balance sheet emissions
Emission factor data source	Defra (May 2015)
Assessment methodology	The Greenhouse Gas Protocol and ISO 14064-1 (2006)
Intensity ratio	Emissions per £m revenue

Greenhouse Gas Emission Source	**2015 (tCO_2e)**	**2015 (tCO_2e/£m)**	**2014 (tCO_2e)**	**2014 (tCO_2e/£m)**
Scope 1	**54**	**0.0005**	54	0.0004
Scope 2	**812**	**0.0076**	778	0.0063
Statutory total (Scope 1 and 2)	**866**	**0.0081**	832	0.0067
Scope 3	**2,855**	**0.0267**	1,826	0.0148
Total Gross emissions	**3,721**	**0.0348**	2,658	0.0215

Board of Directors

Our Board has undergone significant change in the year. The Board, while smaller than this time last year, has a good blend of backgrounds pertinent to the challenges and opportunities Tribal faces.

Director	**Richard Last (Age 58)**	**Roger McDowell (Age 60)**
Job title	**Chairman and Chairman of the Nominations Committee**	**Senior Independent Non-executive Director and Remuneration Committee Chairman**
Biography	Richard joined the board in November 2015. He is currently Chairman and Non-Executive Director of Servelec Group plc, a technology group and AIM listed Gamma Communications plc, a communications group. In addition, Richard is currently Chairman and Non-Executive Director of the British Smaller Companies VCT 2 plc, Arcontech Group plc, and Lighthouse Group plc, and Non-Executive Director of Corero Network Security plc. Richard is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA).	Roger joined the board in November 2015. He is currently serving as Non-Executive Chairman of Avingtrans plc, Senior Independent Non-Executive Director of Servelec Group plc and is also a Non-Executive Director of Premier Technical Services Group plc, Proteome Sciences plc, Swallowfield plc and IS Solutions plc.
Committees	**Audit, Nomination and Remuneration**	**Audit, Nomination and Remuneration**
Tenure	**Appointed November 2015**	**Appointed November 2015**

		
Steve Breach (Age 47) **Group Finance Director**	**David Egan (Age 47)** **Non-Executive Director and Audit Committee Chairman**	**Duncan Lewis (Age 64)** **Non-Executive Director**
Steve joined the Board of Tribal Group in January 2010 from Euromedic UK, where he was Chief Financial Officer. Steve was previously Finance Director of Mercury Health, Tribal's healthcare business, from its establishment in 2003 until its sale in April 2007. Steve qualified as a chartered accountant with Ernst & Young in 1993 where he focused on providing corporate finance advice to technology businesses in the UK and internationally.	David was appointed to the board in April 2014. David became Group Finance Director of Electrocomponents plc with effect from 1 March 2016. Previously he was Group Financial Director of Alent Plc and Chief Financial Officer at ESAB, a division of Charter International plc. Prior to joining ESAB in 2008, David was Group Financial Controller of Hanson plc based in London, and prior to that Chief Financial Officer, Hanson Asia Pacific based in Singapore. He has extensive international experience of business in Europe, including the Russian Federation, Asia, Australasia, and the Americas. David is a Certified Practicing Accountant (CPA) Australia.	Duncan joined the board of Tribal with effect from 1 June 2015. Duncan has extensive experience as a non-executive director, comprising current roles with JQW Plc and Spirent Communications Plc, as well as previous executive roles in Vislink Plc, Cable & Wireless Plc, GTS Inc, and Equant nv and an advisory role with the Carlyle Group.
–	**Audit, Nomination and Remuneration**	**Audit, Nomination and Remuneration**
6 years	**2 years**	**Appointed June 2015**

Corporate Governance

Tribal experienced a challenging year in 2015, as a number of difficult issues coincided. We remain a leading provider in our markets, but the Board's immediate priority is to bring stability and leadership, and to restore confidence amongst customers, investors and staff.

Richard Last
Chairman

Our Board

Our Board has undergone significant change in the recent past. The Board, while smaller than this time last year, has a good blend of backgrounds pertinent to the challenges and opportunities Tribal faces.

Our culture in the boardroom is, and will remain, one that supports open debate and constructive challenge. Fundamentally, the Board's objective is to enable Tribal to meet its objectives, and to do so in a controlled and effective manner.

Throughout the year, the Board has endeavoured to maintain good dialogue with our shareholders, ensuring they remain aware of key developments in our business – and also helping us understand their views. We will continue to seek constructive dialogue with them.

On page 46 we have set out the biographical details, age, committee membership and tenure of our Board.

Key roles on our Board

Our Chairman is responsible for leadership of the Board, and creating the conditions for overall Board and individual director effectiveness, inside and outside the boardroom. He is also responsible for facilitating the effective contribution of non-executive directors and ensuring constructive relations between executive and non-executive directors. The Chairman also ensures effective communication with shareholders. John Ormerod was Chairman until 17 November 2015, when Richard Last was appointed.

Our Chief Executive is responsible for the leadership and day-to-day running of the Group's business, to ensure we achieve the strategy agreed by the Board.

Our Senior Independent Director acts as a sounding board for the Chairman, and as an intermediary for other Directors, and for shareholders where needed. Katherine Innes Ker was Senior Independent Director until 17 November 2015. Roger McDowell was appointed Senior Independent Director from this date.

Non-executive directors should constructively challenge and help develop proposals on strategy. They should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They have a prime role in appointing and, where necessary removing executive directors, and in succession planning.

Our governance structure

Our Board

The Board exercises full control over the Group. The Board maintains a formal schedule of matters reserved for its decision making. Its responsibilities include strategy and management of performance, acquisitions, capital expenditure, safeguarding the Group's assets and succession planning.

The actual results of the Group and a summary of operating unit performance are reported to all members of the Board. Executive members of the Board meet frequently on a formal basis with divisional management, to review business performance and discuss operational and strategic issues. Key points from these interactions are discussed at Group Board meetings.

Committee oversight

The Board has established three committees – the Audit Committee, Nomination Committee and Remuneration Committee – to deal with matters in accordance with written terms of reference. These terms of reference are subject to an annual review that ensures the committees continue to follow best practice.

Chairmen of the Board committees will be available to answer questions at the 2016 AGM.

Terms of reference for the Audit, Nomination and Remuneration Committees are available on our website, www.tribalgroup.com, and on request from the Company Secretary. The will be available at the forthcoming AGM.

Audit Committee

Oversees the Group's financial reporting and internal controls, and their effectiveness and risk management processes. It also oversees the external audit process.

Nominations Committee

Deals with appointments to the Board, monitors potential conflicts of interest, and reviews the independence of the non-executive Directors.

Remuneration Committee

Sets the remuneration of the Directors, including basic salary, bonuses and other incentive payments and awards. It also ratifies policy proposals in respect of the remuneration of senior executives within the Group.

Management

Executive Board

The Executive Board is led by the Chief Executive, and oversees the Group's operational and financial performance. It is responsible for day-to-day management decisions in line with the Group's strategy. The Executive Board also considers succession planning and talent management.

During 2015, the Executive Board comprised the Chief Executive, the Group Finance Director, the Managing Directors of each Group division, plus the Market Development Director and Human Resources Director. The Executive Board typically meets monthly, but the members interact frequently in the normal course of their roles.

Management committees

Health and Safety Committee

The committee comprises Tribal employees from across our business, and a consultant from our external Health and Safety advisors. It meets quarterly and reports to the CEO. It has authority, delegated from the Board, to ensure business units and employees comply with all aspects of Health and Safety legislation, and to implement best practice in this area in the UK and overseas.

Anti-Bribery Committee

The committee ensures the the Group and its employees comply with the terms of the Bribery Act, particularly as the business encounters different business environments as it expands into new territories. The committee is chaired by our General Legal Counsel and includes the CEO and the Managing Directors of business streams. Its remit is to implement procedures for all staff and associated organisations in their dealings with customers and third parties throughout the world, and to ensure that appropriate training throughout the business.

Information Governance Committee

The committee is responsible for establishing information security policies and procedures (including cyber security) across the Group, and ensuring compliance with those policies. The committee ensures that Tribal remains compliant with current and future legislation relevant to information security, reviews security risks including those identified by the site-by-site based security forums (ISO27001), and how the business manages those risks.

Corporate Governance continued

Governance framework

This report explains the Group's governance structure, setting out how the principles of the Code (which is available on the website of the Financial Reporting Council) have been applied during 2015. A full description of the matters reserved for the Board, together with other documents relating to the Group's governance, is available on our website.

Compliance statement

The Group is committed to the principles of corporate governance contained in the UK Corporate Governance Code that was issued in September 2014 by the Financial Reporting Council ('the Code') for which the board is accountable to shareholders.

During the year ended 31 December 2015 the Group has been in compliance with the provisions set out in the 2014 UK Corporate Governance Code.

The Board

Alongside the matters formally reserved for Board consideration, the key areas of focus for the Board during 2015 were as follows:

- Undertaking a search for a new CEO, as well as ensuring continuity by appointing an interim CEO during that search.
- Reviewing, challenging and approving the budget for the year ending 31 December 2016.
- Monitoring trading performance throughout the year, and considering the impact of the evolving forecast outturn for the year in the context of market expectations and bank covenant requirements.
- Considering the most appropriate approach to recapitalisation of the Group in light of the challenges faced by the Group in the second half of the year.
- Monitoring the key risks affecting the business, and the sufficiency of mitigating controls and actions to address those risks, including the response to the challenges the business faced as a result of poor trading performance and weak cash flow during the second half of the year.
- Considering the strategic challenges facing the business, and potential strategies for the future development of the business.
- Considering the commercial and operational aspects of major contracts and new business opportunities as they arose. This particularly included monitoring progress on the SALM and TAFE Queensland contracts, and considering and approving the renegotiation of the SALM contract.
- Reviewing the Group's exploration of business opportunities in the North American market, including the evaluation of potential collaborations, and the decision to terminate those potential collaborations.
- Post-acquisition reviews regarding the acquisitions of i-graduate, Sky Software and Human Edge.
- Considering, challenging and approving the acquisition of Callista.
- Reviewing the appropriateness of the Group's dividend policy, and its approach to investor engagement and ongoing investor relations.
- Considering the results of our customer and staff surveys, and plans to address the issues identified.
- Reviewing the effectiveness of the Group's key governance arrangements covering risk management and risk appetite, health and safety, anti-bribery, and ethics and information security, plus reviewing our corporate responsibility and sustainability policies.
- Continuing to evaluate the Board's performance, and ways to improve it.

Board composition and diversity

We seek to ensure the Board's composition is balanced, with executive and non-executive Directors bringing a range of skills and experience to the table, including building smaller public and private company businesses, operating larger public companies, hands-on financial and operational experience in technology and other businesses, and strategy development and implementation. Biographies of the Directors are on page 46, and details of Board attendance are set out later in this report.

Gender balance (number of female Board members)	Expertise in software and related technologies	Experience of working directly in service delivery	Experience of international markets	Expertise in financial management and reporting	Expertise in investment and financial markets
0 of 5	4 of 5	5 of 5	5 of 5	3 of 5	4 of 5

Directors are appointed by the Board as a whole, based on recommendations from the Nomination Committee. The non-executive Directors and the Chairman were initially appointed for a three-year term, subject to re-election by shareholders at each Annual General Meeting. Executive Directors have a service contract with a notice period no greater than 12 months. Details of all payments to Directors are included in the Remuneration Report on pages 61 to 73. The terms and conditions of all Directors are available on request from the Company Secretary and will be available at the forthcoming AGM.

The Chairman, Richard Last, has other significant time commitments. Overall, these do not affect his ability to devote sufficient time to the Group's activities.

The Companies Act imposes a statutory duty on Directors to avoid conflicts of interest with the Company. The Company's Articles of Association, adopted in May 2010, allow the Directors to authorise conflicts of interest, and the Board has adopted a policy and effective procedures for managing and, where appropriate, approving conflicts or potential conflicts of interest. This is a recurring agenda item at all Board meetings and gives each Director the opportunity to raise any conflict of interest they may have, or to update the Board on any change to a conflict of interest already lodged. A register of conflicts is held by the Company Secretary, and referred to when decisions are made. All Directors are aware that it is their responsibility to raise and update any conflicts of interest they may have.

Non-executive director independence

The Board considers the independence of the non-executive Directors at least annually, along with their length of service, character, commitment and performance in their roles with Tribal. The Board considers its non-executive Directors as independent, as defined by the Code. The Chairman was considered independent on appointment, and the Senior Independent Director is Roger McDowell.

Non-executive Directors meet at least once a year without the executive Directors present.

Nomination committee

The Committee deals with appointments to the Board, monitors potential conflicts of interest, and reviews the independence of the non-executive Directors annually. The Committee is responsible for proposing candidates for appointment to the Board, taking into consideration the Board's balance and structure. Candidates suitable for non-executive roles are, where appropriate, identified with assistance from external recruitment consultancies. The appointments of Richard Last, Roger McDowell and Duncan Lewis to the board during 2015 followed an established process, and were supported by Spencer Stuart, a leading adviser in the recruitment of non-executive directors.

Director election and re-election

Each Director is required to submit to re-election annually at the AGM. All Directors were re-elected at the 2015 AGM on 16 May 2015. As announced on 17 November 2015, John Ormerod announced his intention to step down from the Board at 31 December 2015. On 17 November 2015, Mr Ormerod resigned as Chairman, and Richard Last was appointed as Chairman, while Katherine Innes Ker resigned from the Board, and Roger McDowell was appointed as a non-executive Director, chairman of the Remuneration Committee and Senior Independent Director. On 31 December 2015, Robin Crewe resigned from the Board.

Corporate Governance continued

Board evaluation and effectiveness

The effectiveness of the Board and its committees is assessed annually.

A review in December 2014 was conducted using in-house legal counsel, and so did not constitute an external Board effectiveness review. It focused on a number of areas, including those concerned with best practice based on the principles of good governance, and comprised a series of one-to-one interviews. The results were reported to the Board in on 18 December 2014. Interviews focused on:

- how the Board functions;
- the Board's effectiveness and expertise in key areas of responsibility, including strategy, operational oversight and succession planning;
- the relationship between members of the board, including specifically that of the Chairman and the Chief Executive, the Group Finance Director and the Audit Committee chair, and the executive and non-executive Directors; and
- the quality of papers and presentations.

Alongside this process, the Chairman assessed the Chief Executive's performance, and the executive and non-executive Directors – led by the Senior Independent Director – assessed the Chairman's performance. The Chairman reviewed the non-executive Directors' performance, taking into account other Directors' views. The approach taken in respect of the Audit Committee is set out in the Audit Committee report.

The Board effectiveness review which was scheduled to be undertaken at the end of 2015 was postponed due to the changes in the Board. It was considered that the incoming directors had little or no exposure to the workings of the Board at that time and could not therefore properly comment. It was therefore agreed to postpone the review until the second quarter of 2016.

The Board concluded that the Board and its committees continue to operate effectively, but that certain areas could be improved. The key elements for improvement are set out below, together with actions to address these during 2016.

Area for improvement	Action arising
A greater number of managers and leaders from within the business should be invited to present to or attend Board meetings, which would assist the Board to better understand the operational and strategic challenges facing the business as well as offering executives greater insight and exposure to the board's considerations	There was greater attendance by managers and directors in 2015.
The Board should continue to explore potential further appointments to the Board to extend the collective expertise of the Board in key areas such as technology and education.	Duncan Lewis was appointed to the Board in June 2015, enhancing the Board's knowledge of software and technology activities and wider public company management.
Board packs could improve further, with greater emphasis on signposting those key items which merited highest priority in the Board's considerations and discussion.	Board packs continue to be kept under review with more specific signposting of priority matters.
The strategic direction of the business should be challenged and explored more frequently, reflecting pace of change in Tribal's markets.	The Group's strategy plan (which was communicated to shareholders in March 2015) was reviewed in detail during the year under the leadership of the Interim Chief Executive. The new Chief Executive will undertake a further review upon commencement of his duties.

Board and committee meeting attendance

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings in period	16	4	7	5
Number of meetings attended by members:				
John Ormerod (1)	15	3	3	5
Richard Last (2)	2	1	–	–
Keith Evans (3)	4	–	–	–
Steve Breach (4)	16	–	–	–
Katherine Innes Ker (5)	13	3	7	5
David Egan	15	4	7	5
Duncan Lewis (6)	9	–	3	1
Roger McDowell (7)	2	1	–	–
Robin Crewe (8)	14	–	7	5

(1) John Ormerod stepped down as Chairman on 17 November 2015 and resigned from the Board on 31 December 2015.

(2) Richard Last joined the Board on 17 November 2015.

(3) Keith Evans stepped down from the Board on 30 June 2015. He attended two Audit Committee meetings, two Nomination Committee meetings and one Remuneration Committee meeting by invitation.

(4) Steve Breach attended four Audit Committee meetings, and one Nomination Committee meeting by invitation.

(5) Katherine Innes Ker stepped down from the Board on 17 November 2015.

(6) Duncan Lewis joined the Board on 8 June 2015.

(7) Roger McDowell joined the Board on 17 November 2015.

(8) Robin Crewe resigned as Director on 31 December 2015.

Related party transactions

The Group recognises that certain relationships can constitute potential or actual conflicts of interest and may give rise to concerns as to whether transactions associated with those relationships are consistent with the best interests of Tribal or its stakeholders. In order to manage and disclose such transactions, the Group has a policy in place with which it requires its Directors and employees to comply. In addition, where a transaction is not a related party transaction, consideration must also be given as to whether or not the transaction needs to be approved in accordance with Tribal's Conflicts of Interest policy. Disclosure is given in this Report to those transactions arising in the period which are considered to be related party transactions (see notes 35 and 37 to the Financial Statements).

Shareholder relations

The Chief Executive and Group Finance Director are the Group's principal spokesmen with investors, analysts, fund managers, the press and other interested parties. Access to the Chairman, Senior Independent Director and other non-executive Directors is available if required.

The Chairman and other non-executive Directors met with principal shareholders on a number of occasions in the period. The Board is kept informed about shareholder relations and, in particular, the Senior Independent Director is kept informed of major shareholders' views. This is achieved by a combination of reports to the Board on meetings held, and feedback from the Group's advisers. An investor perception survey was conducted using an external adviser during the year, aimed at understanding investors' views in further detail.

The Group holds briefing meetings with analysts and institutional shareholders, usually following the half-year and final results announcements, to ensure the investment community receives a balanced and complete view of the Group's performance, and the issues the business faces. The Group provides financial statements to all shareholders when its half year and full year results are announced, and provides trading updates and other announcements as required. These results, and all other Stock Exchange announcement information, are available on the Group's website www.tribalgroup.com. All Directors attend the AGM, and private investors are also encouraged to participate in the meeting.

Fair, balanced and understandable information

The Board has taken care to ensure that the Group's Annual Report is fair, balanced and understandable. The Audit Committee has undertaken a careful review of the key events and trends during the year ending 31 December 2015, and has examined the way matters have been presented in the Annual Report. The Audit Committee has reported its findings to the Board.

Each of the Directors considers the Annual Report to be fair, balanced and understandable, and that it provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Audit Committee

Tribal has faced a number of significant operational and financial challenges during 2015. Changes in the scope and timetables of major software contracts in Australia and weak overall sales performance held back financial performance. This led to a number of difficult financial accounting judgements. Although weak financial performance allied to increased debt means the Group is now focussed on strengthening its balance sheet, Tribal's systems and internal controls have continued to develop in this challenging year.

David Egan
Chairman of the Audit Committee

The Audit Committee is appointed by the Board from the non-executive Directors of the Company. Its terms of reference are set out on our website. The Committee is chaired by David Egan. Katherine Innes Ker and John Ormerod were members of the Committee during the year until they stepped down from the Board; both Duncan Lewis and Roger McDowell became a member of the committee in the year. The Group Finance Director attends all meetings at the invitation of the Committee. The Chief Executive, Chairman (with effect from August 2015), the Group Risk Manager, the lead internal auditor and the external auditor also attend by invitation.

Overview of the actions taken by the Audit Committee to discharge its duties

The audit committee met four times during the year ended 31 December 2015. The key areas of business covered at those meetings were as follows.

Meeting date	Main activities
March 2015	Reviewed the December 2014 annual report and financial statements, including receiving detailed reports from the external auditors, tax advisers and management on the key accounting judgements which had been made in the preparation of the financial statements
	Reviewed the effectiveness of the Group's internal controls and approach to risk management during 2014, reviewed a progress report on work to manage cyber risk, and reviewed the Group's approach to monitoring the effectiveness of internal controls and risk management during 2015
May 2015	Reviewed the basis on which the May 2015 interim management statement was prepared
	Considered the effectiveness of the external audit in relation to the work undertaken by Deloitte for the year ended 31 December 2014
	Reviewed and considered progress against the roadmap for continued development of the finance department and the related accounting system upgrade
	Considered the Group's revenue recognition policy, including the impact of IFRS 15 and the Group's preparatory work for transition to the new accounting standard
	Approved the internal audit work programme for 2015 and considered internal audit reports on cyber risk management, and internal control and risk management framework testing
August 2015	Reviewed the 2015 half year results, including receiving detailed reports from the external auditors and management on the key accounting judgements which had been made in the preparation of the half year financial statements
	Reviewed the Group's tax compliance position, including reviewing a report from the Group's tax adviser (KPMG)
	Reviewed an assessment of the Audit Committee's effectiveness and considered recommendations and an action plan to improve its effectiveness going forwards
December 2015	Reviewed and agreed the scope of the audit work to be undertaken by the external auditor for the year ending 31 December 2015, and agreed the fees to be paid for this work
	Undertook an early review of key accounting judgement areas expected to be relevant to the full year results
	Reviewed and approved an update of the Group's risk management policy
	Considered internal audit reports including work on internal control assessment

As part of the Audit Committee's review of the full year and half year financial statements, careful consideration was given to the following key areas of accounting judgement.

