TRIBAL working as one

Annual Report + Accounts 2013

A leading provider of solutions to the education management market

Tribal has continued to strengthen its leadership positions during 2013. We have built on our success in the UK and Asia Pacific, and our management systems, performance improvement solutions and quality assurance solutions have proved themselves as leaders in international markets. We are continuing to invest in foundations to support our future growth. Technology is becoming pervasive throughout our work, and our capabilities in our new regional markets are growing in stature.

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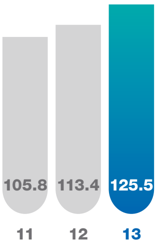
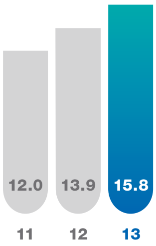
Adjusted revenue[1]



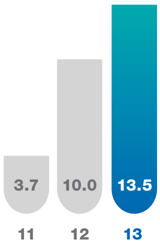
11%
£125.5m

Adjusted operating profit[2]



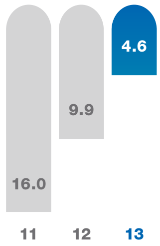
14%
£15.8m

Statutory profit before tax



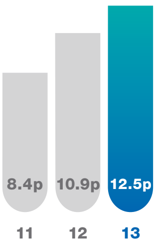
35%
£13.5m

Net debt



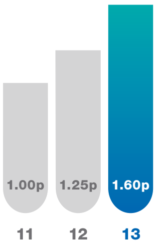
54%
£4.6m

Adjusted eps[2]



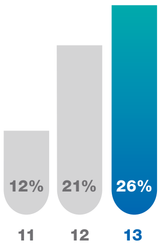
15%
12.5p

Dividend per share



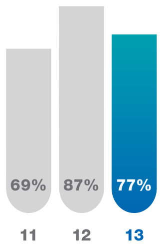
28%
1.6p

International revenue



24%
£32.8m

Cash conversion[3]



11%
77%

Operational Highlights

Higher education

- Important new customers secured, and a strong pipeline of new University customers in each of our regional markets
- Established in North America with University of British Columbia, Vancouver
- i-graduate successfully integrated, performing ahead of expectations, and leading our performance improvement solutions into major international universities such as University of California, Berkeley

Schools / K-12

- Increasing momentum in internationalising our schools performance improvement and quality assurance work in North America and Middle East
- SALM schools student management system live, on time, in initial wave of 229 New South Wales schools
- New schools student management system launched in the UK
- Important partnership established with Outwood Grange Academy Trust, a leading English academy chain, to further develop and roll-out our UK schools management system

Vocational learning

- Strong uptake of our upgraded student management system for work-based learning providers
- Delivery of college student management system for New South Wales Student Administration and Learning Management (SALM), programme on track for roll-out in early 2014
- Successful system go-lives in two New Zealand polytechnics
- Acquisition of Melbourne-based Sky Software, a vocational learning student management system provider to the Asia Pacific region, completed in March 2014

Across our business

- Sales and business development capabilities established in North America and Middle East, complementing existing teams in Asia Pacific and the UK
- International delivery capacity enhanced through establishment of in-country management team in North America, development of partner network for implementation support, and offshore software development resources in Brazil, China and Australia
- Bank finance facilities refreshed and extended in January 2014, and committed through to 2018

1 Adjusted revenue excludes revenue from closed businesses in 2012 of £2.0m.

2 Adjusted operating profit and adjusted EPS are in respect of continuing operations, excluding trading losses of closed businesses in 2012 of £0.8m, intangible asset amortisation of £0.2m (2012: £0.02m), net exceptional costs of £0.03m (2012: £1.6m) and in the case of adjusted EPS unwinding of hedge accounting reserve of £0.5m (2012: £0.5m), unwind of discount on deferred contingent consideration of £0.4m (2012: £nil) and the related tax credit of £0.2m (2012: £0.6m).

3 Cash conversion is calculated as operating cash flow from underlying operations before exceptional cash flows and after capital expenditure, divided by adjusted operating profit.

Chairman's statement

Maintaining momentum

John Ormerod
Chairman

Tribal's people and technology are world-class.

Our task now is to manage our increasingly international growth effectively, to invest in the sustainable development of our business, and to keep our focus.

Keeping our focus

Tribal has taken significant strides forwards since 2011. Our strategy is to become a leading provider of technology-enabled management solutions to international education, learning and training markets.

Three years ago, Tribal's activities were almost entirely based in the UK. Our products and services are now increasingly established in education markets in Asia Pacific, North America and the Middle East. Approximately 26% of our revenue was generated outside the UK in 2013, and our customer base is now populated with an increasing number of prestigious international organisations, alongside an already impressive customer base in the UK.

We have also embraced a wider pool of skills and capacity to address the risks and challenges of our international expansion. Our management teams are growing in stature in our international markets, and we have extended our senior executive team.

Our delivery capabilities in our regional markets are developing well, and we are establishing a network of partners through which we can draw local expertise and capacity. Our software development teams remain concentrated in the UK, but we now reach out to partner teams in Brazil and China as we expand our development capacity.

Our geographical diversification has been matched by ever increasing simplification and clarity of purpose in our core business. It is important that we keep our focus. The international education management market is extensive and large, and carries ample opportunities for distraction from achieving our goals.

Building on solid foundations

We have worked hard to strike the right balance between meeting our short-term profit targets, and investing in the longer term sustainable development of our business.