Matter considered	Action	Outcome
Going concern and viability The Group has experienced a significant downturn in trading during 2015, and an associated increase in net debt. This led to the Company seeking a waiver of its bank covenant obligations at 31 December 2015, and a proposed Rights Issue and disposal of Synergy, the proceeds of which are intended to be used to reduce debt levels. If the Rights Issue and disposal do not proceed, the Group may need to take alternative actions to address its financing requirements. As at 31 December 2015, the Rights Issue and disposal are subject to shareholder approval, and therefore there remains material uncertainty that may cast a significant doubt over the Group's ability to continue as a going concern, and the ability of the Board to make a clear statement regarding the viability of the business.	The Committee considered carefully a report from management which set out the forecast trading and cash flow position of the Group over the next 24 months, potential reasonable worst case downside scenarios which may affect those forecasts, and the potential impact on the Group's ability to continue as a going concern. These forecasts were considered both with, and without the benefit of the new funds expected to be raised through the Rights Issue and disposal. The Committee also considered a report prepared by Deloitte, as reporting accountants in relation to the Rights Issue and disposal, which set out the results of Deloitte's review of management's forecasts. The Committee also took advice from the Group's broker in relation to levels of anticipated shareholder support in relation to the Rights Issue, and considered the basis of the underwriting arrangement which had been entered into with Investec. Furthermore, the Committee considered the potential alternative courses of action and sources of finance which may be available to the Group in the event that the Rights Issue and disposal do not proceed as anticipated.	The Committee concluded that it remained appropriate to adopt the going concern basis of accounting in preparing the financial statements due to the Board's current expectation in relation to the conclusion of the Rights Issue and disposal of Synergy, and the disclosure provided regarding the importance of and material uncertainties relating to shareholder approval of the Rights Issue and disposal. Furthermore, the Committee concluded that the viability statement was appropriate in the circumstances, and set out clearly the dependence on the success of the Rights Issue and disposal in the Board making this statement.
Revenue recognition The Group's operations include complex software delivery programmes and service activities. The delivery of complex contracts over a period of time, typically spanning more than one reporting period end and sometimes involving changes to the contracted requirements as the project progresses, can require judgements to be made in relation to the timing of revenue recognition, and accounting for multi-element arrangements including the delivery of software and services within those contracts.	The committee considered the key elements of revenue recognition during the year and the position in respect of contractual certainty. Management presented the results and methodology adopted in respect of applying the Group's revenue recognition policy, and the additional process and controls implemented in the second half of the year. In addition, key judgements made in respect of customer contracts were highlighted to the Committee, with detailed supporting papers available where required. Key judgements highlighted to the Committee included careful consideration of the ongoing status of key customer programmes, including major software delivery programmes in Australia and elsewhere. Particular consideration was given to the TAFE Queensland and SALM contracts, which have been subject to significant change and operational challenges during the period. In the case of TAFE Queensland, the current status of contracted delivery and the ongoing contract renegotiation were considered. Detailed consideration was also given to the existence of clauses which may give customers the ability to terminate "for convenience", and the treatment of revenue recognition in relation to contracts which contain this type of clause. The auditors reviewed the approach to revenue recognition, and challenged the basis of key assumptions, the fair value of parts of multi-element contract arrangements, and the recoverability of amounts receivable on these contracts.	It was concluded that the judgements taken by management in revenue recognition and related matters were appropriate.

Audit Committee continued

Matter considered	Action	Outcome
Goodwill impairment testing The Group's goodwill balances are material. There have been no material additions to goodwill in the period but the challenges faced by the business in the latter part of 2015 impact future cashflow forecasts. Judgements relating to impairment of goodwill relate principally to the achievability of the cash flow forecast in each CGU, and the key modelling assumptions underlying the valuation.	The committee received a detailed report from management setting out the assumptions made in relation to business planning and key modelling assumptions including budgeted and projected financial performance and discount rates. The modelling assumptions were based on the budget plans overlaid with latest forecast assumptions and taking into account key operational risks. Forecast cashflows have been approved by the Board. Careful attention was also given to the impact of the expiry of Careers Advice and Guidance contract and the closure of the Specialist Learning Solutions business on the carrying value of goodwill associated with the Professional & Business Solutions segment. Similarly, careful consideration was given to the impact of the expiry of the Ofsted inspection contracts on the carrying value of goodwill associated with the Quality Assurance Solutions segment. The discount rate was based on work undertaken by an external expert adviser in relation to the Group's weighted average cost of capital, and the level of risk premium that would be appropriate. Particularly careful consideration was given to the basis of testing where headroom against the carrying value was low, and where impairment charges have been booked. The adequacy of disclosure was also reviewed, including an assessment of the disclosure of sensitivity analysis applied in the impairment testing process. Deloitte provided a report to the committee on the results of its work in this area, including its consideration of sensitivity testing around the assumptions made by management.	The committee concluded that the impairment charges recorded in the period were appropriate.
Capitalised product development cost impairment testing Product development costs are capitalised where the investment expenditure meets the criteria of IAS38. The recoverability of the investments made is determined by future cashflows which are expected to flow from the investment, and judgement is required in relation to these inherently uncertain future cash flow forecasts.	The committee received a report from management which set out the areas in which investment in product development have been made in the year and in prior periods in relation to the Group's product portfolio, and areas where the Group's future plans may place more or less emphasis on each product. Reviews were undertaken of the capitalised amounts and the underlying asset created, current business plans and the impact of recent trading performance. Operational risks created by ongoing major contract delivery / scope variations were also considered. Future revenues which were expected to be generated from the relevant asset and the product roadmaps for the software products concerned were examined. Trigger events for driving potential impairment charges were considered in detail (see also Note 15 to the financial statements). Where impairment charges have been made in the period as a result of the testing described above, management reported on reasons for the impairment of the related assets' carrying values.	The committee concluded that the carrying value of capitalised product development costs at 31 December 2015 was necessary and appropriate, and that the disclosure of the circumstances leading to impairments was appropriate.
Adjusted profit measures and other items During the course of the year, certain items have been identified as being exceptional in nature. The Group seeks to present clearly the results of its ongoing business, where appropriate to identify separately items which do not relate to the underlying earnings of the Group, through the use of an adjusted profit measure, which excludes certain items.	A detailed policy framework is in place which sets out the basis of the adjusted profit measures which would be used in the Group's financial reporting. Management reported on items arising during the year where the policy framework applied. The committee carefully considered these items, and the completeness of these items.	It was concluded that the presentation of the Group's adjusted profit measures was appropriate, and that reasonable prominence and explanation had been provided in relation to items that were outside the adjusted profit measures.

Maintenance of a system of internal control

The Board is committed to protecting Tribal's reputation and assets, and safeguarding the interests of our shareholders. The Group operates a system of internal control, focused on maintaining a control-conscious culture across the Group while allowing each division sufficient autonomy to manage and develop the business.

Oversight by the Board and its Committees

Board of Directors

Maintains overall responsibility for the Group's system of internal controls and reviews the effectiveness of the internal control framework annually

Board

Sets risk appetite, approves relevant policies and delegates responsibilities

Audit Committee

Receives reports from specialists and reviews the effectiveness of internal controls over financial reporting and risk management processes

Also reviews the effectiveness of the external audit process, including the external auditors' performance and management's interaction with them, adopting guidance from the ICAEW as good practice in this review process

Top down establishment of the control environment

Bottom up assessment by process owners, and regular monitoring and actions

Risk management

Designs and implements risk management policies, working with the Board, and reviews and assesses risk information and risk processes throughout the business

External audit

Develops and executes an audit plan based on a careful risk assessment

Internal audit

Undertakes a rolling programme, examining key areas of risk in the business covering operational and financial matters

Ethics and compliance management

Designs and implements anti-bribery and anti-corruption policies and procedures, including whistle-blowing procedures, and promotes ethical behaviour throughout the business

Board and process owners, supported by specialists

Audit Committee continued

In establishing and reviewing the system of internal control, the Directors have regard to the materiality of relevant risks, the risk appetite of the Group, the likelihood of a loss being incurred and the costs of control.

Review of internal controls

The Directors review the effectiveness of the Group's system of internal controls, and in turn this review of the effectiveness of the internal controls is monitored by the Audit Committee. The Group's assessment includes a review of the major financial and non-financial risks to the business and the corresponding internal controls, and consideration of assurance evidence available from work undertaken by management, and that through internal and external audit activity. The output is regularly reviewed by the executive Directors, to enhance further the internal control and risk management culture of the Group throughout its subsidiaries.

Internal control efficacy during 2015

The Group's system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established a programme to monitor and review the effectiveness of material internal controls and risk management systems during the year through a process of self-evaluation, tested through subsequent challenge and review by the Group's internal audit function.

The majority of the controls operated as intended during the year. In order to address the challenges faced by the Group during 2015, as set out in the Business Review, additional controls were implemented during the year and further control enhancements are in progress. The Directors consider that the following matters constitute significant weaknesses within the control environment and are taking actions to remedy these:

Forecasting accuracy

Issue: the nature of Tribal's current business, which typically includes a number of individually significant new customer software contracts, alongside a small number of large software delivery contracts, means that it is inherently difficult to forecast over the short term as the timing of contract sign off and customer programme milestones may change outside the Group's control.

Action: Steps are being taken to seek to improve forecasting processes in 2016, particularly with regard to timing and value of sales pipeline and opportunities. Increased management scrutiny is focussed on weighted probability of pipeline materialising, and ensuring appropriate contingency is allowed for completion of deals. Feedback is provided across the Group on forecasting accuracy, with root cause analysis performed to understand the key drivers affecting variances, to embed the understanding in future forecasting by management and to the Board.

Sales governance and contract management

Issue: Challenges have arisen in relation to the Group's sales governance and project management processes and controls; these are designed to ensure new business opportunities are entered into on an appropriate commercial basis, together with subsequent delivery of the contracted obligations on an effective basis.

Action: More robust approval processes have been embedded earlier in the sales cycle, in order to ensure that senior review and challenge to contract terms feed into the sales process earlier to better influence commercial outcomes. In addition, improved systems have been put in place to monitor contract progress and delivery; monthly Programme Management Office (PMO) meetings are held to review risks across the Group's contract portfolio and to ensure appropriate mitigating actions are put in place on a timely basis. This review has been led by the Interim Chief Executive. In addition, the implementation of a project management system is designed to improve transparency and reporting over the progress and work to completion across the Implementation division.

Changes and delivery challenges in major customer contracts have continued to create difficult judgements in relation to revenue recognition on those contracts affected. Improvements have been made to the controls around revenue recognition, to better address some of the challenges experienced. Such improvements include revision of and guidance in the use of the Group's revenue recognition policy, which includes the preparation of detailed revenue recognition analysis papers for all new contracts with a total value of at least £200,000.

Responsibilities and authority structure

The Board has overall responsibility for making strategic decisions and there is a written schedule of matters reserved for the Board. An organisational structure is in place within which the business can be planned, controlled and monitored. A flat reporting structure is maintained across the Group, with clearly defined responsibilities for operational and financial management. This structure includes appropriate written delegation of authority, physical controls and procedures such as authorisation limits and segregation of duties. Access controls exist where processes have been automated to ensure the security of data.

Divisional management regularly reviews their responsibilities and compliance with the Group's policies and procedures. Formal letters of assurance are required periodically from executive management, at divisional and Board level, confirming compliance with controls and policies in the business and explaining exceptions where they occur. The Group's senior executives, including the executive Directors, meet regularly to discuss day-to-day operational matters.

Risk management

The executive Directors review risk management action plans on a regular basis, to ensure that the Board's plans for improvement are being implemented and that the outputs of strategic risk assessments remain relevant to the Group. The action plans and their ongoing review form a process for identifying, evaluating and managing risks faced by the Group. Further explanation of our risk management framework is set out on pages 23 to 33. The effectiveness of the risk management function is monitored by the Audit Committee.

Internal audit

The Group has an internal audit function, which for 2015 was co-resourced by an in-house team and an outsourced arrangement with RSM International. Internal Audit reports jointly to the Chairman of the Audit Committee and the Group Finance Director. The Board, acting through the Audit Committee, has directed the work of the internal audit function towards those areas of the business that are considered to be of higher risk. The Audit Committee approves a rolling audit programme, ensuring that significant areas of the business are independently reviewed over a suitable period. The programme and the findings of the reviews are reviewed periodically to ensure that they take account of the latest information and in particular the results of monitoring the efficacy of internal controls and risk management procedures and any shifts in the focus areas of the various businesses. The effectiveness of the internal audit function is reviewed annually by the Audit Committee.

Planning and reporting processes

A three-year strategic plan is prepared or updated annually and reviewed by the Board. A detailed budgetary process is completed annually and is subject to the approval of the Board. Performance is monitored through a detailed financial and management reporting system, by which monthly results are compared to budgets, the previous year and the agreed targets, and reforecasts are prepared regularly. The results and explanations for variances are regularly and routinely reported to the Board, and appropriate action is taken where variances arise.

The finance function is responsible for ensuring the appropriate maintenance of financial records and processes that ensure that financial information is relevant, reliable, in accordance with the applicable laws and regulations, and distributed both internally and externally in a timely manner. All financial information published by the Group is subject to review by the Audit Committee.

Capital expenditure and investments

Procedures exist and authority levels are documented to ensure that capital expenditure is properly assessed and authorised. Major investment projects are subject to approval by the Board, and Board input and approval is sought for all merger and acquisition proposals.

Centralised treasury function

The Board reviews regularly key treasury policies over matters such as borrowing arrangements and foreign exchange exposure management. All cash payments and receipts are managed by the central finance function. Management of liquidity and borrowing facilities for capital expenditure and working capital needs is undertaken by the Group Finance Director, with regular reporting to the Board.

Quality and integrity of staff

Rigorous recruitment procedures are in place to ensure that new employees are of a suitable calibre. Management regularly monitors training requirements and ongoing appraisal procedures are in place, to ensure that required standards are maintained.

Business ethics

The Group has a robust business ethics policy; should an employee be found in breach of the policy, appropriate disciplinary actions are applied. Part of this policy is the Company's whistleblowing procedure, where concerns of wrong-doing can be reported.

The external auditor

The external auditor meets privately with the Audit Committee before key meetings of the Committee without executive management being present. The issue of auditor independence is taken very seriously. To fulfil its responsibility regarding the independence of the external auditor, the Audit Committee reviewed:

- the external auditor's plan for the current year, noting the role of the senior statutory audit partner who signs the audit report;
- the arrangements for day-to-day management of the audit relationship;
- a report from the external auditor describing its arrangements to identify, report and manage any conflicts of interest;
- the extent of non-audit services provided by the external auditor (details of non-audit fees are set out in note 5 of the financial statements); and
- the past service of the auditor, who was first appointed in 2002.

Audit Committee continued

The Audit Committee is aware of guidance regarding mandatory tendering of the external audit appointment applicable to FTSE 350 companies and EU proposals regarding mandatory firm rotation. We believe in the merit of audit tendering, and will undertake a re-tendering of the audit when the time is right for the business, most likely before the end of 2017, and when such a re-tender process does not conflict with strategically important activities elsewhere in the business.

To assess the effectiveness of the external auditor's independence and objectivity, a detailed appraisal was undertaken during the first half of 2015, following the completion of the audit for the year ended 31 December 2014. This process considered areas of strength, or areas for improvement, across the breadth of the auditors' activities. As part of its assessment, the Audit Committee considered:

- the arrangements for ensuring the external auditor's independence and objectivity;
- the external auditor's fulfilment of the agreed audit plan, its approach to planning and execution of the plan, and any variations from the plan;
- the role of management in the audit process;
- the quality of communications between the auditor and the Audit Committee
- the robustness and perceptiveness of the auditor in its handling of the key accounting and audit judgements, and also of the auditor's insights and added value;
- the content of the external auditor's reporting on internal control; and
- the reports of the Financial Reporting Council's Audit Quality Review team on Deloitte.

Following the above, the Audit Committee has recommended to the Board that Deloitte LLP is reappointed.

Level of non-audit fees

The Audit Committee has adopted a policy for approving the award of non-audit work to the external auditor, so as to ensure that the auditor's independence is not jeopardised. In applying this policy, the Audit Committee is aware of the views of certain shareholder representative groups that non-audit fees should not exceed the audit fee.

The Committee regularly monitors the other services being provided to the Group by its external auditor, and has established a formal policy to ensure that this does not impair their independence or objectivity. The policy is based on the five key principles which underpin the provision of other services by the external auditor. These are that the auditor may not provide a service which:

- places it in a position to audit its own work;
- creates a mutuality of interest;
- results in the auditor developing close personal relationships with Tribal employees;
- results in the auditor functioning as a manager or employee of Tribal; or
- puts the auditor in the role of advocate for Tribal.

The Committee pre-approves the categories of other services that may be performed by the external auditor, with value up to £50,000 which may be approved by the Group Finance Director. Services above this amount must be approved by the Audit Committee. The policy also sets out the categories of work that the external auditor may not perform. The auditor is eligible for selection to provide non-audit services only to the extent that their skills and experience make them a competitive and most appropriate supplier of these services.

During 2015, other assurance – related fees payable to the external auditors were £47,000, representing 20% of the audit fee for the period and arising entirely from their review of the Half Year results. There were no non-audit fees payable to the external auditors in the period. The auditors have provided services in relation to the Rights Issue and disposal of Synergy during 2016 in their role as Reporting Accountants, and non-audit fees arising in this regard will be disclosed in next year's report. The independence of the auditor is safeguarded by using an independent team.

Approval on behalf of the Audit Committee

David Egan
Chair, Audit Committee

Remuneration Committee

Following a difficult 2015, it is clear there was a disconnect in our incentive policies. Going forward into 2016, to ensure more effective alignment between the interests of shareholders and executive management, we will be instigating a full review of our remuneration policies.

Roger McDowell
Chairman of the Remuneration Committee

INFORMATION NOT SUBJECT TO AUDIT

Annual Statement by Chair of the Remuneration Committee

Having been Chairman of the remuneration committee for only six weeks prior to the year end, I am presenting this report to shareholders without having had any prior involvement in the work of the committee.

Although the remuneration policy is not subject to shareholder vote this year, following its approval at the 2014 AGM, we have re-presented the Policy Report as part of our commitment to transparency and for ease of reading.

The purpose of the work of the remuneration committee is to establish a framework that will retain, reward and motivate executive management whilst aligning their interests with those of shareholders. Whilst the existing policies of Tribal would appear to support these aims, it is clear that in 2015 there was a disconnect. Therefore, I will be instigating a full review of our policy during the coming year.

Key reward outcomes for 2015

2015 has been a challenging year for Tribal, with difficult trading conditions resulting in lower revenues than the prior year and operating profits below our expectations. In light of this performance no annual bonuses were earned in relation to the adjusted operating measure.

Director Changes

Keith Evans stepped down from the Board and his role as Chief Executive effective 30 June 2015, however, he remained an employee of the Group until 31 December 2015. Rob Garner, Managing Director of Tribal's Management Systems and Solutions business, agreed to assume the role of Interim Chief Executive on 1 July 2015.

In addition, there have been a number of changes to the board. Richard Last joined the Company as Non-Executive Director and Chairman in November 2015 following the resignation of John Ormerod who stepped down having served as chairman for over five years. Katherine Innes Ker, who had been a Non-Executive Director for the Company for seven years, stepped down from the Board as Senior Independent Director and Chair of the Remuneration Committee in November 2015, and on my appointment in November 2015 I assumed both roles. Robin Crewe stepped down in December 2015 after three years on the Board.

Material changes in policy for 2016

There were no material changes to policy during the year.

The committee and I look forward to engaging with shareholders and welcome feedback.

Remuneration Committee continued

Directors' Remuneration Report

The Remuneration report has been prepared in accordance with the Companies Act 2006 (the Act). The Act requires the auditor to report to the Company's members on certain parts of the Directors' Remuneration report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Act. The sections of the report which have been subject to audit have been highlighted. The report also meets the relevant requirements of the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles relating to Directors' remuneration in the UK Corporate Governance Assessment Parameter").

The full Directors' remuneration policy approved for three years from the date of the 2014 AGM is shown below for ease of reference, updated with minor changes. However, a shareholder vote on the remuneration policy is not required except as set out below. The original version of the report is set out in the 2014 Annual Report, which is available on the Group's website (www.tribalgroup.com). The Annual Remuneration Report set out on pages 66 to 73, will be put to an advisory shareholder vote at the 2016 AGM.

A shareholder vote will be required in relation to a change in the policy in respect of the ability of certain non-executive directors to participate in share-based incentives. Details of the proposed change will be provided to shareholders in the requisite circular prior to the vote. There are no other changes to policy previously approved.

Remuneration policy

The table below details each element of pay and demonstrates how the remuneration policy is linked to overall Group strategy.

Element of Pay	Purpose and link to Strategy	Operation including maximum	Performance Criteria
Salary	To attract and retain high-quality individuals with the appropriate skills, experience, and knowledge, while also recognising their on-going performance.	Salaries are reviewed annually or when an individual changes position or responsibility. Salaries for the current year are set out on page 68. Any salary increases are not expected to be above those of the general workforce, except if there has been a substantial change to the size and complexity of the role or a change in responsibilities. The Committee will also consider the skills and experience of the individual, and their on-going performance, when deciding upon any changes to basic salary.	Assessment of personal and corporate performance.
Benefits	To provide a range of cost-effective benefits which are typical market practice.	The main benefits provided include a car allowance, permanent health cover, private medical insurance and a death in service benefit of four times salary. The Committee may wish to introduce other benefit provisions, which are offered to the wider workforce from time to time. There is no prescribed maximum as the value of benefit provisions may vary year on year.	None.
Pension	To provide cost-effective long-term retirement benefits which are aligned with market practice.	Contributions of 15% of salary are paid to executive directors. An equivalent cash supplement may be paid to an individual if the annual or lifetime allowance has been met or exceeded.	None.

Element of Pay	Purpose and link to Strategy	Operation including maximum	Performance Criteria
Annual Bonus	To incentivise and reward for the achievement of in-year objectives, which are linked to the Group's KPIs.	An annual cash bonus is payable up to a maximum of 125% of salary for the Chief Executive, and 100% of salary for the Group Finance Director, subject to the achievement of performance targets. No more than 60% of the maximum bonus would pay out for on-target levels of performance. The pay-out for threshold levels of performance will vary depending on the measure used. In all cases, bonus payments are subject to the overriding discretion of the Remuneration Committee.	Targets are set to provide a suitably challenging initial target, with an incrementally stretching range above the threshold figure. The Committee reviews the performance measures and targets annually. The balance of performance measures will be weighted in favour of financial metrics such as operating profit, with a minority measured against non-financial performance objectives aligned to Group KPIs.
Long-term Incentives	To incentivise and reward for the achievement of long-term performance, which is aligned to the generation of shareholder value.	An annual grant of nil-cost options, which vest after three years subject to continued service and the achievement of performance conditions. The plan limit for an award in any year is 200% of base salary. The normal policy will be to grant 150% of base salary to the Chief Executive, and 125% to the Group Finance Director. Dividends which accrue on vested awards may be paid as cash, or treated as reinvested and paid in shares.	The Committee reviews the performance measures and targets annually. It is the Committee's intention to continue using an EPS growth target for future awards, but it retains the discretion to replace this measure or supplement it with additional performance conditions if appropriate. The Committee would consult with shareholders before the introduction of any new performance metrics. No more than 25% of the award would pay out for threshold levels of performance.
Shareholding requirement	To align interests with long-term shareholder value.	Executive directors are required to hold shares to the value of their base salary within no more than five years of appointment.	None.
All employee plans	To encourage broad-based employee shareholding in the Group.	The Share Incentive Plan (SIP) currently provides all employees with the opportunity to acquire shares in a tax-efficient manner up to £150 per month.	None.
Non-Executive Fees	To attract and retain non-executive directors with the required skills and experience.	Periodically reviewed, with the Chairman's fee set by the Committee and the non-executive directors' fee set by the wider Board. Fees are set based on the expected time commitments and responsibilities of each role. Any increases in fees may be greater than those awarded to the wider workforce in any particular year, due to the periodic nature of the review. Neither the Chairman nor the non-executive directors participate in any bonus scheme, share incentive scheme, pension scheme or receive any other benefits. However, note that this is subject to change, conditional upon shareholder approval, under which the Chairman and the Senior Independent Director may participate in certain share-based incentive arrangements.	None.