Tribal's balance sheet has become increasingly resilient over the past three years, and our cash generation has allowed us to invest confidently in new software development and operational capacity in our new markets. We will continue to invest in this way, growing the business with strong underpinnings, and balancing risk and opportunities carefully.

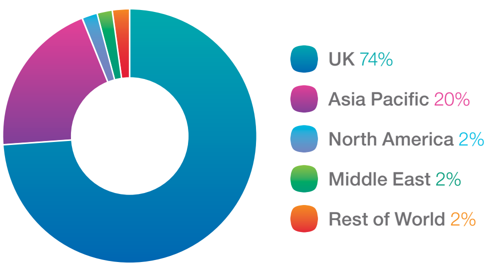
Our confidence to invest has been further enhanced through our recent refinancing of our bank facilities. Whilst we remain clear that Tribal's best interests require only prudent use of debt finance, we now benefit from revolving credit facilities which are committed through to 2018.

Delivering on our promises

At the heart of Tribal's values is a desire to deliver on our promises. We set high standards for ourselves, and the consistent quality of our delivery has been instrumental in establishing our customer base.

We are now well placed to deliver confidently on projects of considerable scale in our international markets. In 2012, we secured a major contract with the New South Wales Department of Education and Communities. This challenging programme, in one of the largest education management systems in the world, involves the roll out of our student management software across every state school and college in New South Wales.

Our revenues in 2013 were increasingly generated from international markets.



Exemplifying our values, our people have successfully risen to this challenge, and we are pleased to have delivered our software, on time, into an initial wave of schools. We expect to deliver to colleges early next year, and we are looking forward to completing the delivery of our system during 2014.

Upholding high standards of governance

We have taken care to establish strong governance frameworks throughout Tribal, designed to match the business's evolution.

Tribal is compliant with the Corporate Governance Code (the Code), and during the course of 2013 we have taken care to ensure that the Code's principles on leadership and Board effectiveness have been applied. In particular, we have sought to ensure that the Board has the right mix of individual non-executive directors with the experience and expertise, and who are provided with the right information, to constructively challenge the executive team.

Board changes

Simon Ball, who has been a non-executive Director and Chairman of the Audit Committee of Tribal since June 2010, has decided to step down at the AGM in May 2014. On behalf of all of us at Tribal, I would like to thank Simon for his contribution.

In advance of Simon's retirement from the Board, we are pleased to welcome David Egan to the Board with effect from 1 April 2014. David will also take over the Chair of the Audit Committee with effect from 16 May 2014.

David is Chief Financial Officer at Alent PLC, a leading supplier of advanced engineered materials used primarily in the electronic and automotive sectors. David has strong experience in financial management, including having previously been Group Financial Controller for Hanson PLC and having held senior positions in a number of significant international businesses.

Looking to the future

Tribal is rich in intellectual property, employing people with great expertise in education management and offering software-based solutions which reflect this know-how.

Our task now is to continue to invest in our assets, and to take our software and expertise to new customers in our existing and new high growth markets, whilst remaining alert to the challenges which come from that growth.

John Ormerod
Chairman

Adjusted Operating Profit

↑ 14%

Net debt

£4.6m

↓ 54%

Our investment proposition

- Focussed on the education management market
- Market dynamics are fundamentally positive and growing
- Building on our market-leading positions
- Strong revenue visibility arising from large installed customer base
- Benefitting from a unique combination of technology skills and intellectual property focussed on education management
- Expanding into new international growth markets
- Demonstrated ability to win against major competitors
- Robust financial foundations

Our business

Key areas of activity

What we do

Systems

Management systems
including student management, children's services and asset management systems

We provide large scale applications which support the operational needs of education and training providers

Our student management systems control the efficient administration of the entire student lifecycle, from initial application and admission, through academic progress, timetabling, fee administration, graduation and employability tracking

Our other records management systems complement our student management systems in universities, colleges and schools

Solutions

Performance improvement solutions

Quality assurance solutions

We deliver a range of services and software-based tools which support management teams in universities, colleges and schools, or in regulatory authorities which oversee educational delivery

Our solutions and tools focus on improving operational efficiency, student satisfaction and educational outcomes

Where we work

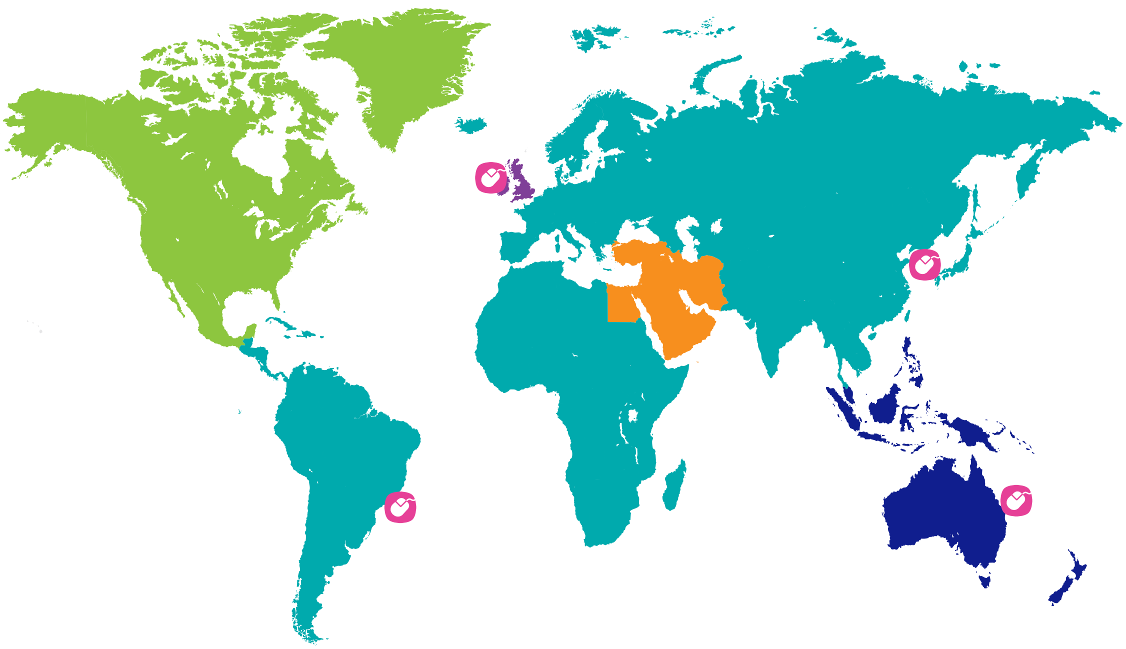
UK
Revenue
£92.7m (2012: £91.2m)