Remuneration Committee continued

Remuneration policy continued

The Committee operates the annual bonus plan and long-term incentive plans according to their respective rules, the Listing Rules and HMRC rules where relevant. To facilitate efficient operation and administration, the Committee retains a number of discretions, in line with standard practice, which include:

- the timing of awards and payments;
- the size of an award or payment;
- who is eligible to participate;
- the determination of whether the performance condition has been achieved;
- discretion relating to the measurement of performance in the event of a change of control or restructuring of the group;
- determining whether a participant is a good/bad leaver for incentive plan purposes;
- determining if any adjustments are required to awards to reflect certain capital structure changes (e.g. rights issues, corporate restructuring, events and special dividends); and
- the weightings, measures and targets for the annual bonus plan and LTIP from year to year.

The Committee also retains the discretion to make any necessary adjustments to existing performance measures and targets if an event occurs (e.g. a major acquisition or disposal) which causes it to believe the conditions as they stand no longer fulfil the original intended purpose, and the change would not be materially less difficult to satisfy.

Outstanding Awards

Existing long-term incentive awards made to executive directors are described on page 70. The Committee intends for these awards to vest on their original terms, subject to the relevant performance conditions and service requirements being met and subject to any amendments which are required as a result of the proposed Rights Issue and the disposal of Synergy.

The use of performance measures

Annual bonus targets will include financial measures which reflect the performance of the business and are directly linked to the Group's KPIs, and other measures based on individual non-financial strategic objectives. The balance between financial measures and non-financial strategic measures will be determined based on the priorities for that year.

Long-term incentive performance measures are chosen to be aligned to long-term shareholder value creation, whether that is through the use of financial measures such as earnings per share as used currently, or external relative measures.

Targets for financial measures are set using internal forecasts, to set challenging targets on a sliding scale. Only a small percentage of the incentive reward would be earned for threshold performance, with full reward requiring stretching outperformance.

Executive directors' service contracts

It is Group policy to set notice periods for executive directors of no more than 12 months. Copies of each director's service agreement will be available for inspection at the AGM. Executive's service contracts provide the Committee with the discretion to make a payment in lieu of notice, restricted to base salary only. This would be paid in monthly instalments or in a lump sum and would be subject to mitigation. Under certain conditions, outlined in the agreement, the executive directors' employment may be terminated with immediate effect, without notice or payment in lieu of notice. There are no enhanced provisions on a change of control.

Details of service agreements and notice periods are as follows:

Director	Effective date of contract	Expiry/retirement date	Notice period for both parties
Keith Evans [1]	26 October 2009	30 June 2015	12 months
Steve Breach	1 January 2010	Ongoing	12 months

1 Keith Evans resigned as Chief Executive Officer on 30 June 2015, although remained an employee until 31 December 2015

In the event of recruitment of a new executive director, a new contract would be based on terms consistent with these provisions.

Policy on payments for loss of office

The Committee aims to deal fairly with cases of termination, while attempting to limit compensation. As stated above, Executives' service contracts provide the Committee with the discretion to make a payment in lieu of notice limited to base salary. However, the Committee will retain the discretion to pay an annual bonus on a departure in certain circumstances but this would only be included under termination provisions to the extent they are pro-rated for time and performance prior to notice being served. No annual bonus would be payable for any period of notice not worked. The Committee will make payment for any statutory entitlements or to settle compromise claims that may arise following termination of employment.

The rules of the long-term incentive plan set out the treatment if a participant leaves employment prior to awards vesting. If the participant resigns, then awards would normally lapse on cessation of employment. If the participant is considered a good leaver (through death, retirement with the agreement of the employer, injury or disability, redundancy, employment being transferred outside the Group, or any other reason the Committee decides) then awards would normally vest on the normal vesting date (unless the Committee decides it should vest on cessation of employment) subject to the extent the performance conditions have been achieved and scaled back pro rata for the proportion of the service period completed (albeit that the Committee has discretion to disapply time pro-rating). In the event of a change of control, an award may vest early subject to the extent the performance conditions have been achieved and scaled back pro rata for service, although the Committee has the discretion to disapply time pro-rating.

Chairman and non-executive Directors

The terms for all non-executive directors, including the Chairman, are set out in letters of appointment.

Under the terms of their appointment, the non-executive directors have agreed to commit not less than 25 days per annum to their roles. If they are required to commit in excess of 25 days per annum, they may be entitled to an additional fee at a suitable pro rata rate per day.

As referred to earlier, Richard Last and Roger McDowell may benefit from a share incentive scheme which is subject to their purchase of a certain value of shares and other conditions. Details of this scheme are set out in the circular regarding the proposed Rights Issue and disposal of Synergy, and are subject to shareholder approval as the arrangements require amendment of the Group's remuneration policy.

Non-executive directors have a three-month notice period and no compensation or other benefits are payable other than the potential share-based incentives in respect of Richard Last and Roger McDowell. Details of their agreements and notice periods are as follows:

Name of director	Effective date of contract	Expiry/retirement date	Notice period for company (months)	Notice period for Directors (months)
R Last	17 November 2015	2016 AGM	–	–
K C M Innes Ker[1]	1 November 2008	17 November 2015	3	3
J Ormerod[2]	21 October 2009	31 December 2015	3	3
R Crewe	3 July 2012	31 December 2015	3	3
D Egan	1 April 2014	2016 AGM	3	3
D Lewis	8 June 2015	2016 AGM	3	3
R McDowell	17 November 2015	2016 AGM	3	3

1 Katherine Innes Ker stepped down from the Board on 17 November 2015

2 John Ormerod stepped down as Chairman on 17 November 2015, but remained as a Non-Executive Director until 31 December 2015

Remuneration Committee continued

Recruitment Policy

Any new executive director's remuneration package will be set in line with the policy approved by shareholders.

In arriving at a total package and in considering quantum for each element, the Committee will take into account the skills and experience of the candidate, the market rate for a candidate of that experience, and the importance of securing the preferred candidate. Ongoing annual bonus and LTIP awards will not exceed those of the former Chief Executive on an ongoing basis, with participation in the annual bonus plan and pro-rated for the year of joining. The Committee may wish to set alternative conditions for the annual bonus and LTIP awards in the first year of service, depending on the timing and nature of appointment.

For new appointments, base salary and total remuneration may be set initially below mid-market, and above-market increases may be awarded in subsequent years once expertise and performance have been proven and sustained, to ensure the executive is fairly and appropriately rewarded. The Committee may make additional cash and / or share based awards (on a one-off basis) as it deems appropriate to replace the value of entitlements forfeited by an executive on leaving a previous employer. Such awards would, insofar as is practicable, be consistent with the awards forfeited in terms of value, delivery mechanism (cash or shares), time-horizon for deferral, and whether or not they are subject to performance conditions. The Group's existing incentive schemes will be used, under the limits of the schemes. Awards may be granted outside these schemes in unusual circumstances and according to the Listing Rules. Other payments of a one-off nature may be made in relation to relocation and legal expenses. In the case of an internal appointment, any variable pay awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted if appropriate, to take into account the appointment.

Risk

The Committee is cognisant of the need for the remuneration policy to operate within an effective risk management system. The Committee reviews the various elements of remuneration on an annual basis, to ensure that they do not encourage any undue risk-taking by executive directors or senior management. When setting performance targets for variable components of remuneration, the Committee remains mindful of environmental, social and governance ("ESG") issues. The Committee does not believe that the current remuneration structure will encourage dysfunctional behaviours or would reward despite a negative ESG event.

Employment Conditions elsewhere in the Group

The Committee has not formally consulted with its employees on executive pay, but is aware of the pay and wider employment conditions within the Group. This information provides context when the Committee is setting executive director pay levels. In particular, the Committee will consider the salary increases which are being offered across the workforce, when determining base salary adjustments for the executive directors. The remuneration policy for the executive directors is generally consistent in terms of structure with that offered to other employees, but will be more heavily weighted towards performance-related pay. For other employees the quantum and weighting towards variable pay is determined by the skills, experience and market rates for the role. Wider employee share ownership is encouraged through the use of the SIP, but the use of LTIP awards is targeted at senior management who are most able to influence overall corporate performance.

Shareholder's Views

The Committee believes a transparent and constructive dialogue with our shareholders is important, and therefore seeks to consult with major investors when making significant changes to the policy. The Committee considers shareholder feedback received at the AGM and during meetings with investors throughout the year, and uses these views to help formulate the overall remuneration policy.

Annual Report on Remuneration

Remuneration Committee – composition and terms of reference

The Remuneration Committee is chaired by Roger McDowell. Richard Last, David Egan, John Ormerod and Robin Crewe were also members during the year. Katherine Innes Kerr was Chairman of the Committee until stepping down from the Board in November 2015. The Chief Executive attends by invitation. The Company Secretary & Group General Counsel acts as secretary to the Committee. The Committee operates in accordance with written terms of reference, which are determined by the Board and take account of best practice and the requirements of the Code. The terms of reference are available on our website, www.tribalgroup.com, or on request from the Company Secretary.

The Committee is responsible for setting the remuneration policy for the executive directors and the Chairman, and ensuring that the executive directors and other senior executives are fairly rewarded for their individual contribution to the overall performance of the Group. The Committee also establishes a framework for reward for the rest of the organisation, which supports individual and collective accountability, performance and success. The Committee is also responsible for the operation of all share-based incentive plans.

Remuneration Committee activity and main responsibilities

The Committee met on five occasions during the year and attendance is outlined on page 53. During the year, the Committee has taken independent advice from New Bridge Street ("NBS"), a trading name of Aon plc. NBS is a member of the Remuneration Consultants Group and has signed up to its Code of Conduct. Other than in relation to advice on remuneration and implementation of share incentive plans, NBS does not provide any other services to the Group. The terms of engagement with NBS are available from the Company Secretary on request. The Committee regularly reviews the relationship with its advisers and is satisfied that the advice it receives is impartial and objective. In the year under review, the total fees paid to NBS for services to the Committee were £19,648 (2014: £17,850).

Implementation of Remuneration Policy for 2016

Basic salaries and benefits

The Committee reviewed base salaries at the end of 2015, taking into account the pay and employment conditions elsewhere in the Group. The impact of any salary increase on other components of pay was also considered as part of the review. The Committee has determined that the basic salary of the Group Finance Director, will remain unchanged.

Benefits currently comprise a car allowance of £9,500 plus a travel allowance of £6,000 in the case of the Group Finance Director, private medical insurance and a death in service benefit of four times salary.

Ian Bowles was appointed as Chief Executive on 1 March 2016. His contract contains a notice period for both parties of 6 months. Mr Bowles's base salary is £270,000, together with a company pension contribution of 10% of base salary. This maximum bonus entitlement is up to 100% of base salary. In 2016, he will be entitled to an LTIP award of 200% of base salary, and is eligible for further awards in 2017 and 2018 equivalent to up to 100% of base salary.

Directors' retirement benefits

Employer contributions of 15% of basic salary will be made into the Group's defined contribution scheme or equivalent personal pension plan on behalf of Executive Directors.

Performance related bonuses

For 2016, the annual bonus maximum will be 100% of salary for the Chief Executive and the Group Finance Director, and performance conditions will be based on financial and non-financial objectives. Precise details of the performance targets are considered commercially sensitive. However, the Committee will disclose the targets retrospectively in next year's report to the extent these commercial sensitivities have receded.

The performance conditions are currently under review, as the Chief Executive has only recently been appointed and therefore certain aspects of the Group's plans for 2016 remain subject to amendment. That said, financial targets will continue to be based on a sliding scale, with a minority paying out at threshold.

In all cases, bonus payments are subject to the overriding discretion of the Remuneration Committee.

Current share incentive schemes

The 2016 LTIP awards will be granted in due course. Consistent with the position regarding bonus targets, performance conditions are currently under review. When setting the LTIP targets the Committee considers internal planning, external market consensus and the base point from which growth would be measured. Performance measures and targets will be disclosed retrospectively in next year's report.

External Board Appointments

It is recognised that external non-executive directorships may be beneficial for both the Company and Executive. At the discretion of the Board, Executive Directors are permitted to retain fees received in respect of any such non-executive directorship.

Remuneration Committee continued

Non-Executive Director Fees

The fees for the year ending 31 December 2016, which took effect from 1 January 2016, are as follows. These exclude any expenses which the non-executive directors may incur in relation to their duties.

	From 1 January 2016	From 1 January 2015	Increase
Chairman	**£110,000**	£110,000	Nil
Basic Fee	**£40,800**	£40,800	Nil
Senior Independent Director Fee	**£4,100**	£4,100	Nil
Committee Chairman Fee*	**£5,100**	£5,100	Nil

* Committee chair fees are in addition, and applies to Audit and Remuneration Committee Chairman

As noted previously, and as documented in the circular, the Chairman and Senior Independent Director will be eligible, subject to shareholder approval, to participate in a share-based incentive plan.

INFORMATION SUBJECT TO AUDIT

Remuneration payable for the financial year ending 31 December 2015

Director	Year	Salary[1]	Benefits[2]	Bonus	LTIP[3]	Pension	Total
Keith Evans	**2015[4]**	**£168,150**	**£4,750**	**£Nil**	**Nil**	**£25,245**	**£198,145**
	2014	£330,000	£9,500	£51,563	£740,513[5]	£49,500	£1,181,076
Steve Breach	**2015**	**£227,256**	**£15,500**	**£Nil**	**Nil**	**£35,225**	**£277,981**
	2014	£222,800	£15,500	£27,850	£518,360[5]	£33,420	£817,930

1 Salaries for the directors were effective from 1 January 2015.

2 Benefits in kind included a car allowance (and travel allowance for Steve Breach)

3 LTIP awards granted in March 2013 are due to vest in March 2016. Based on the cumulative adjusted earnings per share performance condition measured from 2013 to 2015, where an aggregate adjusted EPS of 37p in 2015 resulted in 25% vesting, an aggregate EPS of 39p resulted in 50% vesting , an aggregate EPS of 41p resulted in 100% vesting with straight-line vesting between these points, Nil% of the shares comprising the award will vest to each executive.

4 Keith Evans's remuneration for 2015 is to date of resignation as a Board Member, 30 June 2015.

5 LTIP awards granted in January 2012 vested in March 2015. The comparative 2014 figures shown in the table above have been restated as required by the reporting regulations to reflect the actual value transferred to each executive on vesting as opposed to the estimated value (based on the average share price to 31 December 2014) shown in the 2014 report.

Following Keith Evans's retirement on 30 June 2015, he continued to receive his current salary and benefits together with any annual bonus payable for 2015 until 31 December 2015, calculated on a pro-rata basis for time served as Chief Executive. This represented a payment of base salary for the six months ended 31 December 2015 of £168,150, and benefits of £4,750. No bonus was payable. These amounts are excluded from the remuneration shown above. Mr Evans also retained unvested share options previously awarded under the Tribal Group Long Term Investment Plan, and these options will vest on their normal dates, subject to the achievement of performance targets and pro-rata for time served as Chief Executive.

Non-Executive Director Fees (excluding expenses)	Total 2015	Total 2014
John Ormerod[1]	**£101,487**	£110,000
Katherine Innes Ker[2]	**£56,349**	£48,006
David Egan	**£45,900**	£32,631
Robin Crewe[3]	**£40,800**	£38,519
Richard Last[4]	**£13,532**	–
Roger McDowell[5]	**£6,150**	–
Duncan Lewis[6]	**£23,027**	–

1 Stepped down as Chairman on 17 November 2015, and as a non-executive director on 31 December 2015

2 Resigned on 17 November 2015. Fees include an ex-gratia payment of £12,500 on cessation of the directorship

3 Resigned on 31 December 2015

4 Appointed on 17 November 2015

5 Appointed on 17 November 2015

6 Appointed on 8 June 2015

Annual Bonus Outcome

The maximum bonus opportunity for the Chief Executive in 2015 was 125% of salary and 100% of salary for the Finance Director. For Keith Evans the maximum bonus opportunity was pro-rated to 50% of salary to reflect his 6 months in post as Chief Executive Officer. The Committee assessed the 2015 annual bonus performance as follows:

Financial Performance Conditions

Performance Measure	Weighting	Threshold Target	On Target	Maximum	Actual	Bonus Payable
Adjusted operating profit	80%	£17.0m (25%)	£18.2m (60%)	£19.5m (100%)	£2.9m	Nil

Non-financial Performance Conditions

On the basis of the performance in the year, the Committee assessed that Nil% of the relevant potential payment in respect of non-financial performance conditions should be made to the Keith Evans, and Nil% to Steve Breach. The performance measures were set at the start of the year in accordance with the strategic objectives of the business. Whilst the targets themselves are considered to be commercially sensitive, a summary of performance assessment is set out below:

Keith Evans

Non-Financial Performance Conditions

Performance Measure	Performance considered
Conclude an exploration of certain acquisition opportunities to receive US market access	Candidate transactions were progressed to an advanced stage, but were not taken through to completion
By the end of the year deliver a new business revenue pipeline of 2 times the new business revenue target for 2016	Not achieved; retired from role before measurement date
Establish and communicate 2015–2018 strategy plan by mid 2015	Strategic plan update released to market as part of 2014 preliminary results in March 2015
Establish a clear succession plan for key senior executives by the end of 2015	Not achieved; retired from role before measurement date

Steve Breach

Non-Financial Performance Conditions

Performance Measure	Performance considered
Support the Chief Executive in delivering certain mergers and acquisitions targets	Candidate transactions were progressed to an advanced stage, but were not taken through to completion
Deliver cost operational savings at a target level	In the context of overall Group financial performance, cost reduction actions were not considered sufficient to have met this target
Implement a new regionally oriented finance team structure, and strengthen the senior finance team	Achieved

The Committee therefore approved bonus payments of £Nil and £Nil for Keith Evans and Steve Breach respectively. This represents a bonus of Nil% of total bonus potential for Keith Evans and Steve Breach, or Nil% of basic salary.

Remuneration Committee continued

Long-term Incentives granted during the year under review

On 30 March 2015, the Committee approved a LTIP award to Steve Breach and Keith Evans. These awards were subject to the following challenging targets:

Aggregate adjusted EPS at the end of 2017 Financial Year	% of an Award that becomes capable of exercise
Less than 42p	0%
42p	25%
Between 42p and 44p	On a straight-line basis between 25% and 50%
44p	50%
Between 44p and 47p	On a straight-line basis between 50% and 100%
47p or more	100%

	Type	Number of Shares	Face Value[1]	Performance Condition	Performance Period	% Vesting at threshold
Keith Evans	Nil-Cost Option	330,161	£504,981 (150% of salary)	EPS	Measured over 3 financial years to 31 December 2017	25%
Steve Breach	Nil-Cost Option	185,757	£284,115 (125% of salary)	EPS	Measured over 3 financial years to 31 December 2017	25%

Face value calculated based on average share price over the five day period prior to date of grant of 152.95p.

Share Awards Vesting in the Year

LTIP awards granted on 21 March 2013 are due to vest in March 2016, subject to the achievement of the EPS performance condition and continued service.

The adjusted EPS target range set for this award was as follows:

Aggregate adjusted EPS at the end of 2015 Financial Year	% of an Award that becomes capable of exercise
Less than 37p	0%
37p	25%
Between 37p and 39p	On a straight-line basis between 25% and 50%
39p	50%
Between 39p and 42p	On a straight-line basis between 50% and 100%
42p or more	100%

The aggregate adjusted earnings per share over the three financial years to 31 December 2015 was 25.0p. In determining this figure, the Committee used the adjusted EPS figure disclosed in the financial statements but with adjustments made for amortisation of IFRS 3 intangibles (net of tax), goodwill impairments and associated tax adjustments and other costs (net of tax). Based on this aggregate EPS figure, Nil% of the award has vested.

Share Award Interests

The interests of Directors in share options were as follows:

	At 1 January 2015	Granted	Lapsed	Exercised	At 31 December 2015	Exercise Price	5 day average price on date of grant	Date from which exercisable	Expiry Date
Keith Evans									
LTIP – 16 January 2012	1,078,554	–	599,676	478,878	–	Nil	55.6p	March 2015	January 2022
LTIP – 21 March 2013	224,075	–	–	–	224,075	Nil	137.9p	March 2016	March 2023
LTIP – 9 June 2014	274,011				274,011	Nil	180.6p	June 2017	June 2024
LTIP – 30 March 2015	–	330,161	–	–	330,161	Nil	152.95p	March 2018	March 2025
Steve Breach									
LTIP – 16 January 2012	754,988	–	419,773	335,215	–	Nil	55.6p	March 2015	January 2022
LTIP – 21 March 2013	156,853	–	–	–	156,853	Nil	137.9p	March 2016	March 2023
LTIP – 9 June 2014	154,166	–	–	–	154,166	Nil	180.6p	June 2017	June 2024
LTIP – 30 March 2015	–	185,757	–	–	185,757	Nil	152.95p	March 2018	March 2025

The closing share price at 31 December 2015 was 24.0p and during the year ranged from 188.0p to 23.0p. There have been no variations to the terms and conditions or performance criteria for share awards during the financial year.

Keith Evans ceased to be an employee of the Group on 31 December 2015. His outstanding LTIP awards will continue to vest on their normal dates, subject to the achievement of performance targets and pro-rated for the time served as Chief Executive.

Directors' Shareholdings

The table below sets out the Directors' current shareholdings as at 31 December 2015. There have been no changes to beneficial share interests since the year end. The shareholding guideline for the Group Finance Director has been met at 31 December 2015 because the Group Finance Director initially made purchases of Tribal shares in his first five years of service to a cost of at least one year's salary, and he still holds those shares.

Director	Beneficially Owned	% of Salary / Fee held	Share options (LTIP)
Steve Breach	172,728	18%	496,776
Richard Last	–	–	–
David Egan	–	–	–
Roger McDowell	–	–	–
Duncan Lewis	–	–	–

Note: % of salary / fees held is calculated by reference to the value of the individual's holding in Tribal valued at the share price on the close of business on 31 December 2015.

Remuneration Committee continued

All-Employee Plans

The Committee believes wider employee share ownership can act as an additional retention and motivation vehicle, and therefore encourages broad based participation in the SIP scheme. During the year, employees, including the Executive Directors, were invited to take part in the SIP. The Committee regularly monitors the participation level in the all-employee arrangements.

Position against dilution limit

The share incentive plans operate in line with the ABI principle, which requires that all commitments must not exceed 10% of the issued share capital in any rolling 10 year period. Given the Company's issued share capital, the number of employees and the level of participation in the LTIP, the Committee believe that operating a single 10% in 10 year limit for all share plans remains appropriate. The Group's position against the dilution limit at 31 December 2015 was 6.1%.