Asia Pacific
Revenue
£25.6m (2012: £16.4m)

North America
Revenue
£2.9m (2012: £3.4m)

Middle East
Revenue
£2.4m (2012: £2.0m)

Rest of World
Revenue
£1.9m (2012: £2.4m)



Software Development Locations: UK, Australia, and through partners in Brazil and China

Who we work for

		Revenue in FY 2013
Higher education	We are the number 1 provider of student management systems to universities in the UK, and have an increasing customer base in English-speaking markets around the world Our performance improvement solutions are used by 228 universities in 13 countries	£22.3m
Vocational learning	We are the number 1 provider of student management systems to the further education and work-based learning markets in the UK In Asia Pacific, approximately one in three polytechnics in New Zealand use our student management systems, and our software is scheduled to be rolled-out across all colleges in New South Wales, Australia in the early part of 2014 Our performance improvement solutions include operational analytics and benchmarking for the majority of further education colleges in the UK, all polytechnics in New Zealand, and an increasing number of Australian colleges Our quality assurance solutions underpin inspections of further education colleges across the south of England, on behalf of the UK Government's Office of Standards in Education, Children's Services and Skills (Ofsted)	£50.1m
Schools	We are the leading provider of quality assurance solutions in the UK, working in schools across the south of England on behalf of Ofsted, and we are delivering similar programmes in international settings such as Abu Dhabi, Massachusetts, and New York State Our children's services management systems are used by around half of England's local authorities, and our student management systems are being deployed across all state schools in New South Wales, Australia	£53.1m

UK
Tribal has long-standing relationships throughout the British education system. Through our customer base, we engage with around half of all universities, colleges and schools in the UK, and we are a key part of the UK's quality assurance processes which oversee children's education.

Asia Pacific
Our delivery of management systems and performance improvement solutions in Asia Pacific has grown rapidly, and we have an increasingly strong presence in the higher education, vocational learning and schools markets in Australia and New Zealand.

North America
Our initial entry to North America focussed on performance analytics in universities, and quality assurance solutions across schools. We are now complementing this activity with the provision of student management systems in the higher education market.

Middle East
In the Middle East, we deliver quality assurance solutions, and increasingly performance analytics, across vocational learning and schools markets. We currently work in Saudi Arabia, the United Arab Emirates and Bahrain.

Rest of World
We support customers in other locations including Europe and China, and we remain alert to the needs of our customers and new market opportunities outside our existing regions of activity.

Software Development
Our software development teams are anchored in the UK. However, we complement this core capability with teams in Australia, and through partners in Brazil and China.

Our business

Business model

The key attributes of our business

Technology

- Robust and flexible education management systems
- Highly configurable applications and tools, closely matched to our customers' needs

People

- Expert employees who understand education management and the power of technology
- Culture which mirrors our customers' values and aspirations

Customers

- Deep relationships with education and training providers at the forefront of education delivery
- Enduring commercial partnerships with a broad spectrum of universities, colleges, schools and large employers

Intellectual property

- Applications with rich functionality, reflecting a deep understanding of education and training
- Solutions founded upon extensive evidence-based data and experience

Financial stability

- Prudent financial management
- Robust financial platform for investment and growth

How we create value

Revenues with strong visibility, based on long-term customer relationships, and systems and tools embedded in our customers' businesses

Our strategic objectives

Embed technology across our business

Internationalise our customer base

Software license revenues

Recurring maintenance and support income

Implementation services

Development fees

long-term contracts

Repeatable and scalable programmes, with embedded software tools leading to annuity revenues

Outcomes

Sustained market leading positions

Our student management systems have achieved market-leading positions in the UK

Our systems' world-class credentials have been confirmed through our successes in global procurements, where our systems have been chosen over major international competitors

Long-term customer relationships

Our solutions are embedded in the fabric of our customers' operations, becoming a core part of the way they do business

We gain deep insight into our customers' evolving needs, guiding our investment decisions

Creation of new solutions

Strong customer insight, and confidence to invest, allow us to create new intellectual property to meet emerging market demands

We build new functionality into our existing systems, and create new solutions and applications to meet our customers' needs

Enhanced capacity in our international markets, supporting successful delivery

Our financial confidence allows us to build robust business infrastructure and capabilities in new international markets

We are well placed to support new customer programmes, and to develop a sustainable operating model in each regional market

Financial strength

Good revenue visibility and cash generation from our operations ensures we have the financial underpinning to support our long-term investment plan

Enhance our sales and business development capability

Maintain low debt levels and create investment capacity through strong cash flow

Turn to page 12 for Our organic growth plan

Our business

Key attributes

An understanding of the business of education is at the heart of Tribal's success.

We build solutions that support management teams who provide excellent education and training.

We have invested carefully to design market leading software and tools.

Informed by lasting relationships with our customers in the UK, we are now reaching, with increasing success, into new international markets.

International revenues

24%

Software development*

£6.9m

5%

* Software development represents software development expenditure capitalised in the period

Technology

Robust and flexible management systems, designed solely with education and training providers in mind

Our systems broadly operate across a scalable common software architecture, and use Oracle and Microsoft SQL database architecture. They are capable of deployment either on our customers' premises or as hosted solutions in the Cloud.

Tribal's applications are designed to be highly configurable, ensuring a close match to our customers' frequently complex organisation requirements, and adapting to each organisation's unique business processes.

Alongside our systems' configurability, we take care to ensure that each new release of our software is designed to be deployed to our customers with minimal disruption.

People

1,400 people who are passionate about education

We employ expert people, who understand the subtle interplay between education management and the use of technology.

The core value of our solutions is underpinned by our people's knowledge, experience and empathy with the operation of education establishments.

We are a naturally collaborative organisation. Many of our people have had careers in universities, colleges and schools. Thus, whilst we are a commercial organisation, we operate in a style which reflects our customers' cultures and priorities.

Customers

Deep and enduring relationships with customers across the education system

Our market leading positions ensure we have deep and long-lasting relationships with education and training providers at the forefront of education delivery.

We are privileged to work closely with leadership teams across our customers' organisations, bringing true insight into tomorrow's education and training environments.

Our long-term commercial partnerships provide a stable revenue base around which our investment priorities can be framed, and into which financial resources can confidently be deployed.

Intellectual property

Solutions grounded on a market leading evidence base, and rich in know-how

We build applications and tools with rich functionality, reflecting a deep understanding of the operational needs of education and training providers.

Our market leading knowledge and technologies are key to our growth, and also to ensuring our customers realise the benefits of our systems. We do not work through resellers; we sell our software directly, engaging extensively with management and users across an institution throughout the sales process. Our people are instrumental to the subsequent implementation programme, working in conjunction with customers' project teams.

Complementing our systems, our performance improvement and quality assurance solutions are built upon market-leading evidence-based data and know-how, assembled through our work with education and training providers around the world.

Financial stability

Prudent financial management, providing a strong investment platform

We insist on strong financial discipline and governance, balanced with an entrepreneurial outlook. Prudent financial management has established a robust financial platform for investment and growth into the future.

Good operating cash flow has reduced debt, allowed significant increases in investment in our software and solutions, our sales and business development capacity, and in our international delivery network.

We are well supported by our shareholders and our lending banks, and have good access to capital to fund our growth plans.

Understanding our market

Key market trends

The sectors we focus on

UK and international education markets show strong fundamental growth characteristics, in spite of budget challenges.

Higher education markets remain firmly active, as competition for students becomes ever more intense across international borders.

Vocational learning continues to receive strong state-level funding as governments concentrate on reducing basic skills shortfalls, and improving employability across national workforces.

Around the world, governments and school operators are increasingly demanding tools to drive performance improvements in schools. Alongside the education agenda, governments are also showing increasing attention to joined up management of a child's education and personal well-being.

Higher education

Higher education is an international market, demonstrating continuing demand for our management systems and know-how. Our systems and analytics tools support efficiency gains, whilst pursuit of enhanced student interaction through effective systems is growing, as the student becomes a paying customer.

UK market

Tribal benefits from a market-leading position in UK universities student management systems. Demand for new functionality from our existing UK customers remains good, and a number of universities continue to replace ageing in-house systems.

Efficiency is key for UK universities facing budget challenges and pressure to deliver on quality, alongside changes to student fee arrangements and a need to treat the student as a customer.

Universities are also showing good interest in applications which complement the more traditional student management system capabilities, such as business intelligence tools, predictive analytics, mobile platform delivery and CRM-style student recruitment tools.

As a result, investment in new administrative systems, seeking efficiency savings and better student engagement, is a continuing theme in the higher education market.

International markets

Demand for new system upgrades is strong in English-speaking international markets.

Whilst these markets are responding to challenges that are broadly similar to those affecting UK universities, there is clear appetite amongst universities for fresh options over and above the incumbent systems providers, and Tribal's credentials ensure it is well placed to take advantage of these opportunities.

Vocational learning

An increasing worldwide focus on basic skills and employability is clear. Whilst national funding strategies and policy changes can create uncertainty in the short-term, the longer term potential is strong. With significant state funding flows available to colleges and employers, robust compliance and records management is essential.

UK market

Budget constraints and uncertainties amongst the further education and work-based learning markets in the UK have held back demand during 2013.

However, recent government policy developments have increased the scope of opportunities available to Tribal:

- The government has prioritised improvement of basic skills (mathematics and English language);
- Reforms to, and additional investment in, apprenticeship funding, placing more control in the hands of employers; and
- Greater focus on workforce training, with increased government funding, is driving demand for apprenticeship programme management support from larger employers.