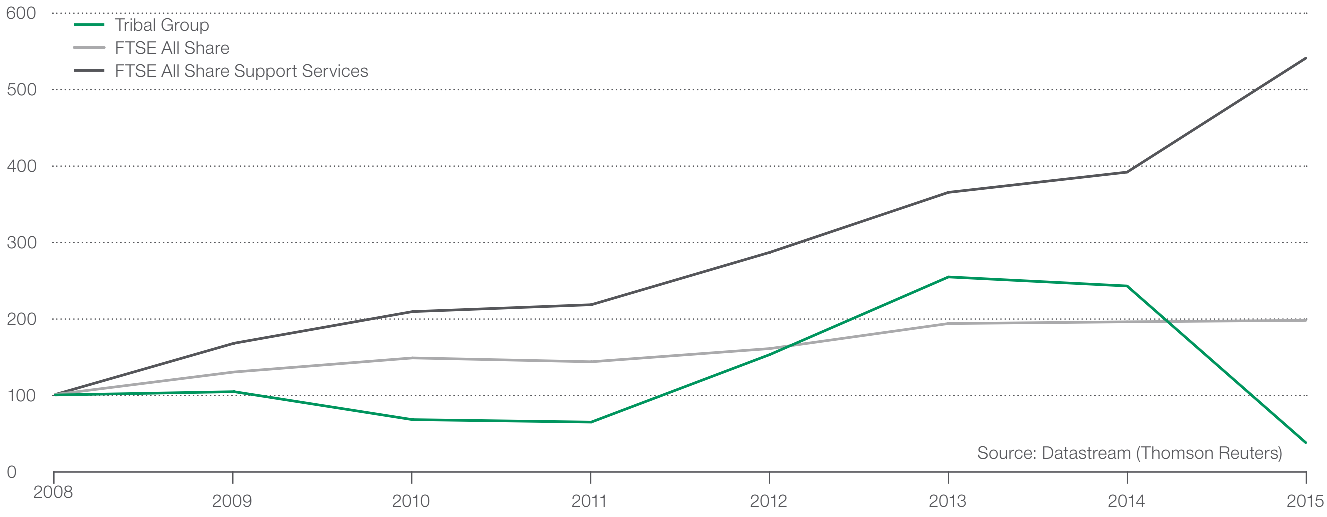
Performance graph

The following graph compares the value of an investment of £100 in Tribal Group plc shares with an investment in the FTSE All Share Index and the FTSE Support Services Index over seven years from 31 December 2008 to 31 December 2015.

The Committee believes that this comparison provides a clear picture of how the Group has performed relative to both a wide range of companies in the UK and also a specific group of companies in the same sector.

A £100 investment in Tribal shares on 31 December 2008 would have been worth £36.98 on 31 December 2015, compared to £199.39 for the FTSE All Share Index and £542.53 for the FTSE Software and Computer Services Index.

Total Shareholder Return at 31 December



		Single Figure £000	Annual Bonus outturn (as % of maximum)	Long-term Incentive vesting (as % of maximum)
2015	Keith Evans[3]	396	–	–
2014	Keith Evans	1,221	13%	44%
2013	Keith Evans	1,590	74%	49%
2012	Keith Evans	641	99%	–
2011	Keith Evans[1]	443	86%	–
2011	Peter Martin[2]	116	–	–
2010	Peter Martin	697	–	–
2009	Peter Martin	644	–	70%

1 Keith Evans was appointed a director of the Company on 22 February 2011, and was subsequently appointed as Chief Executive on 25 November 2011.

2 Peter Martin left the Board and the Company on 30 April 2011. Termination payments are included in the 2010 figure.

3 Keith Evans ceased to be the Chief Executive Officer on 30 June 2015. Termination payments are included in the 2015 figure.

CEO Pay Compared to Tribal Employees

		Remuneration received		
		Salary	Benefits	Annual Bonus
CEO[1]	2015	£336,600	£9,500	£Nil
	2014	£330,000	£9,500	£51,563
	% Change	2%	0%	(100)%
Average Tribal Employee	2015	£38,248	£1,252	£444
	2014	£35,474	£1,134	£1,593
	% Change	8%	10%	(72)%

1 Keith Evans ceased to be Chief Executive Officer on 30 June 2015. For comparative purposes only, the analysis above has been calculated based on his annualised pay which would have been receivable if he had remained in the role for the entire year.

Distribution Statement

	2015	2014	% Change
Employee Costs	£63.5m	£64.4m	(2)%
Adjusted EBITDA	£8.2m	£19.7m	(58)%
Corporation tax charge/(credit) on continuing operations	£(1.9)m	£1.5m	n/a
Distributions to shareholders by way of dividend	£1.8m	£1.7m	5.9%

Executive Directors external appointments

Executive Directors are permitted to accept an external non-executive position with the Board's approval. Any fees received in respect of these appointments may be retained by the Executive. No such fees were received by the Executive Directors during the year.

Payments to past directors

There have been no payments to past directors.

Loss of office payments

No loss of office payments have been made during the year.

As previously announced Keith Evans continued to receive his current salary and benefits for the period from stepping down from the Board until cessation of employment on 31 December 2015. He was entitled to receive a pro-rated bonus for 2015 in relation to the time served as Chief Executive Officer, payable on the normal payment date. He will also receive outstanding LTIP awards on their normal vesting dates, subject to the achievement of performance targets and pro-rated for time served as Chief Executive.

Shareholder vote on remuneration at the last AGM

At the AGM held on 15 May 2015, the Directors' Remuneration Report was passed with the following vote. We have engaged with those principal shareholders who voted against this resolution in order that we may take their concerns into account in the future.

	For	%	Against	%	Withheld
Annual Remuneration Report	63,655,630	85.99	10,245,190	13.98	272,432

Approval

This report was approved by the Board of Directors on 16 March 2016 and signed on its behalf by:

Roger McDowell

Chairman, Remuneration Committee

Directors' Report

Introduction

The Directors present their Annual Report on the affairs of the Group, which includes the Introduction, Strategic Report, Governance report and audited Financial Statements for the year ended 31 December 2015. Pages 1 to 78 of this Annual Report comprise a Directors' Report which has been drawn up and presented in accordance with English law, which also governs the Directors' liabilities and responsibilities in connection with that report. The Directors' Report also represents the management report for the purpose of DTR 4.1.5R of the UK Listing Authority Disclosure Rules.

The Introduction, Strategic Report and Governance report contain certain forward-looking statements which are subject to assumptions, risks and uncertainties. Actual or future results may differ materially from those expressed or implied by such statements. Many of these assumptions, risks and uncertainties relate to factors that the Group is unable to control or estimate precisely. The principal risks and uncertainties affecting the Group are set out on pages 23 to 33. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Annual Report and will not be updated during this year. Nothing in this Annual Report should be construed as a profit forecast. Information about the use of financial instruments by the Company and its subsidiaries is given in note 34 to the financial statements.

Corporate structure

Tribal Group plc is incorporated as a public limited company, and is registered in England and Wales with registered number 4128850. Its registered office is at Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ. Tribal Group plc is a holding company with a number of trading subsidiaries.

Share capital

Details of the authorised and issued share capital are shown in note 26 to the financial statements. The Company has one class of ordinary shares, which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding, or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details on employee share schemes are set out in note 25 to the financial statements. No person has any special rights of control over the Company's share capital and all issued shares are fully paid. The Directors have authority to allot new ordinary shares to an aggregate nominal amount of £1,721,196.20. This authority expires at the conclusion of the AGM in 2016.

Acquisition of the Company's own shares

At the end of 2015, by virtue of the shareholders' resolution passed at the AGM in 2015, the Directors had authority to purchase 9,484,924 of the Company's ordinary shares through the market at prices per ordinary share ranging between 5p and an amount equal to 105% of the average of the middle market quotations of the Company's ordinary shares for the five days preceding the day of purchase. This authority will expire at the conclusion of the AGM in 2016.

Directors

The current Directors of the Company are listed on page 46. Keith Evans resigned from the Board on 30 June 2015. Richard Last and Roger McDowell were appointed to the Board on 17th November 2015, Katherine Innes Ker resigned from the Board on the same date. John Ormerod and Robin Crewe resigned as directors on 31 December 2015. The appointment and replacement of Directors is governed by the Company's Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of the Directors are described in the Board terms of reference, copies of which are available on the Company's website www.tribalgroup.com or on request from the Company Secretary, and in the Corporate Governance statement on pages 48 to 53.

Directors' interests and share options

Each director's interest in the Company's shares is detailed on page 71, along with details of Directors' share options.

Directors' indemnities

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.

Research and development

The Group continues to invest in research and development of software products, as set out in notes 5 and 15 to the financial statements. This has resulted in a number of new modules to existing software products and new products being developed for certain of our markets which are expected to contribute to the growth of the business. Total research and development expenditure amounted to £5.7m (2014: £6.5m) of which £4.1m (2014: £4.8m) was capitalised.

Employment policies

Tribal is a business which is highly dependent on its people. We seek to attract, develop and retain high-calibre staff and, as a consequence, our customers can be assured that the service they receive is among the best available. The Group's commitment to its people is discussed in the Corporate responsibility section on pages 42 to 45.

The Group is an equal opportunities employer and bases all decisions on individual ability, regardless of race, religion, gender, sexual orientation, age or disability. Applications for employment by disabled persons will always be fully considered, having regard to their particular aptitudes and abilities. Should any employee become disabled, every practical effort is made to provide continued employment. Depending on their skills and abilities, they enjoy the same career prospects and scope for realising their potential as other employees. Appropriate training is arranged for disabled employees, including retraining for alternative work for those who become disabled, to promote their career development within the organisation.

The Board has considered the recommendations made in the Davies Report, published in February 2011, entitled 'Women on Boards' and while appointments will continue to be made based upon merit, the Group has implemented and continues to support its "Women in Tribal Initiative" and has appointed representatives to promote those recommendations, where appropriate.

Business ethics

In response to the introduction of the Bribery Act 2010, and in light of the Group's increasing presence in international markets, the Group requires all employees to undertake specific training to ensure an understanding of the key risks relating to this legislation. This, together with the Group's ethics policies (which includes the Fraud, Bribery and Corruption Policy), are designed to prevent bribery and other prohibited activities within the Group's business.

Dividend

The Board has proposed that no final dividend should be declared in 2015. An interim dividend of 0.70p per share was declared and paid during 2015, giving a total dividend of 0.70p per share (2014: 1.80p).

Change of control

Our bank borrowing arrangements contain a clause which provides an option for our lending banks to require the repayment of our borrowings on a change of control. Consistent with industry practice for contracting with public sector customers, a number of our major contracts typically contain clauses that either require written consent from our customer prior to a change in control of the Group, or provide for contract termination in the event of a 'reasonable objection' to that change of control. In addition, all of the Group's share schemes contain provisions relating to a change of control. Outstanding options and awards would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Political donations

The Group made no political donations during the year (2014: £nil).

Health and safety

The Group has a Health and Safety at Work Policy, which is reviewed annually by the Board. The Board Executive Director responsible for health and safety throughout the financial year was Rob Garner, Interim Chief Executive. The Group is committed to the health and safety of its employees, customers, subcontractors and others who may be affected by our work activities.

The Group evaluates the risks to health and safety in the business and manages this through a Health and Safety Committee. The Group provides necessary information, instruction, training and supervision to ensure that employees are able to discharge their duties effectively. The Health and Safety Committee monitors, reviews and supports compliance by the various businesses within the Group with all applicable legal and regulatory requirements.

Branches

The Group has overseas branches in Australia, New Zealand, South Africa and United Arab Emirates.

Carbon emissions

Carbon emissions arising directly and indirectly from the Group's activities are set out in the commentary on sustainability on page 45.

Post balance sheet events

Details of significant events since the balance sheet date are contained in note 37 to the financial statements.

Future developments

An indication of likely future developments in the business of the Group are included in the Strategic Report.

Directors' Report continued

Substantial shareholdings

On 31 December 2015, the following voting interests in the ordinary share capital of the Company had been notified to the Company:

	Ordinary shares of 5p each	%
RWC Partners Ltd	19,593,700	20.66
Schroders	10,336,148	10.90
RIT Capital Partners Plc	9,320,095	9.83
Legal & General Investment Management	6,417,273	6.77
Crystal Amber Advisers	6,093,301	6.42
Henderson Group	4,889,949	5.16
Majedie Asset Management	4,710,242	4.97
Kabouter Management	2,591,515	2.73
Goldman Sachs	2,548,561	2.69
River & Mercantile Asset Management	2,514,278	2.65
Credit Suisse Group	1,860,000	1.96
Invesco	1,795,117	1.89
Directors, Employees & Related Parties	1,729,293	1.82
Hargreaves Lansdown PLC	1,521,089	1.60
BlackRock Inc	1,456,694	1.54

During the period between 31 December 2015 and 29 February 2016, the company received notifications under chapter 5 of the Disclosure and Transparency Rules that the following interests had changed:

	Ordinary shares of 5p each	%
Majedie Asset Management	4,745,242	5.00
Legal and General Investment Management	7,236,111	7.63
River & Mercantile Asset Management	2,605,278	2.75

Annual General Meeting

The Annual General Meeting (AGM) will be held at 10.00am on 13 May 2016 at One London Wall, London EC2Y 5EB. A separate document accompanying this Annual Report contains the notice convening the AGM and an explanation of the special business to be conducted at that meeting.

Going concern

The basis on which the Group considers it is a going concern is set out on pages 26 and 27.

Requirements of the Listing Rules

The following table provides references to where the information required by the listing rule 9.8.4R is disclosed.

Listing Rule requirement	
A statement of the amount of interest capitalised by the group during the period under review with an indication of the amount and treatment of any related tax relief.	No capitalised interest
Any information required by LR 9.2.18 R (Publication of unaudited financial information).	Not applicable
Details of any long-term incentive schemes as required by LR 9.4.3 R.	Remuneration report
Details of any arrangements under which a director of the company has waived or agreed to waive any emoluments from the company or any subsidiary undertaking. Where a director has agreed to waive future emoluments, details of such waiver together with those relating to emoluments which were waived during the period under review.	No such waivers

Details required in the case of any allotment for cash of equity securities made during the period under review otherwise than to the holders of the company's equity shares in proportion to their holdings of such equity shares and which has not been specifically authorised by the company's shareholders.	Note 26
Where a listed company has listed shares in issue and is a subsidiary undertaking of another company, details of the participation by the parent undertaking in any placing made during the period under review.	Not applicable
Details of any contract of significance subsisting during the period under review: (a) to which the listed company, or one of its subsidiary undertakings is a party and in which a director of the listed company is or was materially interested; and (b) between the listed company, or one of its subsidiary undertakings, and a controlling shareholder.	No such contracts
Details of contracts for the provision of services to the company or any of its subsidiary undertakings by the controlling shareholder	No such contracts
Details of any arrangement under which a shareholder has waived or agreed to waive any dividends, where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review.	No such waivers

Board statement in respect of relationship agreement with the controlling shareholder No controlling shareholder

Audit information

In the case of each of the persons who are Directors of the Company at the date when this Annual Report was approved:

- So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each of the Directors has taken all the steps that he/she ought to have taken as a director, to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

A resolution for the re-appointment of Deloitte LLP as auditor of the Company is to be proposed at the 2016 AGM on 13 May 2016.

On behalf of the Board

Rob Ewin
Company Secretary
16 March 2016

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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation, and have elected to prepare the parent company 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 accounts, 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 parent company 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 Financial Reporting Standards 101 *Reduced Disclosure Framework* 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.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom, governing the preparation and dissemination of financial statements, may differ from legislation in other jurisdictions.

Responsibility statement of the Directors on the annual report

The Directors confirm that, to the best of their knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

By order of the Board

Ian Bowles S Breach

Ian Bowles
Chief Executive
16 March 2016

Steve Breach
Group Finance Director

Independent Auditor's Report to the Members of Tribal Group plc

Opinion on financial statements of Tribal Group plc	**In our opinion:** • the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended; • the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; • the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS101 'Reduced Disclosure Framework'; and • the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 46. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework'.
Emphasis of matter – Going Concern	As described in note 1 to the financial statements the Group has announced the proposed disposal of its Synergy business for cash consideration of £20.25 million and its plan to raise gross proceeds of £21.0 million by way of a fully underwritten rights issue. The proceeds of the disposal and rights issue will be applied in order to achieve a more appropriate capital structure which will eliminate its indebtedness and create headroom on its near-term covenants. Both transactions are subject to shareholder approval which, at the time of issuing these financial statements, has not yet been obtained. If both the sale of the Synergy business and the rights issue are not approved, the Group is forecast to breach its covenants on the revolving credit facility in June 2016 which, in the absence of a waiver, would result in the Group's debt facilities becoming repayable on demand. In this event, the Group does not anticipate that it would have the funds available to repay such amounts at that time, and would need to take alternative steps in order to be able to continue as a going concern. Whilst we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate, these conditions indicate the existence of a material uncertainty which may give rise to a significant doubt over the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern. We describe below how the scope of our audit has responded to this risk. Our audit opinion is not modified in respect of this matter.
Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group	As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the directors' statement on the longer-term viability of the company contained within the strategic report on page 27. The group's ability to continue as a going concern requires it urgently to raise additional funds so as to eliminate net debt. Such funds are anticipated to be provided by the proposed sale of the Synergy business and the rights issue as disclosed in the emphasis of matter section above. This matter is also discussed in the viability statement on page 27. Aside from these matters, we have nothing else material to add or draw attention to in relation to: • the directors' confirmation on page 24 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures on pages 28 to 33 that describe those risks and explain how they are being managed or mitigated; • the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the director's explanation on pages 26 to 27 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

Independent Auditor's Report to the Members of Tribal Group plc continued

Independence	We are required to comply with the Financial Reporting Council's Ethical Standards for auditors and we confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.
Our assessment of risks of material misstatement	The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Funding, loan covenants and going concern The Group was forecast to breach its covenants at 31 December 2015 and obtained a prospective waiver of testing its covenants from the bank. The Group is in the process of seeking shareholder approval to both dispose of its Synergy business for cash consideration of £20.25 million and to raise gross proceeds of £21.0 million by way of a fully underwritten rights issue. The proceeds of the disposal and rights issue will be applied in order to achieve a more appropriate capital structure which will eliminate its indebtedness and create headroom on its near-term covenants. Details of the risk are explained in the emphasis of matter paragraph above. Further detail is included in the going concern accounting policy in note 1.	We have performed the following procedures: • assessed the Group's financial forecasts and linkage of the forecast to the business model and principal risks; • reviewed covenant tests over the forecast period; • assessed the historical accuracy of forecasts prepared by management and the review and challenge by management and the Board on the current forecasts; • assessed and challenged the reasonableness of the sensitivities applied to the forecasts; • reviewed a copy of the loan covenant waiver received from the bank in relation to the covenant tests as at 31 December 2015; and • critically assessed the the adequacy of the disclosures related to the application of the going concern assumption and considered the material uncertainty relating to the shareholder approval of the Synergy disposal and the rights issue. We include above an 'Emphasis of matter' in relation to Going Concern.
Goodwill impairment The carrying value of goodwill as at 1 January 2015 was £77.8 million allocated to four cash generating units (CGUs) which align to the Group's four business segments. In the current year the Group has recognised an impairment charge of £38.8 million, £31.5 million of this impairment charge arises following a deterioration in trading in the second half of 2015. Further detail is included in note 14 to the financial statements ('Goodwill') and notes 1 and 2 which set out the Group's accounting policy and critical judgements in relation to the impairment of goodwill. The test of impairment of goodwill requires management to estimate the recoverable amounts for the CGUs to which such goodwill is allocated. Estimation of the recoverable amount requires management to make assumptions in respect of forecast operating cash flows, long term growth rates and discount rates. The significant audit risk specifically relates to the judgements applied in determining the future cash flow forecasts for the purpose of goodwill impairment testing and the determination of the discount rate used.	We have performed the following procedures: • challenged management's assumptions which support the cash flow forecast used in the value in use calculations for each CGU by reconciling the figures to budgets approved by the Board, reviewing historical forecasting accuracy including the impact of the deterioration of trading in the second half of 2015 and underlying assumptions used in determining the cash flows; • challenged the discount rates used with the support of our valuation experts through benchmarking; • tested the consistency of forecast used by management for the assessment of potential impairment of goodwill and intangible assets to the forecast used for going concern, recoverability of deferred tax assets and impairment of company investments and assessed the appropriateness of any differences between them; • performed sensitivity analysis on key assumptions such as the discount rate used and the forecast profit growth; and • considered the adequacy of the Group's disclosures as set out in note 14 to the financial statements.

Risk	How the scope of our audit responded to the risk
Capitalisation and impairment of capitalised development costs The carrying value of development costs is £6.2 million (2014: £13.5 million). During 2015, the Group capitalised £4.1 million of additional development costs and recognised an impairment loss of £8.0 million following, amongst other factors, a deterioration in trading in the second half of 2015 which further impacted forecasted cash flows. Further detail is included in note 15 to the financial statements and notes 1 and 2 which set out the Group's accounting policy and critical judgements in relation to the impairment of capitalised development costs. The Group recognises an internally generated intangible asset where the Group's product development meets the criteria set out in IAS 38. The risk relates to the judgement in assumptions used to estimate the future sales pipeline and the future profit margin to support the initial capitalisation and subsequently to test for impairment.	We have performed the following procedures: • for a sample of products, obtained a detailed analysis of the future cash flow forecasts that support the capitalisation and challenged the evidence which supports the assumptions and estimates used; • challenged management's assumptions which support the cash flow forecast used in the value in use calculations for each key product by reconciling the figures to budgets approved by the Board, reviewing historcal forecasting accuracy and the underlying assumptions used in determining the cash flows; • challenged the discount rates used with the support of our valuation experts through benchmarking; • challenged the trigger events that gave rise to the impairments and considered whether the impairments should have been recognised earlier; • tested the consistency of forecast used by management for the assessment of potential impairment of goodwill and intangible assets to the forecast used for going concern, recoverability of deferred tax assets and impairment of company investments and assessed the appropriateness of any differences between them; • performed sensitivity analysis on key assumptions such as the discount rate used and the forecast profit growth; and • considered the adequacy of the Group's disclosures as set out in note 15 to the financial statements.
Revenue recognition The Group has recognised £106.7 million (2014: £123.7 million) of revenue in the year. The Group's key revenue recognition policies are set out in note 1 to the financial statements. The risk relates to the key judgements required in applying these policies, specifically: • the accounting judgements associated with recognition of accrued income and accounting for contracts where there are specific ongoing delivery challenges, negotiations, contract claims, or contract losses. • in light of the material nature of many of the Group's licence contracts there is a significant risk that licence revenues are recorded in the wrong period.	On a sample of contracts, we have performed the following procedures: • challenged the recoverability of a sample of accrued income based on contract variations, subsequent invoicing, cash receipts, customer correspondence and past payment history; • challenged the revenue recognition on a sample of contracts where there are on-going delivery challenges, contract claims or losses through agreeing to correspondence from the customer and performing procedures on cost to complete analysis; • reviewed evidence including customer correspondance to support the trigger event that gave rise to a contract provision and tested contract provisions for completeness; and • agreed licence revenue recognised on a sample of contracts to evidence of delivery of the licence to the customer in the correct period.

Going concern has been included as a significant audit risk as a result of the Group's funding challenges. Acquisition accounting is not considered to be a reportable risk in our audit report in the current year as the judgements associated with the acquisition in the year are less significant.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 55 to 56.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Independent Auditor's Report to the Members of Tribal Group plc continued

Our application of materiality	We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. We determined materiality for the Group to be £470,000 (2014: £515,000), which is approximately 0.4% of revenue. We have used professional judgement in determining an appropriate materiality benchmark. At the planning stage, we originally set materiality based on forecast loss before tax adjusted for goodwill and development costs impairment. As a result of the Group's performance in Q4 2015 and the increased impairment charges we reassessed our materiality and the basis used. We determined that adjusted loss before tax was no longer appropriate basis and that revenue gave a more stable basis given the scale of the group's operations. The 2014 materiality was based on 5% adjusted pre-tax loss which equates to 0.4% of revenue. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £9,000 (2014: £10,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.
An overview of the scope of our audit	Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the operations in the UK and Australia. Both the UK and Australian businesses were subject to a full scope audit. The UK and Australia operations represent the principal business units and account for 99% (2014: 99%) of the group's net assets and 96% (2014: 96%) of the Group's revenue. Our scope excludes other business units which generated £294,000 of profit before tax (2014: £573,000) against the reported loss before tax for the year of £47,297,000 (2014: loss before tax of £6,226,000). The UK and Australian business were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work in the UK and Australia was executed at levels of materiality applicable to each component which were lower than Group materiality and ranged from £230,000 and £280,000 (2014: £270,000 and £430,000). At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to full scope audit. Due to the significance of the Australian operations to the Group audit, the group audit team (including the Senior Statutory Auditor) visited the business as part of the audit.
Opinion on other matters prescribed by the Companies Act 2006	In our opinion: • the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; • 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 light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors Report.
Matters on which we are required to report by exception	
Adequacy of explanations received and accounting records	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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or • the parent company financial statements are not in agreement with the accounting records and returns. We have nothing to report in respect of these matters.
Directors' remuneration	Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.
Corporate Governance Statement	Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

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). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

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 group's and the parent 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.

Nigel Thomas.

Nigel Thomas

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, UK

16 March 2016

Consolidated Income Statement

for the year ended 31 December 2015

	Note	Adjusted £'000	Other items (see note 6) £'000	Year ended 31 December 2015 Total £'000	Adjusted £'000	Other items (see note 6) £'000	Year ended 31 December 2014 Total £'000
Continuing operations							
Revenue	3	106,725	–	106,725	123,703	–	123,703
Cost of sales		(68,676)	–	(68,676)	(74,028)	–	(74,028)
Gross profit		38,049	–	38,049	49,675	–	49,675
Other administrative expenses	6	(35,165)	(46,420)	(81,585)	(35,166)	(17,079)	(52,245)
Amortisation of IFRS 3 intangibles	6, 15	–	(1,686)	(1,686)	–	(1,729)	(1,729)
Total administrative expenses		(35,165)	(48,106)	(83,271)	(35,166)	(18,808)	(53,974)
Operating profit/(loss)	4, 5	2,884	(48,106)	(45,222)	14,509	(18,808)	(4,299)
Investment income	8	49	–	49	58	–	58
Finance costs	6, 9	(1,083)	(1,041)	(2,124)	(1,149)	(876)	(2,025)
Profit/(loss) before tax		1,850	(49,147)	(47,297)	13,418	(19,684)	(6,266)
Tax (charge)/credit	10	(697)	2,558	1,861	(2,830)	1,348	(1,482)
Profit/(loss) for the year from continuing operations		1,153	(46,589)	(45,436)	10,588	(18,336)	(7,748)
Discontinued operations							
Loss from discontinued operations	12	–	(80)	(80)	–	(196)	(196)
Profit/(loss) for the year		1,153	(46,669)	(45,516)	10,588	(18,532)	(7,944)
Earnings per share							
From continuing operations							
Basic and diluted	13	1.2p	(49.3)p	(48.1)p	11.3p	(19.7p)	(8.4p)
From continuing and discontinued operations							
Basic and diluted	13	1.2p	(49.4)p	(48.2)p	11.3p	(19.7p)	(8.4p)

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

	Note	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Loss for the year		**(45,516)**	(7,944)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension schemes	30	**(169)**	(773)
Deferred tax on measurement of defined benefit pension schemes*	24	**34**	155
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(720)**	(674)
Total comprehensive loss for the year attributable to equity holders of the parent		**(46,371)**	(9,236)

* The prior year comparative has been restated to reclassify a deferred tax charge of £359,000 on share option charges taken to equity (see note 24).

Consolidated Balance Sheet
at 31 December 2015

	Note	2015 £'000	2014 £'000
Non-current assets			
Goodwill	14	**38,311**	77,810
Other intangible assets	15	**14,784**	23,249
Property, plant and equipment	16	**3,431**	2,983
Retirement benefit surplus	30	**88**	121
Deferred tax assets	24	**3,213**	2,469
		59,827	106,632
Current assets			
Inventories	17	**133**	611
Trade and other receivables	18	**25,985**	28,137
Cash and cash equivalents	20	**3,896**	9,345
		30,014	38,093
Total assets		**89,841**	144,725
Current liabilities			
Trade and other payables	21	**(7,043)**	(15,076)
Accruals		**(9,671)**	(12,228)
Deferred income		**(22,376)**	(23,684)
Current tax liabilities		**(169)**	(3,368)
Borrowings	22	**(2,160)**	–
Provisions	23	**(3,845)**	(10,170)
		(45,264)	(64,526)
Net current liabilities		**(15,250)**	(26,433)
Non-current liabilities			
Borrowings	22	**(34,207)**	(21,023)
Deferred tax liabilities	24	**(2,119)**	(2,631)
Provisions	23	**(2,091)**	(1,898)
		(38,417)	(25,552)
Total liabilities		**(83,681)**	(90,078)
Net assets		**6,160**	54,647
Equity			
Share capital	26	**4,743**	4,743
Share premium		**21**	21
Other reserves	27	**20,503**	25,757
Retained earnings		**(19,107)**	24,126
Total equity attributable to equity holders of the parent		**6,160**	54,647

Notes 1 to 37 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 16 March 2016 and were signed on its behalf by:

Ian Bowles
Director

Steve Breach
Director

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2014	4,685	–	28,042	35,503	68,230
Total comprehensive loss for the year	–	–	–	(9,236)	(9,236)
Acquisition of own shares	–	–	(2,735)	–	(2,735)
Issue of share capital	58	21	–	–	79
Dividends	–	–	–	(1,587)	(1,587)
Use of own shares to settle share-based payment scheme vesting	–	–	768	–	768
Charge to equity for share-based payments	–	–	(318)	(195)	(513)
Tax on charge to equity for share-based payments*	–	–	–	(359)	(359)
At 31 December 2014 and 1 January 2015	4,743	21	25,757	24,126	54,647
Total comprehensive loss for the year	–	–	–	(46,371)	(46,371)
Dividends	–	–	–	(1,794)	(1,794)
Use of own shares to settle share-based payment scheme vesting	–	–	1,970	–	1,970
Charge to equity for share-based payments	–	–	(904)	(1,364)	(2,268)
Tax on charge to equity for share-based payments	–	–	–	(24)	(24)
Transfer from merger reserve	–	–	(6,320)	6,320	–
At 31 December 2015	**4,743**	**21**	**20,503**	**(19,107)**	**6,160**

* The prior year comparative has been restated to reclassify a deferred tax charge of £359,000 on share option charges taken to equity (see note 24).

Consolidated Cash Flow Statement

for the year ended 31 December 2015

	Note	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Net cash (used in)/from operating activities	31	**(6,216)**	19,717
Investing activities			
Interest received		**49**	58
Proceeds on disposal of discontinued operations		**–**	321
Purchases of property, plant and equipment		**(1,679)**	(1,345)
Expenditure on product development and business systems		**(5,138)**	(5,156)
Acquisition of investments in subsidiaries		**(4,510)**	(15,100)
Net cash outflow from investing activities		**(11,278)**	(21,222)
Financing activities			
Interest paid		**(811)**	(571)
Purchase of own shares		**–**	(2,735)
Proceeds on issue of shares		**–**	21
Equity dividend paid		**(1,794)**	(1,587)
Fees for waiver of loan covenant		**(200)**	–
Draw down of borrowings and loan arrangement fees		**12,912**	8,332
Net cash from financing activities		**10,107**	**3,460**
Net (decrease)/increase in cash and cash equivalents		**(7,387)**	1,955
Cash and cash equivalents at beginning of year		**9,345**	7,555
Effect of foreign exchange rate changes		**(222)**	(165)
Cash and cash equivalents at end of year		**1,736**	**9,345**

Notes to the Financial Statements

1. Accounting policies

General information

Tribal Group plc (the Company) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 137. The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in note 4 and in the strategic report on pages 2 to 45. The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out below.

Basis of accounting

The financial statements on pages 84 to 129 have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial information has been prepared on the historical cost basis, except for financial instruments which are recognised at fair value.

Adoption of new and revised standards

In the current financial year, the Group has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for an accounting period that begins on or after 1 January 2015 including Amendments to IAS19, Defined Benefit Plans: Employee Contributions, and Annual Improvements to IFRS 2010–2012 Cycle and 2011-2013 Cycle. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. In addition, amendments to IFRS 8, Operating Segments and IAS24, Related Party Disclosures require additional disclosures, which have been incorporated into these financial statements where appropriate.

At the date of 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 yet been adopted by the EU):

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 11 (amendments)	Accounting for Acquisitions of Interests in Joint Operations
IFRS 16	Leases
IAS 1 (amendments)	Disclosure Initiative
IAS 16 and IAS 4 (amendments)	Agriculture: Bearer Plants
IAS 27 (amendments)	Equity method in separate financial statements
IAS 16 and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
	Annual Improvements 2012–2014 Cycles

It is not practicable to provide a reasonable estimate of the effect of these standards, and in particular IFRS 15 and IFRS 16, until a detailed review has been completed.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company:

- has the power over the investee;
- is exposed, or has the rights, to variable returns from its involvement with the investee: and
- has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra group transactions, balances, income and expenses are eliminated on consolidation.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities are disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement.

Notes to the Financial Statements continued

1. Accounting policies continued

Going concern

The Group's business activities, recent trading performance, key performance indicators, and principal risks and uncertainties are described within the 2015 Annual Report and Accounts. As a result of the challenging trading environment in which the Group is currently operating, the Group's profitability has weakened and its net debt has increased. As at 31 December 2015 the Group had net debt of £32.5m, funded by a revolving credit facility (the "Facility") provided by Lloyds Banking Group, HSBC and Clydesdale Bank (collectively "the Banks"), which is committed until June 2018. Under the terms of the Facility, non-contingent deferred consideration relating to historic acquisitions is deemed to fall within the definition of net debt for covenant purposes. Including these amounts, net debt as defined under the terms of the Facility was £34.9m as at 31 December 2015.

The Group generated Adusted EBITDA of £8.2m for the year ended 31 December 2015. The Group's leverage ratio (measured as the ratio of net debt to EBITDA) as at 31 December 2015 was 4.2x, compared to a maximum permissible under the Facility of 3x. Pursuant to an agreement reached on 21 December 2015, the Banks agreed to waive the financial covenant tests that would otherwise have been applicable under the Facility. Had this waiver not been provided, the Group would have been in breach of the terms of the Facility. However, this waiver only represents a "one-time alleviation" that does not fundamentally address the Group's future funding requirements. As part of an assessment of the Group's working capital and financing position, the Group has prepared a detailed bottom-up two year trading budget and cash flow forecast for the period through to December 2017, being at least 12 months after the date of approval of the financial statements. This is in addition to consideration given to the Group's longer-term strategic planning during the second half of 2015. In assessing the forecast, the Directors have considered:

- the timing of delivery, milestones and cash flows arising from key contracts, in particular the TAFE Queensland, SALM and Ofsted Early Years contracts;
- the Group's sales pipeline and order backlog, and in particular larger new customer deal flow and likely timing of related revenue and cash receipts arising from these potential deals;
- the progress made by the Group in re-establishing momentum in sales performance;
- competitive pressures and trends in technology usage in the education management markets in the UK, Australia and New Zealand, and (to the extent that it provides a leading indicator of trends elsewhere) the US;
- the status of the Group's existing financial arrangements and associated covenant requirements;
- trading risks presented by economic conditions in the education market, particularly in relation to national and state government budgets and spending levels in the UK, Australia and New Zealand; and
- the availability of (and costs of) mitigating actions should business activities fall behind current expectations, including the deferral of discretionary overheads and restricting cash flows.

Additionally, detailed sensitivity analysis has been performed on these forecasts to consider the impact of severe, but plausible, reasonable worse case scenarios on the Group's bank facility headroom and covenant requirements. The scenarios, which sensitised the forecasts for specific identified risks, modelled reduction in anticipated levels of underlying EBITDA, delays in contract milestone cash receipts, and an associated increase in net debt. These scenarios included significant delays and / or terminations of important contracts, and slippage of larger new business opportunities which are currently in the sales team's pipeline, and continued loss of sales momentum over an extended period. These sensitised scenarios included modest allowance for mitigating actions that can be taken if needed. Based on the application of these scenarios, the analysis shows no headroom on covenant test dates for the foreseeable future.

The Directors have acknowledged the latest guidance on going concern. They have made appropriate enquiries and taken into account factors which are detailed in the Strategic Report within the 2015 Annual Report and Accounts. The Group has agreed to sell its Synergy business for £20.25m (the Disposal). The Group is also seeking to raise £21 million (gross of estimated costs of £1.8m) via a Rights Issue in order to achieve a more appropriate capital structure which will eliminate its indebtedness, and thereby to create headroom on its near-term covenants to an acceptable level and is necessary to support the going concern principle. The Rights Issue is fully underwritten by Investec Bank PLC. As a consequence, the Directors believe that the Group is well placed to manage its risks. The Rights Issue and Disposal are, however, subject to shareholder approval.

(i) In making these statements, the directors have made the following key assumptions:

- the Disposal is approved by shareholders;
- the Rights Issue is approved by shareholders;
- the Rights Issue completes during March or April 2016;
- suitable bank facilities continue to be available to the Group on normal market terms; and
- the net proceeds from the Rights Issue and Disposal will eliminate indebtedness arising under the Facility during April 2016.

If the Rights Issue and Disposal do not proceed to completion, the Group is forecast to exceed the maximum leverage ratios permitted under the existing Facility as at 30 June 2016 and subsequent test dates. In this case, there is no guarantee that the Banks would agree to a subsequent waiver or amendment of the covenants in the future, and in the event that the covenants were breached the Banks would be entitled to demand repayment in full of the Facility. In such circumstances, the Group would not have sufficient cash resources available to repay the Facility, without:

- borrowing money from other sources (which might not be available at that time, or might not be available on as favourable terms as the existing Facility); or
- selling assets of the Group at a time which is not of the Group's choosing, and therefore this might result in a failure to realise the full value of such assets, or may not be possible at all.

(ii) Adoption of the going concern basis

The Directors, having considered the forecasts, the risks, associated mitigating actions, and the probability of both the Rights Issue and Disposal being approved by shareholders and proceeding, 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. However, as both the Rights Issue and Disposal have not yet been approved by shareholders there remains a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Revenue 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 excluding 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 applicable.

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

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 required. 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.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition, where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Notes to the Financial Statements continued

1. Accounting policies continued

Business combinations continued

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payments; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments, and for which consideration is classified as an asset or liability is remeasured at subsequent reporting dates at fair value with the corresponding gain or loss being recognised in profit or loss. Any equity based consideration would not be remeasured at subsequent reporting dates with subsequent settlement accounted for within equity.

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 Group'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 Group'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.

On disposal of a subsidiary, 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.

Merger reserve

The merger reserve comprises the non-statutory premium arising on shares issued as consideration for acquisitions of subsidiaries where merger relief under the relevant section of the Companies Act applies. To the extent that the creation of goodwill originally gave rise to a merger reserve, upon impairment an appropriate amount is transferred from the merger reserve to the profit and loss reserve.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any).

The recoverable amount is the higher of fair value less costs to sell and the value in use. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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.

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.

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 buildings – life of the lease
- Fixtures, fittings and other equipment – 3 to 7 years

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. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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.

Notes to the Financial Statements continued

1. Accounting policies continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and a share of production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Other items

IAS 1, “Presentation of Financial Statements”, provides no definitive guidance as to the format of the income statement, but states key lines which should be disclosed. It also encourages the disclosure of additional line items and the reordering of items presented on the face of the income statement when appropriate for a proper understanding of the entity’s financial performance.

The Company has adopted a policy of disclosing separately on the face of its Group income statement the effect of any components of financial performance considered by the Directors to be exceptional, or for which separate disclosure would assist in a better understanding of the financial performance achieved.

Both materiality and the nature and function of the components of income and expense are considered in deciding upon such presentation. Such items may include, inter alia, impairment charges relating to goodwill and other intangible assets, the financial effect of major restructuring and integration activity, gains or losses associated with acquisitions (including the costs of such acquisitions, movements in deferred contingent consideration and the associated unwind of any discount thereon), profits or losses arising on business disposals, and other items where separate disclosure is considered appropriate by the Directors, including the taxation impact of the aforementioned items.

Retirement benefit costs

The Group operates various 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 Group 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 Group’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 Group 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.

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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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.

Foreign currencies

Transactions in currencies other than the local functional currency 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.

On consolidation, the assets and liabilities of the Group'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 Group's hedging and translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. 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 non market-based 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.

Tax

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.

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 Group intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

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

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. For fair value hedges, the change in the fair value of the hedging instrument and hedged item, as well as any ineffectiveness arising in cash flow hedges, is disclosed with other gains and losses. The Group does not currently hold any held-to-maturity investments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of a financial asset, or, where appropriate, a shorter period.

Interest is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Notes to the Financial Statements continued

1. Accounting policies continued

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more event that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Cash, cash equivalents and collateralised 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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issued costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at 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.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

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. Further details of derivative financial instruments are disclosed in note 34 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each 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 in 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.

Hedge accounting

The Group designates certain hedging instruments as cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in the cash flows of the hedging item.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line of the income statement. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of these assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. Critical accounting judgements and sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 1, the Board has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Going concern

Determining the going concern basis for the Group involves significant estimation uncertainty and requires management judgement in its assessment. As part of the Group's annual budgeting cycle, and in light of the continued trading volatility, the directors have prepared a detailed, bottom up two year trading budget and cash flow forecast for the period through to 31 December 2017. This budget and cash flow forecast has been updated for outturn results to 31 December 2015, and the impact that the trading results of the business may have on the forecast period. Further detail on this process is described in note 1.

Based on the above position and subject to the successful completion of the Rights Issue and disposal of the Synergy business, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As a result, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Goodwill and other intangible assets

The carrying value of goodwill at the year-end is £38.3m (2014: £77.8m). 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 Group 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 14.

Notes to the Financial Statements continued

2. Critical accounting judgements and sources of estimation uncertainty continued

The carrying value of other intangible assets is £14.8m (2014: £23.2m). 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.

Revenue recognition

The Group's revenue recognition policies are disclosed in note 1. 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. 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.

3. Revenue

An analysis of the Group's revenue is as follows:

	2015 £'000	2014 £'000
Continuing operations		
Sales of services	**106,725**	123,703
Investment income	**49**	58
Total revenue	**106,774**	123,761

Sales of goods are not material and are therefore not shown separately. Included in sales of services is £1.3m (2014: £0.1m) related to software licence revenues recognised as a result of a periodic review of our licence entitlement resulting from changes in our customers' enrolled student numbers.

There is no revenue in respect of discontinued operations.

4. Business segments

Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance is focussed on the nature of each type of activity. The principal activities are product development and customer services, implementation services, professional and business solutions and quality assurance solutions. The Group's reportable segments under IFRS 8 are therefore as follows:

Product Development and Customer Services ("PD & CS"), representing the delivery of software and subsequent maintenance and support services.

Implementation Services ("IS"), representing of activities through which we deploy and configure our software for our customers;

Professional and Business Solutions ("PBS"), 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.

4. Business segments continued

In accordance with IFRS 8 'Operating Segments', information on segment assets is not shown, as this is not provided to the chief operating decision-maker. Inter-segment sales are charged at prevailing market prices.

Year ended 31 December 2015

	Revenue		Adjusted Segment Operating Profit	
	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000	**Year ended 31 December 2015 £'000**	Year ended 31 December 2014 £'000
PD & CS	**46,131**	49,675	**2,023**	11,192
IMP	**16,910**	19,495	**1,140**	2,871
PBS	**13,771**	20,377	**229**	515
QAS	**30,482**	34,621	**2,900**	4,039
Inter-segment sales	**(569)**	(465)	**–**	–
Total	**106,725**	123,703	**6,292**	18,617
Unallocated corporate expenses			**(3,408)**	(4,108)
Adjusted operating profit			**2,884**	14,509
Amortisation of IFRS 3 intangibles			**(1,686)**	(1,729)
Other items			**(46,420)**	(17,079)
Operating loss			**(45,222)**	(4,299)
Investment income			**49**	58
Finance costs			**(2,124)**	(2,025)
Loss before tax			**(47,297)**	(6,266)
Tax			**1,861**	(1,482)
Loss for the year from discontinued operations			**(80)**	(196)
Loss after tax and discontinued operations			**(45,516)**	(7,944)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the profit earned by each segment, without allocation of central administration costs, including Directors' salaries, finance costs and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

Notes to the Financial Statements continued

4. Business segments continued

Revenues of approximately 18% (2014: 19%) have arisen within our QAS segment from the Group's largest customer and revenues of approximately 6% (2014: 10%) have arisen within our PD & CS and IS segments from the Group's second largest customer.

Included within other items is goodwill impairment of £38.8m (of which £23.6m arises in respect of the PD&CS segment, £9.7m arises in respect of the QAS segment and £5.5m arises in respect of the PBS segment) and impairment of development costs of £8.0m, which relates solely to the PD & CS segment. Prior year amounts included £12.8m and £2.6m of impairment charges related to goodwill and developments costs respectively.