International markets

An increasing focus on vocational education and employability, together with the UK's reputation in this sector, is creating good opportunities for Tribal.

In Asia Pacific, we are seeing continued demand from colleges and polytechnics requiring system upgrades and performance improvement support.

In the Middle East, the significance of vocational learning is growing, as these developed and emerging economies better understand the role of skills in economic performance, and governments seek to reduce dependence on expatriate workforces.

Schools

Schools improvement techniques are highly advanced in the UK, anchored on the Ofsted inspection methodology. Demand for school improvement support is now growing internationally. Governments are also paying increased attention to coherent management of a child's progress across education and personal well-being, driving significant new requirements for management system capabilities.

UK market

The increasing alignment of all three UK political parties on key issues has brought stability to the schools sector.

The core schools quality assurance market is fully contracted through Ofsted until 2015, and it is expected that inspections will remain a key regulatory mechanism thereafter.

The UK schools student management system market has been mature for some time. However, there is appetite for change and the new procurement framework in this market represents an attractive new opportunity.

An increased focus on children's wellbeing, and the role of schools in safeguarding children, presents opportunities for complementary systems in this market.

International markets

An increasing focus by the UK government to promote the UK education market as a cornerstone for education improvements elsewhere in the world means that the school improvement market is opening up partnerships where Tribal's expertise in quality assurance and management systems are key strengths.

As in the UK, there is an increasing focus on coherence of education and wellbeing, from schools through to tertiary education. Our work with the New South Wales Department of Education is a world-leading example of a joined-up solution covering K-12 and vocational learning.

Markets are emerging for school improvement activity in Australia, North America and Middle East, with customer requirements currently relatively unsophisticated, and lower levels of competition.

In the Middle East, governments are working to improve education achievement to create sustainable economies. Tribal's quality assurance solutions have good resonance in these markets.

Our strategic objectives

Our organic growth plan

Our vision is to be a truly international business that creates and delivers world-class solutions, which help management teams in education establishments and training providers to deliver excellence.

Our strategic plan, established for the three years to 31 December 2014, emphasized organic growth.

Our plan requires us to protect and extend our market leading positions in the UK, whilst internationalising our solutions to English-speaking markets.

Alongside our organic growth plan, we remain alert to bolt-on acquisition opportunities which may complement our strategic ambitions.

The key strategic objectives we are focused on are set out below. The key priorities we are balancing as we seek to deliver our strategic plan are set out on pages 14 to 17, and the key risks we are managing are set out on pages 36 to 39.

Key strategic objectives

1 Embed technology across our business

The power of technology to drive efficiency for our customers is significant. Our major systems play a key part in helping our customers to run their training organisations, schools, colleges and universities well. Our performance improvement and quality assurance solutions, when delivered alongside well chosen technology, become repeatable, scalable and increasingly embedded in our customers' day-to-day activities.

2 Internationalise our customer base

Our systems and solutions have been developed around a deep understanding of education in the UK. Around the world, education providers frequently face similar challenges, and are keen to benefit from the expertise that the best of the UK's education system can offer. Our solutions bring UK educational expertise, wrapped in a technology-based package underpinned by a global delivery model.

3 Enhance our sales and business development capability

We are pursuing an organic growth strategy, which demands a high-performing sales and business development capability. For the vocational learning and schools / K-12 markets, our teams operate on an integrated regional basis in the UK, Asia Pacific, North America, the Middle East and South Africa, and we manage the Higher Education market through a global sales team.

4 Ensure debt levels remain appropriate, and create investment capacity through strong cash flow

Carefully managing debt increases the strength of the business, and creates the financial capacity to take advantage of investment opportunities as they arise, whether through new product and service development, new market entry, funding major projects or bolt-on acquisitions.

Management systems – key market facing objectives

1. Enhance and further develop our portfolio of student management systems such that their functionality and capabilities clearly and innovatively address our customers' needs, not just in the UK, but in our new international markets

2. Establish a leading position in the Asia Pacific market for student management systems, and successfully enter other new English-speaking markets for student management systems

Performance improvement and quality assurance solutions – key market facing objectives

1. Establish international leadership in performance analytics in our chosen education and geographic markets

2. Internationalise our quality assurance solutions customer base, building on the market leading position we have in the UK in association with Ofsted

Operations – key internally oriented objectives

1. Improve operational efficiency across our business, with particular emphasis on our software development and implementation activities