Geographical information

Revenue from external customers

	2015 £'000	2014 £'000
UK	72,350	86,599
Asia Pacific	23,699	25,972
North America and rest of the world	10,676	11,132
	106,725	123,703

Non-current assets

	2015 £'000	2014 £'000
UK	40,162	85,624
Asia Pacific	19,655	20,980
North America and rest of the world	10	28
	59,827	106,632

The Group's revenues from its major products and services were as follows:

Continuing operations

	2015 £'000	2014 £'000
Licence and development	14,203	21,820
Implementation	12,585	19,495
Maintenance	30,304	24,542
Other Systems related	5,949	3,313
Professional & Business Solutions	13,771	20,377
Quality Assurance Solutions	30,482	34,621
Eliminations	(569)	(465)
	106,725	123,703

5. Profit for the year (continuing and discontinued)

	2015 £'000	2014 £'000
Profit for the year is stated after charging/(crediting):		
Staff costs (see note 7)	63,523	64,423
Depreciation and other amounts written off property, plant and equipment	1,532	1,446
Amortisation of acquired IFRS 3 intangible assets	1,686	1,729
Amortisation of business systems	398	514
Amortisation of development costs	3,364	3,303
Gain on bargain purchase	(405)	–
Cost of inventories recognised as an expense	216	344
Impairment loss on trade receivables	382	(18)
Research and development expenditure	1,656	1,688
Impairment of goodwill	38,802	12,849
Impairment losses on development costs	7,989	2,583
Net foreign exchange losses	258	269

The analysis of auditor's remuneration is as follows:

	2015 £'000	2014 £'000
Fees payable to the company's auditor for the audit of the company's annual report	80	80
Fees payable to the company's auditor and its associates for other services to the Group:		
– the audit of the Company's subsidiaries pursuant to legislation	156	140
Total audit fees	236	220
– audit related assurance	47	22
– other assurance	–	–
Total non-audit fees	47	22
Total auditor's remuneration	283	242

Fees payable to Deloitte LLP and its associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

Non-audit fees arose entirely as a result of the half year review in both 2015 and 2014. Non-audit fees will be payable to the auditors in respect of the proposed Rights Issue and disposal of Synergy. These fees arise entirely in 2016 and will be recognised in the 2016 financial statements accordingly.

Details of the Company's policy on the use of the auditors for non-audit services and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on page 60. No services were provided pursuant to contingent fee arrangements.

See page 60 for the Group policy on use of auditor for non-audit work.

Notes to the Financial Statements continued

6. Other items

	2015 £'000	2014 £'000
Operating loss from closed businesses	**–**	(100)
Other items as (charges)/credits to income statement		
– Acquisition costs	**(198)**	(397)
– Gain on bargain purchase	**405**	–
– Movement in deferred contingent consideration	**1,020**	228
Acquisition related costs	**1,227**	(169)
– Impairment of goodwill	**(38,802)**	(12,849)
– Impairment of development costs and related charges (see note 15)	**(7,989)**	(2,630)
Impairment charges	**(46,791)**	(15,479)
– Onerous contracts	**294**	(788)
– Costs on closure of SLS business	**(823)**	–
– Property related	**210**	(543)
– Strategy & recruitment costs	**(537)**	–
Other exceptional items	**(856)**	(1,331)
Other administrative costs	**(46,420)**	(17,079)
– Amortisation of IFRS 3 intangibles	**(1,686)**	(1,729)
Total administrative costs	**(48,106)**	(18,808)
– Unwinding of discount on deferred contingent consideration and onerous contracts	**(585)**	(876)
– Fees associated with waiver of loan covenant	**(456)**	–
Exceptional financing items	**(1,041)**	(876)
	(49,147)	(19,684)
Tax on other items	**2,558**	1,348
	(46,589)	(18,336)

IAS 1, paragraph 97 requires separate disclosure of such items that are considered material by nature or value, that they require separate disclosure in the financial statements. As such, 'other items' are not part of the Group's underlying trading activities and include the following:

Acquisition costs: items include the gain on bargain purchase of Callista (2015 – £0.4m; 2014 – £nil), costs directly related to the acquisition of subsidiary undertakings (2015 – £0.2m: 2014 – £0.4m) and movements in deferred consideration arising subsequent to the expiration of the one year measurement period post acquisition (see also note 23).

Impairment charges: impairment charges have arisen in respect of goodwill (2015 – £38.8m: 2014 - £12.8m) and other intangible assets (2015 – £8.0m: 2014 – £2.6m). Further detail is provided around the assumptions and basis of the goodwill impairment charge in note 14. The impairment of other intangible assets relates solely to development costs, and results chiefly from the Group's review of its product portfolio as at the year end date, and specifically their expected ability to generate future revenue. Given the lower than anticipated performance in the current year, this review has identified a number of modules that are no longer considered to generate sufficient revenue to justify their carrying value and therefore they have been impaired. Such impairment charges include £0.6m (2014 - £0.1m) relating to costs arising in the current period, capitalised as part of the Group's ongoing development roadmap, and subsequently impaired at the date of the annual impairment review. See also note 15.

6. Other items continued

Other exceptional items: in addition, certain other costs are presented outside of adjusted profit, as they are considered sufficiently unusual and/or material to warrant separate disclosure. These include the following:

– A property related credit of £0.2m (2014: charge of £0.5m), related to the rent free period on relocation of the Group's head office (2014 – onerous lease charge arising on the exit of the previous property).

– In October 2015, the Group made a decision to close its SLS business. The operation provided services to Further Education colleges. As a result, the Group has recognised a provision of £0.8m (2014: £nil) related to closure costs for this business, which principally relates to redundancy costs, onerous lease charges and the impairment of related assets.

– A £0.3m credit (2014 – £0.8m charge) relating to adjustments to onerous contracts arising on withdrawal from those markets where we are committed to multi-year maintenance deals which necessitate a minimum level of staffing which will not be covered by revenue.

– £0.5m related to costs associated with the recruitment of executive management and also a detailed strategy review undertaken in the period (2014 – £nil).

Amortisation of IFRS intangibles – amortisation arising on the fair value of intangible assets acquired is separately disclosed as other items (2015 – £1.7m: 2014 – £1.7m).

Financing charges – consistent with the treatment of movements in deferred consideration, the unwind of the discount on deferred consideration and onerous contracts is separately presented as other financing costs in the income statement (2015 – £0.6m: 2014 – £0.9m). In addition, costs of £0.5m (2014: £nil) were incurred in respect of obtaining the waiver of the covenants on the Group's Revolving Credit Facility (see note 22).

Taxation – the tax charge or credit arising on the above items is presented on a consistent basis with the underlying cost or credit to which it relates and therefore is also presented separately on the face of the income statement.

7. Staff numbers and costs

The average number of persons employed under contracts of service by the Group (including Executive Directors) during the year was as follows:

	2015 Number	2014 Number
Selling, operations and marketing	1,117	1,164
Finance and administration	235	247
	1,352	1,411

The aggregate payroll costs of these persons were as follows:

	2015 £'000	2014 £'000
Wages and salaries	54,004	54,742
Social security costs	4,756	5,134
Pension costs	4,006	3,766
Redundancy costs	1,055	469
Share option (credit)/charge	(298)	312
	63,523	64,423

The total payroll costs above include £3.7m (2014: £2.6m) capitalised as development costs (see note 15).

Net interest credits relating to pension schemes of £34,000 (2014: credit of £54,000) and administrative expenses of £21,000 (2014: £20,000) are reported elsewhere and are therefore excluded from the figures above.

Notes to the Financial Statements continued

8. Investment income

	2015 £'000	2014 £'000
Net interest receivable on retirement benefit obligations	**34**	54
Other interest receivable	**15**	4
	49	58

9. Finance costs

	2015 £'000	2014 £'000
Interest on bank overdrafts and loans	**695**	510
Amortisation and write off of loan arrangement fees	**272**	577
Other interest payable	**116**	62
Financing costs	**1,083**	1,149
Unwinding of discount on deferred consideration	**585**	876
Fees associated with waiver of loan covenants	**456**	–
Other financing costs	**1,041**	876
Total financing costs	**2,124**	2,025

10. Tax

	Continuing operations		Discontinued operations		Total	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Current tax						
UK corporation tax	**354**	100	**–**	15	**354**	115
Overseas tax	**173**	2,456	**–**	–	**173**	2,456
Adjustments in respect of prior years	**(1,262)**	(104)	**–**	–	**(1,262)**	(104)
	(735)	2,452	**–**	15	**(735)**	2,467
Deferred tax						
Current year	**(2,125)**	(962)	**–**	–	**(2,125)**	(962)
Adjustments in respect of prior years	**999**	(8)	**–**	–	**999**	(8)
	(1,126)	(970)	**–**	–	**(1,126)**	(970)
Tax (credit)/charge on losses	**(1,861)**	1,482	**–**	15	**(1,861)**	1,497

See note 24 for further analysis of movements in the deferred tax position. The continuing tax charge can be reconciled to the profit from continuing operations per the income statement as follows:

	2015 £'000	2014 £'000
Loss before tax on continuing operations	**(47,297)**	(6,266)
Tax credit at standard rate of 20.25% (2014: 21.5%)	**(9,578)**	(1,347)
Effects of:		
Overseas tax rates	**(134)**	401
Expenses not deductible for tax purposes	**(26)**	250
Goodwill impairment	**7,776**	2,755
Adjustments in respect of prior years	**(263)**	(112)
Ineligible depreciation	**91**	(18)
Additional deduction for R&D expenditure	**(16)**	(16)
Share schemes	**(8)**	(472)
Movement in tax provision	**159**	(40)
Current tax and deferred tax rate differences	**138**	81
Tax (credit)/expense for the year	**(1,861)**	1,482

In addition to the amount charged to the income statement a current tax credit of £195,000 (2014: £nil) and a deferred tax charge of £219,000 (2014: charge of £359,000) has been recognised directly in equity during the year in relation to share schemes. A deferred tax credit of £34,000 (2014: £155,000) has been recognised in the Consolidated Statement of Comprehensive Income in relation to Defined Benefit pension schemes.

The Group continues to hold an appropriate corporation tax provision in relation to the Group relief claimed from Care UK for the year ended 31 March 2007.

The income tax expense for the year is based on the blended UK statutory rate of corporation tax for the period of 20.25% (2014: 21.5%). This rate reflects the reduction of the UK corporation tax rate from 21% to 20% from 1 April 2015. 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 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Group's future tax charge accordingly. The deferred tax balances at 31 December 2015 have been calculated using these rates.

Notes to the Financial Statements continued

11. Dividends

	2015 £'000	2014 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2014 of 1.20 pence (year ended 31 December 2013: 1.10 pence) per share	**1,133**	1,031
Interim dividend for the year ended 31 December 2015 of 0.70 pence (year ended 31 December 2014: 0.60 pence) per share	**661**	556
	1,794	1,587
Proposed final dividend for the year ended 31 December 2015 of nil pence (year ended 31 December 2014: 1.20 pence) per share	**–**	1,138

The interim dividend for 2015 was approved by the Board on 11 August 2015 and was paid on 16 October 2015 to ordinary shareholders who were on the register on 18 September 2015. No final dividend has been proposed.

12. Discontinued operations

Discontinued operations include the Health & Government, Resourcing and Communications businesses which were disposed of during 2010 and 2011. The Resourcing and Communications sales were trade and asset deals and so there continue to be transactions, for example as leases associated with those businesses wind down. The results of the discontinued operations which have been included in the consolidated income statement were as follows:

	2015 £'000	2014 £'000
Operating (loss)/profit before other items	**(2)**	18
Other items	**(78)**	61
Operating (loss)/profit	**(80)**	79
Attributable tax charge	**–**	(15)
Loss on disposal of discontinued operations	**–**	(260)
Net loss attributable to discontinued operations	**(80)**	(196)
Operating cash flows for discontinued operations	**(80)**	34
Investing cash flows for discontinued operations	**–**	321
Total cash flows for discontinued operations	**(80)**	355

13. Earnings per share

Earnings per share and diluted earnings per share are calculated by reference to a weighted average number of ordinary shares calculated as follows:

	2015 thousands	2014 thousands
Weighted average number of shares outstanding:		
Basic weighted average number of shares in issue	94,435	94,061
Employee share options	–	–
Weighted average number of shares outstanding for dilution calculations	94,435	94,061

Diluted earnings per share only reflects the dilutive effect of share options for which performance criteria have been met. Current share incentive schemes vest based on cumulative EPS for a three year period with the earliest vesting based on the Group's results for the three years to 31 December 2015. None of the 804,416 remaining share options that were issued in 2013 met the performance criteria.

The maximum number of potentially dilutive shares, based on options that have been granted but have not yet met vesting criteria, is 1,531,955 (2014: 1,712,593).

The adjusted basic and diluted earnings per share figures shown on the consolidated income statement on page 84 are included as the Directors believe that they provide a better understanding of the underlying trading performance of the Group. A reconciliation of how these figures are calculated is set out below:

	2015			2014		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Net loss	(45,436)	(80)	(45,516)	(7,748)	(196)	(7,944)
Earnings per share						
Basic and diluted	(48.1)p	(0.1)p	(48.2)p	(8.2)p	(0.2)p	(8.4)p
Adjusted earnings per share						
Basic and diluted	1.2p			11.3p		

	(Loss)/profit for the year		Earnings per share	
	2015	2014	2015	2014
Loss for the year attributable to equity shareholders	(45,516)	(7,944)	(48.2)p	(8.4)p
Add back: discontinued operations	80	196	0.1p	0.2p
Loss for the year from continuing operations	(45,436)	(7,748)	(48.1)p	(8.2)p
Add back:				
Amortisation of IFRS intangibles (net of tax)	1,197	1,233		
Impairment of goodwill	38,802	12,849		
Gain on bargain purchase	(405)	–		
Impairment of development costs (net of tax)	6,323	2,028		
Unwinding of discount on deferred consideration and onerous contracts	585	877		
Other items (net of tax)	1,107	1,577		
Movement in deferred contingent consideration	(1,020)	(228)		
Total adjusting items (net of tax)	46,589	18,336	49.3p	19.5p
Adjusted earnings	1,153	10,588	1.2p	11.3p

Notes to the Financial Statements continued

14. Goodwill

	2015 £'000	2014 £'000
Cost		
At beginning of year	120,239	108,232
Additions	–	12,513
Exchange differences	(697)	(506)
At end of year	119,542	120,239
Accumulated impairment losses		
At beginning of year	42,429	29,580
Impairment	38,802	12,849
At end of year	81,231	42,429
Net book value		
At end of year	38,311	77,810
At beginning of year	77,810	78,652

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

	2015 £'000	2014 £'000
Product development and customer services	25,808	50,063
Implementation services	8,969	8,969
Professional and business solutions	3,534	9,073
Quality assurance solutions	–	9,705
	38,311	77,810

The Group is organised into four business segments – Product Development and Customer Services ("PD & CS"), Implementation Services ("Implementation"), Professional and Business Solutions ("PBS") and Quality Assurance Solutions ("QAS"). These segments represent CGU groups for the purposes of goodwill testing. The additions to goodwill in the prior period arose entirely in relation to the PD & CS segment (£7.5m in relation to the acquisition of Sky Software and £5.0m in relation to the acquisition of Human Edge). The Group 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 key assumptions for the value in use calculations are those regarding the discount rates, longer term growth rates and expected changes to selling prices, sales volumes and direct costs during the period. The assumptions made reflect a cautious view of the short term position and incorporate certain sensitivities and risks, over and above those incorporated in management's base case budgets. This is considered appropriate given current performance and the risks apparent in the business during 2015. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU groups. The growth rates are based on internal two year budgets and general market rates thereafter. Changes in selling prices, sales volumes and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next two years and updated for latest expectations in the light of the outturn results for 2015. Cash flows forecast for 2017 have been extrapolated into perpetuity based on an estimated growth rate of 1% for all CGUs, except PBS and QAS where a 0% rate has been used (2014: 2%, except PBS where a 0% rate has been used). A lower rate has been used in PBS and QAS to reflect the maturity of certain businesses within the PBS portfolio, as well as the anticipated conclusion of the remaining Early Years inspections contract with Ofsted in March 2017, resulting in greater uncertainty in the remaining business subsequent to this date. These rates do not exceed the average long term growth rates for the relevant market.

14. Goodwill continued

The rate used to discount the forecast cash flows is 14% across all CGUs (2014: 14%, except for PBS where 16% was used). This rate has been chosen to reflect the directors' assessment of risk associated with the Group. A consistent rate is considered appropriate across all CGUs, given risk incorporated into the underlying forecast position and the level of risk adjustment incorporated into this discount rate, compared with the Group's underlying weighted average cost of capital. The rate used for PBS has decreased in the current year given more stability in the underlying business subsequent to the closure of the SLS and Careers business units.

The significant downturn in the Group's performance over the course of 2015, coupled with conservative estimates of the future trading of the Group have led to material impairments being recorded to a value of £38.8m (2014: £12.8m) across the PD&CS, PBS and QAS CGUs:

PD&CS: An impairment of £23.6m has been recorded in respect of the PD&CS CGU. Remaining goodwill is £25.8m. The impairment charge is based on the Group's most recent cash flow forecasts, adjusted for forecasting volatility and known operational challenges. If the sale of the Synergy business completes (see note 37 – Post balance sheet events), it is estimated that goodwill of £15.4m will be allocated in arriving at the profit on disposal of the business. The CGU will then have residual goodwill of £10.3m. The underlying CGU, excluding Synergy, was loss making in 2015. Average cashflows of £3m per annum are required in 2016 and 2017 to support the carrying value of goodwill. If the profitability of the business does not recover in 2016 and 2017, the residual goodwill of £10.3m is impaired. This is considered to be a reasonably possible change. However, the Directors consider the carrying value to be their best estimate of the recoverable value.

Implementation Services: The Implementation Services CGU is the only segment with headroom remaining against the value in use calculated. Goodwill is £9.0m and headroom is £1.7m, based on the Group's most recent cash flow forecasts, adjusted for forecasting volatility and known operational challenges. If the sale of the Synergy business completes (see note 37 – Post balance sheet events), goodwill of £3.7m will be allocated in arriving at the profit on disposal of the business. The CGU will have remaining goodwill of £5.3m. The underlying CGU, excluding Synergy, generated operating profit (which approximates cashflows) of £0.6m. A reasonably possible change which assumes cash flows continues at this level in 2016 and 2017 would lead to an additional impairment of £4.1m. However the Directors consider the carrying value to be their best estimate of the recoverable value.

PBS: PBS closed its Careers business during the first half of 2015 and its SLS business during the second half of 2015 and has used the most recent cash flow forecasts for the division in its impairment calculations. As a result, a further impairment has arisen during the course of 2015 of £5.5m (2014: £3.6m). Cash flow forecasts assume underlying profitability to remain consistent with 2015. A reasonably possible downside scenario of a 5% decrease in profitability and cash flows would result in an increase in the impairment charge of £0.1m.

QAS: During 2014, Ofsted announced its intention to in-source its schools inspection contract held by the Group's QAS business, with the contract ceasing in August 2015. The remaining Ofsted contract, relating to Early Years inspections, was extended a further 18 months during the prior year to March 2017. During the second half of 2015 Ofsted have confirmed that they will in-source the contract at this date; cash flow assumptions for this contract therefore cease at this date. As a result, a further impairment has bene recognised in the period of £9.7m (2014: £9.2m) resulting in the full impairment of goodwill in respect of this CGU.

Notes to the Financial Statements continued

15. Other intangible assets

	Software £'000	Customer contracts & relationships £'000	Development costs £'000	Business systems £'000	Total £'000
Cost					
At 1 January 2014	–	3,785	24,874	4,440	33,099
Additions	7,035	2,948	4,837	319	15,139
Disposals	–	–	(78)	(24)	(102)
Exchange differences	(288)	(133)	–	–	(421)
At 1 January 2015	6,747	6,600	29,633	4,735	47,715
Written off	–	–	(3,268)	(11)	(3,279)
Additions	292	185	4,083	1,055	5,615
Disposals	–	–	(403)	(86)	(489)
Exchange differences	(405)	(172)	(30)	(5)	(612)
At 31 December 2015	**6,634**	**6,613**	**30,015**	**5,688**	**48,950**
Amortisation					
At 1 January 2014	–	2,618	10,220	3,529	16,367
Charge for the year	924	805	3,303	514	5,546
Impairment loss	–	–	2,583	–	2,583
Disposals	–	–	(4)	(24)	(28)
Exchange differences	–	–	(2)	–	(2)
At 1 January 2015	924	3,423	16,100	4,019	24,466
Written off	–	–	(3,268)	(11)	(3,279)
Charge for the year	1,248	438	3,364	398	5,448
Impairment loss	–	–	7,989	–	7,989
Disposals	–	–	(359)	–	(359)
Exchange differences	(44)	(61)	5	1	(99)
At 31 December 2015	**2,128**	**3,800**	**23,831**	**4,407**	**34,166**
Carrying amount					
At 31 December 2015	**4,506**	**2,813**	**6,184**	**1,281**	**14,784**
At 31 December 2014	5,823	3,177	13,533	716	23,249

Software and customer contracts and relationships have arisen from acquisitions and are amortised over their estimated useful lives, which are 3–6 years and 3–12 years respectively. The amortisation period for development costs incurred on the Group's product development is 3 to 7 years, based on the expected life-cycle of the product. Fully amortised development costs with a gross book value of £3.3m have been written off in the year. Amortisation of development costs is included in cost of sales; the amortisation for software, customer contracts and relationships and business systems is included within administrative expenses.

An impairment of £8.0m (2014: £2.6m) has been recognised in the current year in respect of development costs. In light of operational issues encountered in the second half of 2015, there was a deterioration in trading performance which has impacted on expected cash flows into the future. Additionally there have been changes to management and to the Board in the second half of the year with the new team reconsidering the strategy of the Group and its future forecasts in conjunction with the assessment of the Group's future funding requirements. As a result, certain modules or products have been impaired, to align their carrying values with current expectations relating to the ability of such modules or product to generate probable future economic benefits. This assessment has been based on a review of future sales pipeline and identified opportunities, which have sufficient current probability of deal completion to support the costs deferred on the balance sheet. In certain cases, external factors, such as change or deferral of government policy, have also triggered an impairment review of certain ongoing development work. The resultant impairment charge has been recognised as 'other administrative costs' and separately disclosed given their nature and value (see also note 6). Of the £8.0m impairment recognised, £0.6m (2014: £0.1m) relates to costs incurred and capitalised in the current reporting period.

16. Property, plant and equipment

	Leasehold buildings £'000	Fixtures, fittings and other equipment £'000	Total £'000
Cost			
At 1 January 2014	2,434	3,836	6,270
Additions	358	987	1,345
Acquisition of subsidiary	–	3	3
Disposals	(659)	(639)	(1,298)
At 1 January 2015	2,133	4,187	6,320
Additions	619	1,060	1,679
Acquisition of subsidiary	304	735	1,039
Disposals	(8)	(528)	(536)
Exchange differences	(13)	(62)	(75)
At 31 December 2015	**3,035**	**5,392**	**8,427**
Accumulated depreciation and impairment			
At 1 January 2014	1,535	1,649	3,184
Charge for the year	326	1,120	1,446
Disposals	(659)	(639)	(1,298)
Exchange differences	–	5	5
At 1 January 2015	1,202	2,135	3,337
Charge for the year	312	1,220	1,532
Acquisition of subsidiary	269	436	705
Disposals	(8)	(516)	(524)
Exchange differences	(17)	(37)	(54)
At 31 December 2015	**1,758**	**3,238**	**4,996**
Net book value			
At 31 December 2015	**1,277**	**2,154**	**3,431**
At 31 December 2014	931	2,052	2,983

17. Inventories

	2015 £'000	2014 £'000
Work in progress	**117**	337
Finished goods and goods for resale	**16**	274
	133	611

The cost of inventories recognised as an expense during the year in respect of continuing operations is £216,000 (2014 : £344,000).

Notes to the Financial Statements continued

18. Trade and other receivables

	2015 £'000	2014 £'000
Amounts receivable for the sale of services	17,700	13,217
Allowance for doubtful debts	(655)	(153)
	17,045	13,064
Amounts recoverable on contracts	42	115
Other receivables	263	294
Prepayments	2,845	3,822
Accrued income	5,790	10,842
	25,985	28,137

The Group's principal financial assets are cash and cash equivalents and trade and other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's credit risk is primarily related to its trade receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

All receivables are due within one year in both current and prior years.

Trade receivables

Trade receivables are measured at amortised cost. The average credit terms on sales is 30 days (2014: 30 days). The Group sells the majority of its services to the public sector or related bodies and institutions, and as such there is a low incidence of default. All overdue debts are assessed on an individual basis and a provision for irrecoverable amounts is determined by reference to specific circumstances and past default experience.

Included in the Group's trade receivable balance are debtors with a carrying amount of £8.4m (2014: £4.1m), which are past due at the reporting date and which have not been impaired, as there has not been a significant change in the credit quality and the Group believes that the amounts are still recoverable. The Group does not hold any collateral over these balances. Of the total trade receivables balance at the end of the year, two customers (2014: two) held balances outstanding of more than 5%, being £3.6m and £1.7m (2014: £1.1m and £0.9m). The average age of receivables is 57 days (2014: 27 days).

Ageing of past due but not impaired trade receivables:

	2015 £'000	2014 £'000
30–60 days	4,209	2,476
60–90 days	1,259	838
90–120 days	2,273	114
120+ days	657	633
Total	8,398	4,061

Impairments recognised in respect of accrued income amount to £0.8m (2014: £0.2m).

Movement in the allowance for doubtful debts:

	2015 £'000	2014 £'000
Balance at the beginning of the year	153	216
On acquisition of subsidiary	–	11
Amounts written off during the year	(30)	(69)
Recognised in the income statement	382	(18)
Transferred from accrued income	150	13
Balance at the end of the year	655	153

18. Trade and other receivables continued

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The Group's credit risk is relatively low because a high proportion of trade or other receivables have sovereign or close to sovereign credit rating. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables:

	2015 £'000	2014 £'000
30–60 days	–	–
60–90 days	–	3
90–120 days	–	21
120+ days	655	129
Total	655	153

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

19. Long-term contracts

At the end of 2015, trade and other receivables included amounts due from contract customers (included within accrued income) of £0.6m (2014: £0.9m) and trade and other payables included amounts due from contract customers (included within deferred income) of £0.3m (2014: £0.1m).

	2015 £'000	2014 £'000
Contract costs incurred plus recognised profits less recognised losses to date	7,094	6,280
Less: progress billings	(7,485)	(3,906)
	(391)	2,374

At 31 December 2015, retentions held by customers for contract work amounted to £0.1m (2014: 0.8m).

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

20. Cash and cash equivalents

Cash and cash equivalents of £3.9m (2014: £9.3m) comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Of the above balance, £0.2m (2014: £6.6m) represents funds restricted in use by the relevant commercial terms of certain trading contracts. These terms have been complied with.

Notes to the Financial Statements continued

21. Trade and other payables

	2015 £'000	2014 £'000
Trade payables	**2,274**	2,774
Other taxation and social security	**3,405**	4,834
Other payables	**1,364**	7,468
	7,043	15,076

The average credit period taken for trade purchases is 20 days (2014: 22 days).

For most suppliers, no interest is charged on the trade payables for the first 30 days from the date of invoice. Thereafter, in some cases, interest may be charged on the outstanding balances due to certain suppliers at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within a reasonable timeframe. The Directors consider that the carrying amount of trade and other payables approximates their fair value.

22. Borrowings

The Group holds borrowings under a £45m revolving credit facility, and a further £5m committed overdraft facility. The total facility is committed until June 2018, subject to compliance with covenants. As at 31 December 2015, the Group had net debt of £32.5m outstanding, reflecting draw downs on the revolving credit facility of £34.2m, net of unamortised loan arrangements fees of £0.3m (2014: £0.5m), with a further £2.2m outstanding on the overdraft facility (2014: £nil). These balances were partially offset by gross cash balances of £3.9m (2014: £9.3m). The directors estimate that the book values of the Group's borrowings reflect the fair values thereof. The bank loans are all denominated in UK sterling at floating rates. At 31 December 2015, the weighted average interest rate paid was 2.1% (2014: 2.0%).

Pursuant to an agreement reached on 21 December 2015, the Banks agreed to waive the financial covenant tests that would otherwise have been applicable under the Facility on 31 December 2015. Had this waiver not been provided, the Group would have been in breach of the terms of the Facility.

There was £10.5m (2014: £23.5m) available but undrawn of the revolving credit facility at 31 December 2015. In addition, at the year-end there was £2.8m available but undrawn in respect of the overdraft facility, giving total underlying headroom of £13.3m (2014: £37.9m), subject to covenants.

The Group also had cash balances of £3.9m (2014: £9.3m) (see note 20) and overdrafts of £2.2m (2014: £nil), giving net debt at the year end of £32.5m (2014: £11.7m). The interest rate is reset for a period of one, three or six months at LIBOR plus a variable margin determined by covenant calculations. The rate is managed through interest rate swaps where appropriate. At 31 December 2015, the amount drawn down (net of bank arrangement fees) was £34.2m (2014: £21.0m).

23. Provisions

	Property related £'000	Deferred consideration £'000	Onerous contracts £'000	Legal claims £'000	Total £'000
At 1 January 2015	342	10,242	726	758	12,068
On acquisition of subsidiary	60	1,672	–	–	1,732
Transfer from accruals	105	–	–	–	105
Increase/(release) in provision	301	(1,020)	818	(100)	(1)
Utilisation of provision	(189)	(6,329)	(1,144)	(500)	(8,162)
Unwind of discount	–	541	44	–	585
Exchange rate movement	(2)	(389)	–	–	(391)
At 31 December 2015	617	4,717	444	158	5,936

The provisions are split as follows:

	Property related £'000	Deferred consideration £'000	Onerous contracts £'000	Legal claims £'000	Total £'000
2015					
Within one year	617	2,626	444	158	3,845
After more than one year	–	2,091	–	–	2,091
2014					
Within one year	342	8,786	284	758	10,170
After more than one year	–	1,456	442	–	1,898

Property related provisions reflect costs associated with exiting properties leased by businesses now discontinued or closed. Costs are expected to be incurred over a period of up to one year.

Deferred consideration reflects amounts in respect of the acquisitions of subsidiary undertakings, payable over a period of up to 3 years. Certain amounts are contingent upon the performance of the acquired entities, with amounts reflecting management's best estimate of the future profitability of those entities and the resultant payments due under the terms of the Sale and Purchase Agreements.

Onerous contracts represent costs anticipated from contracts, where we have withdrawn from markets but are committed to multi-year maintenance deals which necessitate a minimum level of staffing which will not be covered by contract revenues.

Legal claims reflect provisions recognised in respect of disputes arising on previously disposed of businesses. The most significant claim was settled in the current year.

Notes to the Financial Statements continued

24. Deferred tax

The amounts provided for deferred tax and the amounts for which credit has been taken are set out below:

	2015 £'000	2014 £'000
Deferred tax assets		
Depreciation in excess of capital allowances	**1,148**	1,385
Other timing differences	**476**	684
Share-based payments	**–**	400
Tax losses	**1,589**	–
	3,213	2,469
Deferred tax liabilities		
Intangible assets	**(2,103)**	(2,607)
Retirement benefit schemes	**(16)**	(24)
	(2,119)	(2,631)
	1,094	(162)

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 Group has recognised a deferred tax asset of £1,589,000 on tax losses carried forward in the UK of £7,946,000.

The Group has an unrecognised deferred tax asset of £986,000 in relation to further tax losses carried forward in the UK (£3,261,000) and Australia (£1,330,000). The asset has not been recognised due to the uncertainty of generating future relevant profits against which to recover the asset.

The Group and company have no further unrecognised deferred tax assets or liabilities.

The movement in deferred tax assets and liabilities during the year and prior year was as follows:

	Temporary differences on non-current assets £'000	Retirement benefit schemes £'000	Other temporary differences £'000	Total £'000
At 1 January 2014	1,070	(155)	905	1,820
Acquisitions	–	–	(2,864)	(2,864)
Foreign exchange differences	–	–	116	116
(Debit)/credit to income statement	315	(24)	679	970
Items taken directly to equity	–	–	(359)	(359)
(Debit)/credit recognised in consolidated statement of comprehensive income	–	155	–	155
At 31 December 2014 and 1 January 2015	1,385	(24)	(1,523)	(162)
Acquisitions	–	–	172	172
Foreign exchange differences	–	–	143	143
(Debit)/credit to income statement	(237)	(26)	1,389	1,126
Items taken directly to equity	–	–	(219)	(219)
(Debit)/credit recognised in consolidated statement of comprehensive income	–	34	–	34
At 31 December 2015	**1,148**	**(16)**	**(38)**	**1,094**

24. Deferred tax continued

Included in other temporary differences are deferred tax assets of £1,589,000 (2014: £nil) relating to tax losses carried forward and other timing differences of £476,000 (2014: £684,000). The balance also includes a deferred tax liability, in relation to intangible assets of £2,103,000 (2014: £2,607,000).

25. Share-based payments

The Group recognised the following (credits)/charges related to equity-settled share-based payment transactions:

	2015 £'000	2014 £'000
Continuing operations		
LTIP	**(298)**	308
SAYE	**–**	4
Total	**(298)**	312

LTIP

Awards made to eligible employees under the LTIP are nil cost options with an award period of four years. Generally 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.

The credit of £0.3m in 2015 represents the reversal of charges made in prior 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. There have not been any SAYE grants in the current or prior year.

Options outstanding during the year are as follows:

	LTIP		SAYE	
	Number of options thousands	Weighted average exercise price	Number of options thousands	Weighted average exercise price
Outstanding at 1 January 2015	2,750	£nil	14	£1.08
Exercised during the year	(1,037)	£nil	–	–
Granted during the year	1,106	£nil	–	–
Lapsed during the year	(1,287)	£nil	–	–
Outstanding at 31 December 2015	1,532	£nil	14	£1.08
Exercisable at 31 December 2015	–	–	14	£1.08
Weighted average remaining contractual life (years)	8.5	–	0.4	–
Weighted average share price at date of exercise	–	–	–	–

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

Notes to the Financial Statements continued

25. Share-based payments continued

For the year ended 31 December 2015, 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:

	31 December 2015
Date of grant	March 2015
Share price	£1.53
Exercise price	£nil
Expected dividend yield	0.8%
Risk-free interest rate	1.13%
Expected volatility	35%
Term (years)	3.0
Option fair value	£1.53

Given the trading performance in 2015, share options are now not expected to vest and therefore charges previously recognised in respect of outstanding options have been reversed in 2015.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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).

There have been no options over shares that have not been recognised in accordance with IFRS 2.

26. Share capital

	2015 £'000	2014 £'000
Authorised		
125,000,000 (2014: 125,000,000) ordinary shares of 5p each	6,250	6,250

	2015 number	2015 £'000	2014 number	2014 £'000
Allotted, called up and fully paid				
At beginning of the year	94,849,241	4,743	93,695,985	4,685
Issued during the year	–	–	1,153,256	58
At end of the year	94,849,241	4,743	94,849,241	4,743

The Company has one class of ordinary shares which carry no right to fixed income.

27. Other reserves

	Capital reserve £'000	Merger reserve £'000	Own share reserve £'000	Share-based payment reserve £'000	Total £'000
At 31 December 2013	9,545	18,033	(768)	1,232	28,042
Acquisition of own shares	–	–	(2,735)	–	(2,735)
Use of own shares to settle share-based payment scheme vesting	–	–	768	–	768
Movement in relation to share-based payment (net)	–	–	–	(318)	(318)
At 31 December 2014	9,545	18,033	(2,735)	914	25,757
Use of own shares to settle share-based payment scheme vesting	–	–	1,970	–	1,970
Movement in relation to share-based payment (net)	–	–	–	(904)	(904)
Transfer from merger reseve	–	(6,320)	–	–	(6,320)
At 31 December 2015	**9,545**	**11,713**	**(765)**	**10**	**20,503**

The capital reserve of £9.5m (2014: £9.5m) resulted from a share exchange when Tribal Group plc was listed in February 2001.

The merger reserve of £11.7m (2014: £18.0m) relates to the premium arising on shares issued subject to the provisions of section 612 of the Companies Act 2006 (previously section 131 of the Companies Act 1985), net of cumulative goodwill impairment of £58.3m (2014: £52.0m) in respect of related acquisitions deemed to be impaired.

The own share reserve of £0.8m (2014: £2.7m) represents the cost of 413,846 shares (2014: 1,480,275) in Tribal Group plc held by the Employee Share Ownership Trust to satisfy certain options under the Group's share option schemes. In the year ended 31 December 2015, 1,066,429 shares (2014: 1,526,115) were disposed of on exercise of options.

The share-based payment reserve represents the reserve arising from the application of IFRS 2.

28. Lease commitments

	2015 £'000	2014 £'000
The Group as lessee		
Minimum lease payments under operating leases recognised as an expense in the year	**1,688**	1,514

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

	2015 £'000	2014 £'000
Within one year	**1,349**	1,286
In the second to fifth years inclusive	**1,921**	1,896
After five years	**380**	–
	3,650	3,182

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

Notes to the Financial Statements continued

29. Acquisition of subsidiary

On 6 March 2015, the Group acquired 100% of the issued share capital of Callista Software Services Pty Ltd ("Callista"), a company incorporated in Australia that is a leading provider of student management systems to the Australian university market. The acquisition secured the Group's position as the leading provider of student management systems to each of the university, college and schools markets, in Australia.

This transaction has been accounted for by the purchase method of accounting. The total expected cost of acquisition is £1.7m, with payment deferred and payable over a three year period.

The provisional carrying amount of each class of Callista Software Pty Limited's assets before combination is set out below:

	Book value £'000	Alignment of accounting policies £'000	Provisional fair value adjustments £'000	Provisional fair value £'000
Intangible assets	–	–	477	477
Tangible assets	335	–	–	335
Deferred tax asset	–	316	–	316
Trade and other receivables	3,176	–	–	3,176
Cash and cash equivalents	1,819	–	–	1,819
Trade and other payables	(3,905)	–	–	(3,905)
Deferred tax liabilities	–	–	(143)	(143)
Total identifiable assets	1,425	316	334	2,075
Gain on bargain purchase				(405)
Consideration				1,670
Satisfied by:				
Initial cash consideration				–
Deferred consideration				1,670
				1,670

The acquisition led to a net cash in-flow, taking into account the cash acquired, of £1.8m and resulted in a gain on acquisition of £0.4m. This gain reflected the low price paid for acquisition, which arose because of the maturity of the technology which Callista supplies to its customer base.

Intangible assets arising on acquisition are in respect of software (£0.3m) and customer relationships and contracts (£0.2m).

Callista Software Pty Limited contributed revenue of £6.3m and operating profit of £0.8m to the Group for the period between the date of acquisition and the balance sheet date. Acquisition related costs amounted to £0.2m.

Had the acquisition occurred on 1 January 2015, the Group's revenue would have increased by £1.2m and its operating profit by £0.1m.

30. Retirement benefit schemes

The Group operates a number of defined contribution and defined benefit pension schemes within individual subsidiaries and contributes to certain employees' personal pension plans. The pension charge for the year ended 31 December 2015 was £4.0m (2014: £3.8m), of which £3.5m (2014: £3.2m) related to defined contribution schemes and £0.5m (2014: £0.6m) to defined benefit schemes.

Contributions amounting to £0.2m (2014: £0.3m) were payable to the funds at the year end and are included in current liabilities.

Defined benefit schemes

At 31 December 2015, the Group operated three defined benefit pension schemes for the benefit of certain employees of its subsidiaries in the UK.

Scheme 1 – the TfL Pension Fund

Tribal Technology Limited, a Group subsidiary, participates in the TfL Pension Fund (formerly LRT pension fund), which is a defined benefit arrangement. One member transferred out of the scheme in the period, triggering a settlement event. As a result, the Group has no further obligations in respect of the scheme.

Scheme 2 – the Prudential Platinum Pension Fund

Tribal Education Limited, a Group subsidiary, participates in the Prudential Platinum Pension Fund, which is a defined benefit arrangement. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 31 December 2012.

The Tribal Education section of the Prudential Platinum Pension Fund had three deferred members at the year-end. Employer contributions amounting to £22,000 were paid in the year ended 31 December 2015 (2014: £34,000). The accounting figures have been calculated using the valuation as at 31 December 2012, updated on an approximate basis to 31 December 2015 by a qualified independent actuary.

Scheme 3 – the Federated Pension Plan

Tribal Education Limited, a Group subsidiary, participates in the Federated Pension Plan, 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 last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 5 April 2012.

The Tribal Education section of the Federated Pension Plan had 70 active members at the year-end. Employer contributions amounting to £677,000 were paid in the year ended 31 December 2015 (2014: £744,000). The accounting figures have been calculated using the valuation as at 5 April 2012, updated on an approximate basis to 31 December 2015 by a qualified independent actuary.

The assets of the funds have been taken at market value and the actuarial assumptions used to calculate scheme liabilities under IAS 19 'Employee Benefits' are:

	2015 % per annum	2014 % per annum
Inflation	**2.30–3.30**	2.10–3.10
Salary increases	**1.00–3.80**	1.00–4.60
Rate of discount	**3.8**	3.7
Pension in payment increases	**2.30–3.30**	2.10–3.10

Notes to the Financial Statements continued

30. Retirement benefit schemes continued

The mortality assumptions adopted at 31 December 2015 imply the following life expectations:

	Males	Females
Aged 60 in 2015	27.7	30.0
Aged 60 in 2035	30.2	32.5

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

	2015 £'000	2014 £'000
Equities	**5,479**	5,358
Alternative assets	**–**	19
Corporate Bonds	**3,048**	2,717
Gilts	**97**	61
Cash	**68**	115
Total fair value of scheme assets	**8,692**	8,270

The sensitivities regarding the principal assumptions used to measure the schemes' liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0.5%	Decrease by 11%
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 2%

The amount included in the balance sheet arising from the Group's obligation in respect of its defined benefit schemes is as follows:

	2015 £'000	2014 £'000
Present value of defined benefit obligations	**(8,604)**	(8,149)
Fair value of scheme assets	**8,692**	8,270
Surplus in schemes	**88**	121
Asset recognised in the balance sheet	**88**	121

Reconciliation of opening and closing balances of the fair value of scheme assets:

	2015 £'000	2014 £'000
Fair value of scheme assets at beginning of year	**8,270**	6,936
Expected return on assets	**307**	321
Actuarial gains	**(166)**	267
Contributions by employer	**702**	791
Contributions by scheme participants	**94**	134
Benefits paid	**(87)**	(159)
Settlements	**(407)**	–
Administration expenses	**(21)**	(20)
Fair value of scheme assets at end of year	**8,692**	8,270

30. Retirement benefit schemes continued

Reconciliation of opening and closing balances of the present value of the defined benefit obligations:

	2015 £'000	2014 £'000
Defined benefit obligation at beginning of year	8,149	6,158
Current service cost	600	709
Interest cost	273	267
Contributions by scheme participants	100	134
Actuarial losses	172	647
Benefits paid	(88)	(159)
Settlements	(427)	–
Change in irrecoverable surplus in year	(186)	–
Restriction in asset recognised	11	393
Defined benefit obligation at end of year	8,604	8,149

The Group's contribution rate for 2015 was 0% (2014: 26.9%) of pensionable earnings for the TfL Pension Fund, 0% (2014: 36.9%) for the Prudential Platinum Fund and 32.0% (2014: 32%) for the Federated Pension Plan.

The Group expects to make contributions of £525,000 to the defined benefit schemes during the next financial year.

Analysis of amounts recognised in the consolidated income statement for the defined benefit schemes is as follows:

	2015 £'000	2014 £'000
Current service cost	600	708
Recognised in arriving at operating profit	600	708
Other finance costs		
Interest on pension scheme liabilities	273	267
Expected return on pension scheme assets	(307)	(321)
Net finance credit	(34)	(54)
Total charge to income statement	566	654

Analysis of actuarial gain/(loss) in the consolidated statement of comprehensive income:

	2015 £'000	2014 £'000
Actual return less expected return on pension scheme assets	(166)	267
Experience gains and losses arising on the scheme liabilities	400	(64)
Changes in assumptions underlying the present value of scheme liabilities	(578)	(583)
Restriction in asset recognised	(11)	(393)
Change in irrecoverable surplus	186	–
Total actuarial gains and losses recognised in the consolidated statement of comprehensive income	(169)	(773)

Cumulative actuarial profit recognised in the consolidated statement of comprehensive income since 1 April 2004 is £276,000 (2014: £445,000).

Notes to the Financial Statements continued

30. Retirement benefit schemes continued

The history of experience adjustments is as follows:

	31 December 2015 £'000	31 December 2014 £'000	31 December 2013 £'000	31 December 2012 £'000	31 December 2011 £'000
Present value of defined benefit obligations	**(8,604)**	(8,149)	(6,158)	(5,818)	(3,718)
Fair value of scheme assets	**8,692**	8,270	6,936	5,399	3,178
Surplus/(deficit) in the scheme	**88**	121	778	(419)	(540)
Experience adjustments arising on scheme assets:					
Amount	**(166)**	267	383	324	(5)
Percentage of the scheme assets	**(2%)**	3%	6%	6%	(0%)
Experience adjustments arising on scheme liabilities:					
Amount	**400**	(64)	1,391	(54)	(151)
Percentage of the present value of the scheme liabilities	**5%**	(1%)	23%	(1%)	(4%)

No assets are invested in the Group's own financial instruments, properties or other assets used by the Group.