2. Deliver shareholder value through earnings per share growth, growing revenue whilst maintaining a tight grip on costs

Delivering our strategy

Balancing priorities

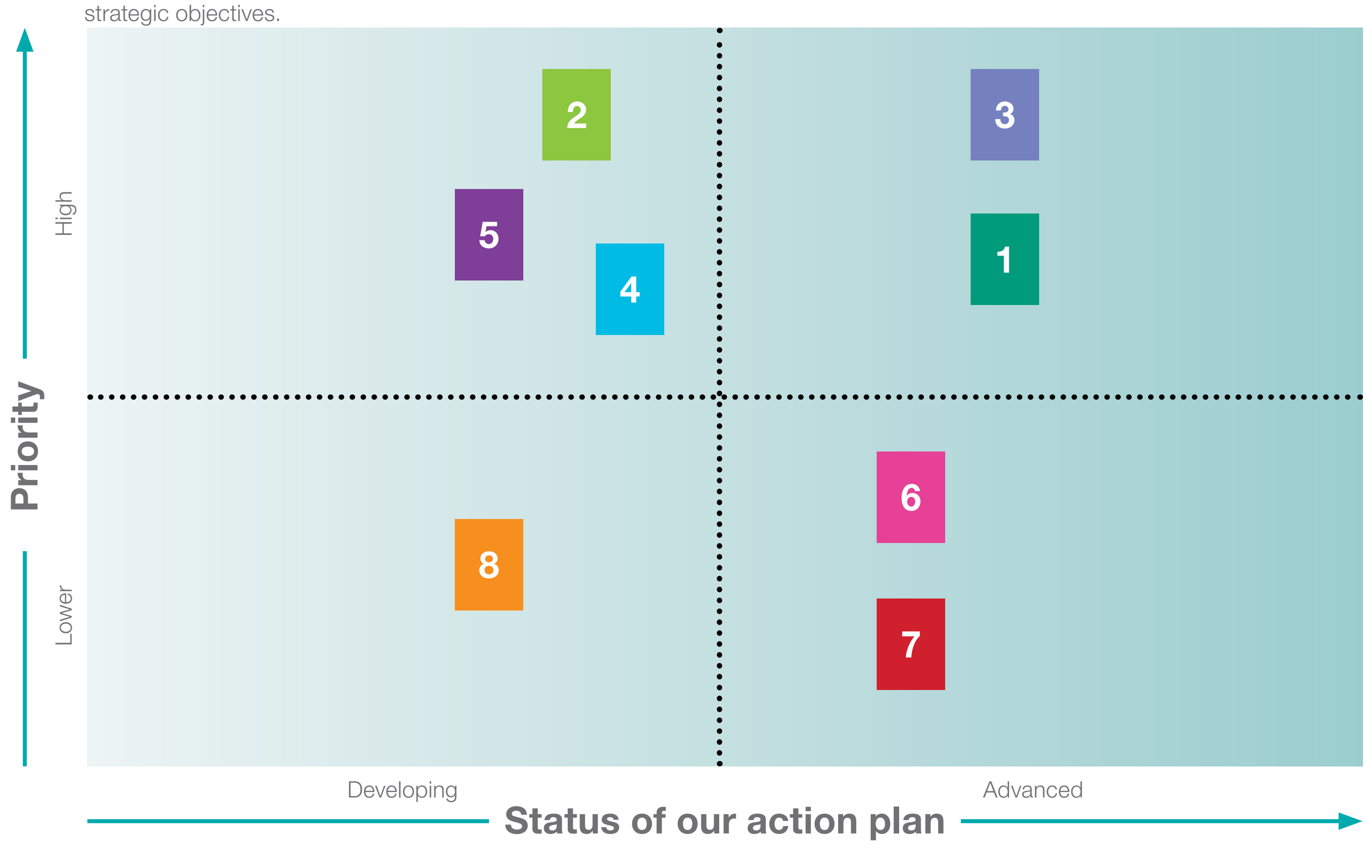
Key activities to enable sustainable growth

Tribal has made good progress towards the aspirations we set out at the beginning of 2012. Whilst we are now focused on 2014, we are also looking beyond, towards the medium and long-term future.

The key challenges we must manage and overcome to sustain Tribal's growth into the future are set out below.

1	Striking the right balance between longer-term investment and near-term profit growth
2	Enhancing implementation and delivery capacity in new international markets
3	Building on our sales and business development capacity
4	Building on our senior management capacity and organisational structure as we grow geographically
5	Maintaining focus on our UK customer base, whilst delivering strong international growth
6	Making choices between competing new geographic market entry opportunities
7	Making choices between competing investment opportunities in new software and solution development
8	Managing uncertainty in the timing of customers' procurement decisions

The chart below summarise the progress we are making to address these priorities, as we work forward our strategic objectives.



Working as one to help Swansea University become the first in the UK to gain prestigious European Commission recognition for electronic delivery of its European Diploma Supplement

Tribal's Gradintel solution has helped Swansea University to become the first University in the UK to gain prestigious recognition from the European Commission for electronic delivery of its European Diploma Supplement, known as the e-HEAR. e-HEAR will immediately replace the existing paper-based European Diploma Supplement and will be issued to all 15,921 undergraduate and taught post-graduate students at the University.

Our Gradintel software integrates with the SITS:Vision student and course management system used by Swansea University to manage student administrative processes, from initial enquiry through to graduation and alumni tracking, as well as acting as the central point of information on students and their qualifications.

e-HEAR is student-centred and designed to be available to students throughout their career. Its electronic format also allows the University to record extra-curricular activities, industrial placements, mobility placements and other information such as prizes in a way that was not possible in paper form.

Students will benefit from the internationally recognised package which the University provides under its Gateway to Employment initiative, of which e-HEAR will be the central core.

The University worked with organisations such as Universities UK (UUK), the British Council, UK NARIC (the National Agency responsible for providing information, advice and expert opinion on qualifications worldwide) and BIS (the Department for Business, Innovation & Skills) to gain the support of the European Commission for formal recognition of the UK HEAR as a document which can legitimately be classed as a Diploma Supplement.

Delivering our strategy

Balancing our priorities

Key activities to enable sustainable growth

Our priorities	Why is this important?
Striking the right balance between longer-term investment and near-term profit growth	• Sustainable managed growth requires investment in supporting infrastructure which reduces short-term profit. • A balance needs to be maintained which allows us to pursue our near term earnings aspirations, but which does not compromise sustainable long-term growth.
Enhancing implementation and delivery capacity in new international markets	• We are delivering systems implementation in a number of international locations, and we expect this to increase. • Sustainable implementation support in a new country requires local capacity, drawing on our larger UK team for specialist input.
Building on our sales and business development capacity	• Our work in our existing new markets has identified good new opportunities. • Development of networks and market intelligence is best achieved by business development professionals in-country.
Building on our management capacity and organisational structure, as we grow geographically	• Our transition from a UK-based business into an international business, with operations in a number of significant geographic areas, requires new organisational structures, accountability mechanisms and leadership roles, as the business develops.
Maintaining focus on our UK customer base whilst delivering strong international growth	• Addressing attractive international growth opportunities requires proper resourcing, in order to deliver successfully. • Resources must be managed carefully to sustain service levels to UK customers, who continue to be very important.
Making choices between competing new geographic market entry opportunities	• We are seeing good opportunities in a number of geographic markets. • Tribal's capacity to deliver successfully in an increasing number of locations must be balanced with our choices of new target markets.
Making choices between competing investment opportunities in new solutions	• We have significantly increased investment in our software and solutions over the past two years. • Making the right choices will bring enhanced revenue and annuity profit streams; making the wrong choices risks significant investment write-offs and missed opportunities.
Managing uncertainty in the timing of customers' procurement decisions	• Our customers' decision-making processes typically extend for long periods, and are subject to rescheduling of which we sometimes have limited visibility. • We must maintain suitable implementation capacity in different locations to deliver on new projects, in spite of sometimes unpredictable customer timelines.

– High priority – Lower priority

What actions are we taking?

- We are investing in the infrastructure of our business, to provide a robust platform for growth.
- These steps, which are set out in more detail below, will, in the short-term, increase our cost base, but they have the potential to enhance profit during the second part of 2014 and beyond.

- We are building local development capacity, through a combination of directly employed teams in key locations, supported by implementation partner relationships where appropriate.
- Our training and induction processes are being re-organised to ensure new recruits attain knowledge and expertise more rapidly.

- We are establishing senior sales and business development capabilities in our chosen international markets.

- Our UK organisational structure will evolve during 2014, enhancing focus on key growth opportunities and risks.
- An additional senior executive appointment has been made at divisional leadership level, and an innovation leadership role has been created, to enhance the quality of our strategic investment choices.
- Software development and maintenance will now operate as a support unit for the entire business.
- Implementation activity will be led across the entire international market as an integrated team, whilst building in-country resource.
- Our Asia Pacific management structure is now well established, our North American leadership team is being built and our Middle East leadership team is growing.

- Our evolving structure will optimise the deployment of our expert resources across UK and international customer projects.
- We will be building our implementation capacity in the UK and internationally, and are developing partnerships with overseas implementation partners to reduce demands on our UK-based staff.
- Our software product development roadmaps for 2014 and 2015 emphasise UK requirements alongside international market needs.

- We are carefully evaluating emerging opportunities in new markets, focussed towards English-speaking sectors.
- Our capacity building is focused on those markets where we have confidence that our systems and solutions can be deployed in a manner that is broadly comparable with the UK, thus reducing operational risk.

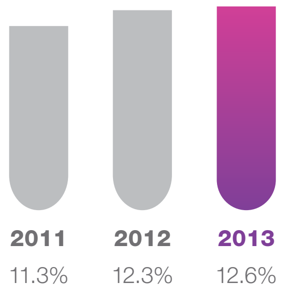
- Our software development roadmaps are being refreshed.
- The new innovation leadership role includes devotion of considerable time to evaluation of new investment options.

- Where possible, we are evolving our revenue model in our Systems business towards a "framework" agreement, which allows customers to purchase our systems in smaller units, and thereby reduces the risk of high value procurement slippage.

Key performance indicators

Measuring our progress

Adjusted operating margin

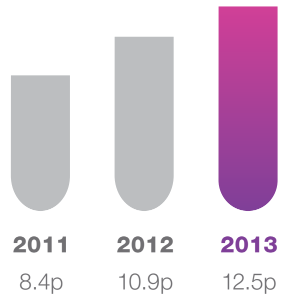


Objective: Maintain and enhance our operating margin.

Outlook: Our increasing focus on software based activities is expected to support continued improvement in our operating margins.

Link to our strategic plan: Operating margin growth is a key component of earnings growth through which we are seeking to deliver shareholder value.

Adjusted earnings per share

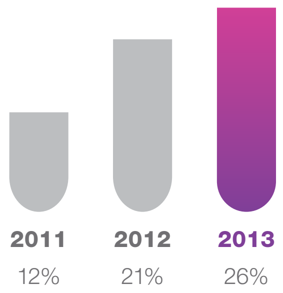


Objective: Long-term sustainable growth in EPS.

Outlook: As we continue to see good growth opportunities, and focus on enhancing the efficiency of our operational activities, we expect to continue to grow EPS.

Link to our strategic plan: Sustainable earnings growth is a key element to delivering shareholder value.

Internationalisation

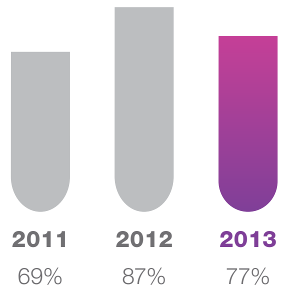


Objective: Increasing the proportion of overall revenue generated from international markets.

Outlook: We have again seen strong revenue growth in Asia Pacific during 2013. We expect our international revenues to continue to grow in a number of international markets during 2014.