31. Notes to the cash flow statement

	2015 £'000	2014 £'000
Operating loss from continuing operations	**(45,222)**	(4,299)
Operating (loss)/profit from discontinued operations	**(80)**	79
Depreciation of property, plant and equipment	**1,532**	1,446
Impairment of goodwill	**38,802**	12,849
Amortisation and impairment of other intangible assets	**13,437**	8,129
Other non-cash items	**(1,834)**	25
Operating cash flows before movements in working capital	**6,635**	18,229
Decrease in inventories	**478**	177
Decrease in receivables	**5,701**	5,780
Decrease in payables	**(17,203)**	(1,898)
Net cash (used in)/from operating activities before tax	**(4,389)**	22,288
Tax paid	**(1,827)**	(2,571)
Net cash (used in)/from operating activities	**(6,216)**	19,717

Net cash (used in)/from operating activities before tax can be analysed as follows:

	2015 £'000	2014 £'000
Continuing operations (excluding restricted cash)	**2,045**	20,401
(Decrease)/Increase in restricted cash	**(6,354)**	1,853
	(4,309)	22,254
Discontinued operations	**(80)**	34
	(4,389)	22,288

32. Analysis of net debt

	2015 £'000	2014 £'000
Cash and cash equivalents (note 20)	3,896	9,345
Overdrafts	(2,160)	–
Syndicated bank facility (net of bank arrangement fees)	(34,207)	(21,023)
Net debt	(32,471)	(11,678)

Analysis of changes in net debt:	2015 £'000	2014 £'000
Opening net debt	(11,678)	(4,559)
Net (decrease)/increase in cash and cash equivalents	(7,387)	1,955
Effect of foreign exchange rate changes	(222)	(165)
Increase in bank loans and overdrafts	(12,912)	(8,332)
Amortisation of loan arrangement fees and similar charges	(272)	(577)
Closing net debt	(32,471)	(11,678)

33. Contingent liabilities

The Group has received notification of a number of potential litigation claims, the most significant of which relate to discontinued activities. On the basis of legal advice, claims are being robustly contested as to both liability and quantum. A provision of £0.2m (2014: £0.8m) has been made for defending these claims, where appropriate (see note 23).

At any time, the Group is overseeing a portfolio of customer implementation projects. Such projects may be complex, multi-phase projects giving rise to significant operational risks which the Group must manage. Such risks may, in certain instances, lead to potential negotiations or disputes with customers which may give rise to consequential financial or commercial obligations or liabilities arising.

The Group is engaged in a dispute with Bournemouth University further to a delay (among other things) in relation to a contract to provide the SITS software to handle, inter alia, student admissions. As a result of these delays the implementation and the admission modules were not installed by the date required by the University. As admissions only occur on an annual basis, the University postponed the systems implementation by a year and are purporting to claim for costs in relation to finding an alternative method of handling admissions for that year. The Group and the University have differing positions on the cause of the delay.

It is anticipated that the dispute will be settled through a commercial compromise, without the need for formal proceedings. The claim is quantified at £3.9m, however recent settlement discussions have been closer to £0.5m and the Board hopes to settle below this level. Management considers that any settlement is likely to take the form of a waiver of part of the sums payable by the University for services previously delivered by Tribal and/or additional software and future services to be made available at either a discount or no charge.

A cross-guarantee exists between Group companies in respect of bank facilities totalling £36.2m (2014: £14.5m). In addition, the Company and its subsidiaries have provided performance guarantees issued by its banks on its behalf, in the ordinary course of business, totalling £8.5m (2014: £8.5m). These are not expected to result in any material financial loss.

Notes to the Financial Statements continued

34. Financial instruments

Capital risk management

The Group manages its capital to ensure the entities in the Group will be able to continue as going concerns, while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 26 and 27.

Gearing ratio

The Gearing ratio at the year-end is as follows:

	2015 £'000	2014 £'000
Net debt	**(32,471)**	(11,678)
Equity	**6,160**	54,647
Net debt to equity ratio	**527.1%**	21.4%

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Categories of financial instruments

	2015 £'000	2014 £'000
Financial assets		
Loans and receivables (including cash and cash equivalents):		
Cash	**3,896**	9,345
Trade receivables	**17,045**	13,064
	20,941	22,409
Financial liabilities		
At amortised cost:		
Trade payables	**2,274**	2,774
Bank loans and loan notes	**36,367**	21,023
	38,641	23,797

The Directors consider that the book value of the financial assets and liabilities is equal to their fair value.

Financial risk management objectives

Treasury management is led by the Group finance team, which is responsible for managing the Group's exposure to financial risk. It operates within a defined set of policies and procedures reviewed and approved by the Board. This includes both foreign exchange risk and interest rate risk. The Group's exposure to interest rate fluctuations on its interest-bearing assets and liabilities is selectively managed, using interest rate swaps where appropriate. This is an ongoing risk and the Board will continue with this policy. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

As the Group's international activities grow, it's exposure to overseas markets also increases, particularly in Australasia. There have been no other significant changes to the Group's exposure to market risk, or the manner in which it manages and measures the risk.

Foreign currency risk management

The Group undertakes an increasing number of transactions denominated in foreign currencies. Here, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters and the Group enters into forward foreign exchange contracts where appropriate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	31 December 2015 £'000	31 December 2014 £'000	**31 December 2015 £'000**	31 December 2014 £'000
Euros	**187**	141	**6**	11
Australian Dollar	**2,642**	1,640	**2**	1
United States Dollar	**251**	498	**25**	32
Saudi Arabian Riyal	**11**	33	**–**	–
South African Rand	**1,673**	985	**309**	16
New Zealand Dollar	**535**	695	**–**	–
Canadian Dollar	**275**	132	**–**	83
Philippine Peso	**75**	39	**–**	–
United Arab Emirates Dirham	**82**	327	**27**	24
Malaysian Ringgit	**99**	–	**–**	–
Bahraini Dinar	**329**	–	**–**	–
Other	**37**	19	**10**	–
	6,196	4,509	**379**	167

Foreign currency sensitivity analysis

The Group is exposed to the following currencies: US Dollar, Euro, Australian Dollar, New Zealand Dollar, South African Rand, Canadian Dollar, United Arab Emirates Dirham, Saudi Arabia Riyal, Philippine Peso, Bahraini Dinar and Malaysian Ringgit.

If Sterling were to strengthen or weaken by 10% against the relevant foreign currencies, the balances in the table above would give rise to an increase/reduction in profit of £546,000 (2014: £432,000). This sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period-end for a 10% change in foreign currency rates.

10% represents management's assessment of the reasonably possible change in foreign exchange rates.

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. 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 Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Notes to the Financial Statements continued

34. Financial instruments continued

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole year. A 1.0% increase or decrease is used when reporting interest rate risk internally to the Board and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 1.0% higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease/increase by £233,000 (2014: decrease/increase by £37,000).

Credit risk management

The Group's principal financial assets are cash and cash equivalents and trade and other receivables. The Group's credit risk is relatively low because a high proportion of trade and other receivables have a sovereign or close to sovereign rating. Of the total trade receivables balance at the end of the year, £4.5m is due from two customers (2014: £2.0m from two customers).

Liquidity risk management

The Group manages liquidity risk by maintaining adequate cash reserves and banking facilities, and by continuously monitoring forecast and actual cash flows. The Group has access to committed financing facilities; the total unused amount was £10.5m at the balance sheet date (2014: £23.5m). In addition, at the year-end, there was a £2.9m (2014: £5.0m) undrawn overdraft facility. The Group expects to meet its obligations from operating cash flows. The Group also had cash balances at 31 December 2015 of £3.9m (2014: £9.3m) as detailed in note 20. Net debt at the year-end was £32.5m (2014: £11.7m), giving underlying headroom at the balance sheet date of £17.2m (2014: £37.9m).

35. Related party disclosures

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. No material contract or arrangement has been entered into during the year, nor subsisted at 31 December 2015, in which a director had a material interest.

Remuneration of key management personnel

The remuneration of the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2015 £'000	2014 £'000
Short-term employee benefits	**2,227**	1,106
Share-based payments	**(141)**	482
	2,086	1,588

In 2014, key management were considered to represent the Board. In 2015, members of the Group's "Executive Board" have also been included in the amounts above.

Included within Directors' emoluments are pension costs of £95,000 (2014: £83,000) in respect of payments made to three (2014: two) Directors' individual defined contribution pension schemes. Disclosures on Directors' remuneration, share options, long-term incentive schemes, and pension contributions are contained in the Directors' remuneration section within the audited part of the Remuneration report and form part of these audited financial statements. Arrangements with the Group's pension schemes are set out in note 30.

36. Subsidiaries

The Group consists of a parent company, Tribal Group plc, incorporated in the UK and a number of subsidiaries held directly and indirectly by Tribal Group plc, which operate and are incorporated around the world. Note 40 to the company's separate financial statements lists details of the interests in subsidiaries.

Information about the composition of the Group at the end of the reporting period is as follows:

		Number of wholly-owned subsidiaries	
Principal activity	Place of incorporation and operation	2015	2014
Education related systems and solutions	United Kingdom	3	3
Education related systems and solutions	Australia	4	3
Education related systems and solutions	Malaysia	1	–
Education related systems and solutions	South Africa	1	1
Education related systems and solutions	Canada	1	1
Education related systems and solutions	Bahrain	1	1
Education related systems and solutions	Philippines	1	1
Education related systems and solutions	New Zealand	1	1
Education related systems and solutions	United States	2	2
Holding company	United Kingdom	1	1
Educational consultancy services	United Kingdom	1	1
Educational consultancy services	United States	1	1

37. Post balance sheet events

On 29 February 2016, the Group announced that it had agreed to dispose of its Synergy children's services management information systems business to Servelec Group plc for total consideration of £20.25m. It is noted that two of the Group's directors, Richard Last and Roger McDowell, are also directors of Servelec Group plc: given the conflict thus arising, neither director has participated in the Board's consideration of the disposal of Synergy.

During 2015, the Synergy business generated revenues of £6.3m (2014: £6.6m), of which £5.2m (2014: £5.6m) related to the Product Development and Customer Services segment, and included £4.1m (2014: £4.0m) of recurring software maintenance revenues. Other revenue generated by the Synergy business of £1.1m (2014: £1.0m) related to the Implementation Services segment.

The Synergy business delivered an operating profit £2.7m in 2015 (2014: £3.2m), stated before allocation of before allocation of costs of central support services which will not transfer to Servelec Group plc. These non-transferring activities include IT services, HR, finance, legal, marketing and head office costs. Additionally, the operating profit for 2015 is stated before exceptional charges of £1.0m (2014: £nil).

As at the year end date, assets held in respect of the Synergy business amounted to £0.5m of capitalised product development costs, £0.2m of property, plant and equipment, and current assets of £1.4m. Current liabilities amounted to £2.6m. In addition, it is anticipated that on disposal, an allocation of goodwill arising in the PD&CS and Implementation segments will be allocated to the Synergy business (see note 14).

The disposal is expected to complete, subject to shareholder approval, by the beginning of April 2016.

Company only Balance Sheet

	Note	2015 £'000	2014 £'000	2013 £'000
Fixed assets				
Investments	40	**57,456**	75,567	68,023
Current assets				
Debtors: amounts falling due within one year	41	**100**	594	807
Cash at bank and in hand		**36**	50	100
		136	644	907
Creditors: amounts falling due within one year	42	**(10,760)**	(27,763)	(30,216)
Net current liabilities		**(10,624)**	(27,119)	(29,309)
Total assets less current liabilities		**46,832**	48,448	38,714
Creditors: amounts falling due after more than one year	43	**(26,707)**	(13,523)	(4,114)
Net assets		**20,125**	34,925	34,600
Capital and reserves				
Called up share capital	43	**4,743**	4,743	4,685
Share premium		**21**	21	–
Merger reserve		**11,712**	18,032	18,032
Own share reserve		**(765)**	(2,735)	(768)
Share-based payment reserve		**11**	913	1,231
Retained earnings		**4,403**	13,951	11,420
Equity shareholders' funds		**20,125**	34,925	34,600

Notes 38 to 46 form part of these financial statements.

The financial statements of Tribal Group plc (registered number 4128850) were approved by the Board of Directors and authorised for issue on 16 March 2016. They were signed on its behalf by:

Ian Bowles
Director

Steve Breach
Director

Company only Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Own share reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 31 December 2013 and 1 January 2014	4,685	–	18,032	(768)	1,231	11,420	34,600
Total comprehensive profit for the year	–	–	–	–	–	4,313	4,313
Acquisition of own shares	–	–	–	(2,735)	–	–	(2,735)
Issue of share capital	58	21	–	–	–	–	79
Dividends	–	–	–	–	–	(1,587)	(1,587)
Use of own shares to settle share-based payment scheme vesting	–	–	–	768	–	–	768
Charge to equity for share-based payments	–	–	–	–	(318)	(195)	(513)
At 31 December 2014 and 1 January 2015	4,743	21	18,032	(2,735)	913	13,951	34,925
Total comprehensive loss for the year	–	–	–	–	–	(12,861)	(12,861)
Dividends	–	–	–	–	–	(1,794)	(1,794)
Use of own shares to settle share-based payment scheme vesting	–	–	–	1,970	–	–	1,970
Charge to equity for share-based payments	–	–	–	–	(902)	(1,363)	(2,265)
Tax on charge to equity for share-based payments	–	–	–	–	–	150	150
Transfer from merger reserve	–	–	(6,320)	–	–	6,320	–
At 31 December 2015	**4,743**	**21**	**11,712**	**(765)**	**11**	**4,403**	**20,125**

Notes to the Company Balance Sheet

38. Significant accounting policies

The separate financial statements of the company are presented as required by the Companies Act 2006. Thee company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the company has decided to adopt FRS 101 early and has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 as issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. This transition is not considered to have had a material effect on the financial statements.

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

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial information has been prepared on the historical cost basis except for the re-measurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

39. Profit for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The loss for the Company amounted to £12.9m (2014: profit of £4.3m). The auditor's remuneration for audit services to the Company was £80,000 (2014: £80,000).

40. Fixed asset investments

	Shares in subsidiary undertakings £'000	Long term loans £'000	Total £'000
Cost			
At 1 January 2013	24,264	39,820	64,084
Capital contribution relating to share-based payments	280	–	280
Movement in long-term loans	–	3,659	3,659
At 1 January 2014	24,544	43,479	68,023
Capital contribution relating to share-based payments	122	–	122
Movement in long-term loans	–	7,422	7,422
At 1 January 2015	24,666	50,901	75,567
Capital reduction relating to share-based payments	(154)	–	(154)
Movement in long-term loans	–	5,891	5,891
Impairments	(9,917)	(13,931)	(23,848)
At 31 December 2015	**14,595**	**42,861**	**57,456**

The Directors have considered the value of the above investments and are satisfied that the aggregate value of each investment is not less than its carrying value. The investments in subsidiaries are all stated at cost less provision.

40. Fixed asset investments continued

Details of the Company's subsidiaries are as follows:

	Country of incorporation	Principal activity	Holding
Tribal Education Limited	United Kingdom	Education related systems and solutions	100%
Tribal Holdings Limited	United Kingdom	Holding company	100%
International Graduate Insight Group*	United Kingdom	Educational consultancy services	100%
Human Edge Software Corporation PTY Limited*	Australia	Education related systems and solutions	100%
Tribal Campus PTY Limited*	Australia	Education related systems and solutions	100%
Tribal Group PTY Limited*	Australia	Education related systems and solutions	100%
Callista Software Services Pty Limited*	Australia	Education related systems and solutions	100%
Tribal Technology Limited	United Kingdom	Education related systems and solutions	100%
Tribal Middle East SPC Limited	Bahrain	Education related systems and solutions	100%
Tribal Resourcing Limited	United Kingdom	Education related systems and solutions	100%
Tribal Group (Malaysia) SDN*	Malaysia	Education related systems and solutions	100%
Tribal Group South Africa (PTY) Limited*	South Africa	Education related systems and solutions	100%
Tribal Systems Canada Limited*	Canada	Education related systems and solutions	100%
Tribal Education INC*	United States	Education related systems and solutions	100%
Human Edge Software Philippines*	Philippines	Education related systems and solutions	100%
I-Graduate USA LLC*	United States	Educational consultancy services	100%
T2P Limited*	New Zealand	Education related systems and solutions	100%
Class Measures INC*	United States	Education related systems and solutions	100%

* Held indirectly

The proportion of voting rights held is equivalent to the equity shareholdings. Tribal Education Limited also operates branches in New Zealand, South Africa, Botswana, Abu Dhabi and Saudi Arabia. Full details of related undertakings will be attached to the relevant company's Annual Return to be filed with the Registrar of Companies.

The Company has a number of dormant subsidiaries that are not included in the list above. Subsequent to 31 December 2015, these dormant subsidiaries are in the process of being struck off.

41. Debtors

	2015 £'000	2014 £'000	2013 £'000
Amounts owed by group undertakings	**66**	404	557
Other debtors	**6**	16	23
Deferred taxation	**28**	174	227
	100	594	807

	2015 £'000	2014 £'000	2013 £'000
Deferred taxation			
At start of year	**174**	227	142
Effect of rate change	**–**	–	(14)
Charge/(credit) to income statement	**(146)**	(53)	203
Items taken directly to equity	**–**	–	(104)
At end of year	**28**	174	227

Notes to the Company Balance Sheet continued

41. Debtors continued

The deferred tax asset is analysed as follows:

	2015 £'000	2014 £'000	2013 £'000
Share schemes	–	122	162
Other timing differences	28	52	65
	28	174	227

The company has an unrecognised deferred tax asset of £587,000 in relation to tax losses carried forward (£3,261,000). The asset has not been recognised due to the uncertainty of generating future relevant profits against which to recover the asset.

42. Creditors: amounts falling due within one year

	2015 £'000	2014 £'000	2013 £'000
Amounts owed to group undertakings	10,075	26,406	28,489
Other creditors	161	208	91
Accruals	524	1,149	1,636
	10,760	27,763	30,216

43. Creditors: amounts falling due after more than one year

	2015 £'000	2014 £'000	2013 £'000
Bank loan (due within 3 years)	26,707	13,523	4,114

Details of the bank loans are given in note 22 to the consolidated financial statements.

44. Called up share capital

	2015 £'000	2014 £'000	2013 £'000
Authorised			
125,000,000 ordinary shares of 5p each (2014: 125,000,000; 2013: 125,000,000)	6,250	6,250	6,250

	2015 number	2015 £'000	2014 number	2014 £'000	2013 number	2013 £'000
Allotted, called up and fully paid						
At beginning of the year	94,849,241	4,743	93,695,985	4,685	93,695,985	4,685
Issued during the year	–	–	1,153,256	58	–	–
At end of the year	94,849,241	4,743	94,849,241	4,743	93,695,985	4,685

44. Called up share capital continued

Details of options in respect of shares outstanding at 31 December 2015 are as follows:

Employee share option schemes:	Number outstanding	Price payable	Date from which exercisable
2013 LTIP	–	£nil	March 2016
2014 LTIP	721,171	£nil	March 2017
2015 LTIP	810,784	£nil	March 2018
	1,531,955		
Savings related option scheme:			
SAYE 2008 (7 years)	13,999	£1.08	December 2015
Total Tribal Group plc share option schemes	1,545,954		

Details of share-based payments are given in note 25 to the consolidated financial statements.

45. Share premium and reserves

	Merger reserve £'000	Share premium reserve £'000	Own share reserve £'000	Share-based payment reserve £'000	Retained earnings £'000
At 31 December 2013 and 1 January 2014	18,032	–	(768)	1,231	11,420
Profit for the year	–	–	–	–	4,313
Dividends	–	–	–	–	(1,587)
Issue of share capital	–	21	–	–	–
Acquisition of own shares	–	–	(2,735)	–	–
Use of own shares to settle share-based payment scheme vesting	–	–	768	–	–
Movement in relation to share-based payments	–	–	–	(318)	(195)
At 31 December 2014 and 1 January 2015	18,032	21	(2,735)	913	13,951
Profit for the year	–	–	–	–	(12,861)
Tax on charge to equity	–	–	–	–	150
Dividends	–	–	–	–	(1,794)
Use of own shares to settle share-based payment scheme vesting	–	–	1,970	–	–
Movement in relation to share-based payments	–	–	–	(902)	(1,363)
Transfer from merger reserve	(6,320)	–	–	–	6,320
At 31 December 2015	**11,712**	**21**	**(765)**	**11**	**4,403**

The merger reserve of £11.7m (2014: £18.0m; 2013; £18.0m)) relates to the premium arising on shares issued subject to the provisions of section 612 of the Companies Act 2006.

The own share reserve of £0.8m (2014: £2.7m; 2013; £0.8m)) represents the cost of 413,846 (2014: 1,480,275; 2013: 392,892) shares in Tribal Group plc held by the Employee Share Ownership Trust to satisfy certain options under the Group's share option schemes. See note 25 of the consolidated accounts for details of the Group's share options schemes.

The retained earnings reserve is distributable.

46. Contingent liabilities

A cross-guarantee exists between group companies in respect of bank facilities totalling £36.2m (2014: £14.5m; 2013: £5.9m)).

In addition the Company and its subsidiaries have provided performance guarantees issued by its bank on its behalf in the ordinary course of business, totalling £8.5m (2014: £8.5m; 2013: £9.4m). They are not expected to result in any material financial loss.

Five Year Summary

Summarised consolidated Group income statement

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Revenue	**106,725**	123,703	125,485	113,417	108,231
Profit before interest, amortisation and impairment on goodwill and intangibles and other items	**2,884**	14,509	15,759	13,882	11,312
Other items and closed businesses	**(46,420)**	(17,079)	(30)	(2,389)	(5,349)
Amortisation and impairment on goodwill and intangibles	**(1,686)**	(1,729)	(231)	(24)	(218)
Interest	**(2,124)**	(1,967)	(2,001)	(1,496)	(2,005)
Taxation (charge)/credit	**1,861**	(1,482)	(2,720)	(2,014)	(415)
Dividends	**(1,794)**	(1,587)	(1,260)	(934)	(980)
Retained (loss)/profit	**(47,297)**	(9,335)	9,517	7,025	2,345
Adjusted diluted earnings per share	**1.2p**	11.3p	12.5p	10.9p	7.9p
Dividend per ordinary share	**0.70p**	1.80p	1.60p	1.25p	1.00p

Summarised consolidated Group balance sheet

Intangible assets	**53,095**	101,059	95,384	82,811	78,271
Other non-current assets	**6,732**	5,573	6,073	5,180	4,238
Current assets	**30,014**	38,093	37,184	38,580	30,180
Current liabilities	**(45,264)**	(64,526)	(56,377)	(51,412)	(42,142)
Non-current liabilities	**(38,417)**	(25,552)	(14,034)	(19,216)	(24,660)
Net assets	**6,160**	54,647	68,230	55,943	45,887

The amounts disclosed above are for the underlying business as defined at the time of the publication of the respective Annual Reports.

Company information

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Registered in England and Wales
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To register for e-communications, please visit https://www.capitashareportal.com

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If you receive two or more copies of the Annual Report and Accounts and/or multiple cheques for each dividend payment, it means that you have more than one shareholder account.

To receive just one Annual Report and Accounts and one cheque for each dividend payment, please contact the Company's registrars, Capita Registrars, on 0871 664 0300 for UK callers (UK calls cost 10p per minute plus network extras. Lines are open from 8.30am to 5.30pm) or +44 (0)20 8639 3399 for overseas callers, and ask for your accounts to be amalgamated.

Financial calendar

Annual General Meeting	13 May 2016

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