Link to our strategic plan: We are focussed on internationalising our customer base.

Cash conversion

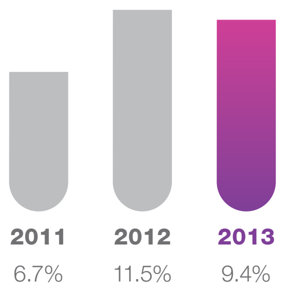


Objective: Generate strong cash flow from our continuing operations.

Outlook: We have generated excellent operating cash flow during 2013, significantly reducing our debt, whilst also completing an acquisition.

Link to our strategic plan: Strong cash conversion supports our objective to hold debt at an appropriate level, and to create investment capacity.

Product development investment

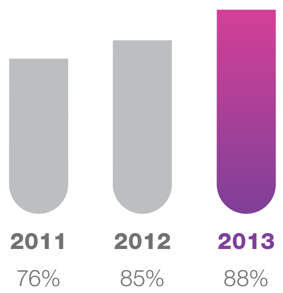


Objective: Sustained investment in development of existing and new products.

Outlook: We have significantly increased the levels of capitalised product development investment during the past three years. We expect to maintain strong levels of investment in the medium-term.

Link to our strategic plan: Enhancing our portfolio of management systems for our existing and new markets.

Staff retention

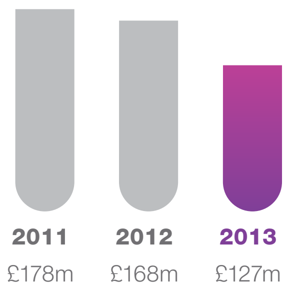


Objective: Optimise retention of skilled staff.

Outlook: As we proceed with our strategy plan, and demonstrate the strength of Tribal's position in its markets, staff feedback indicates that our people continue to be confident in their future within Tribal. We must take care to manage the pressures on our staff, that arise from the international growth path down which we have advanced.

Link to our strategic plan: Improving operational efficiency and growing our sales and business development capabilities requires retention of high calibre people across the business.

Order book



Objective: Increasing order book supporting enhanced revenue visibility.

Outlook: The year on year movement in our order book primarily reflects the maturity of our Ofsted inspection contracts. Technology is becoming increasingly pervasive throughout our work; this focus is increasingly reflected in the shape of our order book.

Link to our strategic plan: Strong revenue visibility supports sustainable earnings growth and confidence to make investments.

How we define our KPIs

- **Adjusted operating margin** – adjusted operating profit, divided by adjusted revenue
- **Adjusted earnings per share** – earnings per share calculated using adjusted profit measures
- **Internationalisation** – the proportion of adjusted revenues arising outside the UK
- **Cash conversion** – net cash from operating activities before tax from continuing operations less capital expenditure as a proportion of adjusted operating profit
- **Product development investment** – capitalized software development costs in our Systems business, divided by revenue arising in our Systems business
- **Order book** – the anticipated value of activities to be performed under existing contracts, except in the case of maintenance income from installed software products, in respect of which the expected income at existing charging rates over the next two years is included in the order book measure
- **Staff retention** – the proportion of our workforce which has changed during the period arising from voluntary staff turnover

Chief Executive's Statement

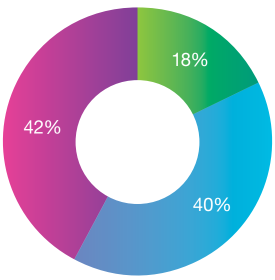
Investing for sustainable growth

Keith Evans
Chief Executive

We have made good progress in the second year of our strategy plan.

Our solutions have proven themselves on the world stage.

Our international capabilities are growing in stature, and we will continue to invest in the foundations to underpin our long-term sustainable growth.



Our 2013 revenues are derived from the higher education, vocational learning and schools markets

Sustaining momentum

Our goal, as we embarked on our current strategic plan, was to transform Tribal into an international business that creates and delivers world-class solutions for the education management market.

We are making excellent progress towards our objectives. Tribal's capabilities in our chosen international markets are growing in stature, and we will continue to invest in the foundations for sustainable long-term success in our existing and new growth markets.

Our solutions, and our people, have been tested against the best that our international competitors can offer. In Australia, in the United States and in Canada, our successes demonstrate that our combination of software and intellectual property, developed and credentialed in the UK education market, represents a powerful combination for education management around the world.

Driving through our strategic plan

Through our existing product and service-based solutions, new software product development, and carefully selected acquisitions, we have continued to strengthen our leadership positions in the markets and regions in which we operate. We are growing through new customer wins, and are pleased with increasing momentum in cross-selling our systems and solutions to our existing customers.

Management systems

Our student management systems continue to hold strong leadership positions in the UK. We are continuing to expand in Australia and New Zealand, with the wider Asia Pacific region now also presenting emerging opportunities. In North America, we have secured the platform on which to expand our market presence through a substantial contract win in Canada.

Performance improvement solutions

Our performance improvement solutions have maintained their market leading positions in the UK and Asia Pacific, and are strengthening their position in the US. Our solutions are also finding new sustainable market entry points in new regions, such as the Middle East.

Quality assurance solutions

Tribal continues to dominate the UK market, working in partnership with Ofsted, the Office of Standards in Education, Children's Services and Skills. We have now established a significant presence in the Middle East, and have secured a strong entry position in the US.

Investing in line with our strategy

We are focussed on developing functionality within our student management systems, which supports the new requirements of an education management market that continues to expand, globalise and become more data driven.

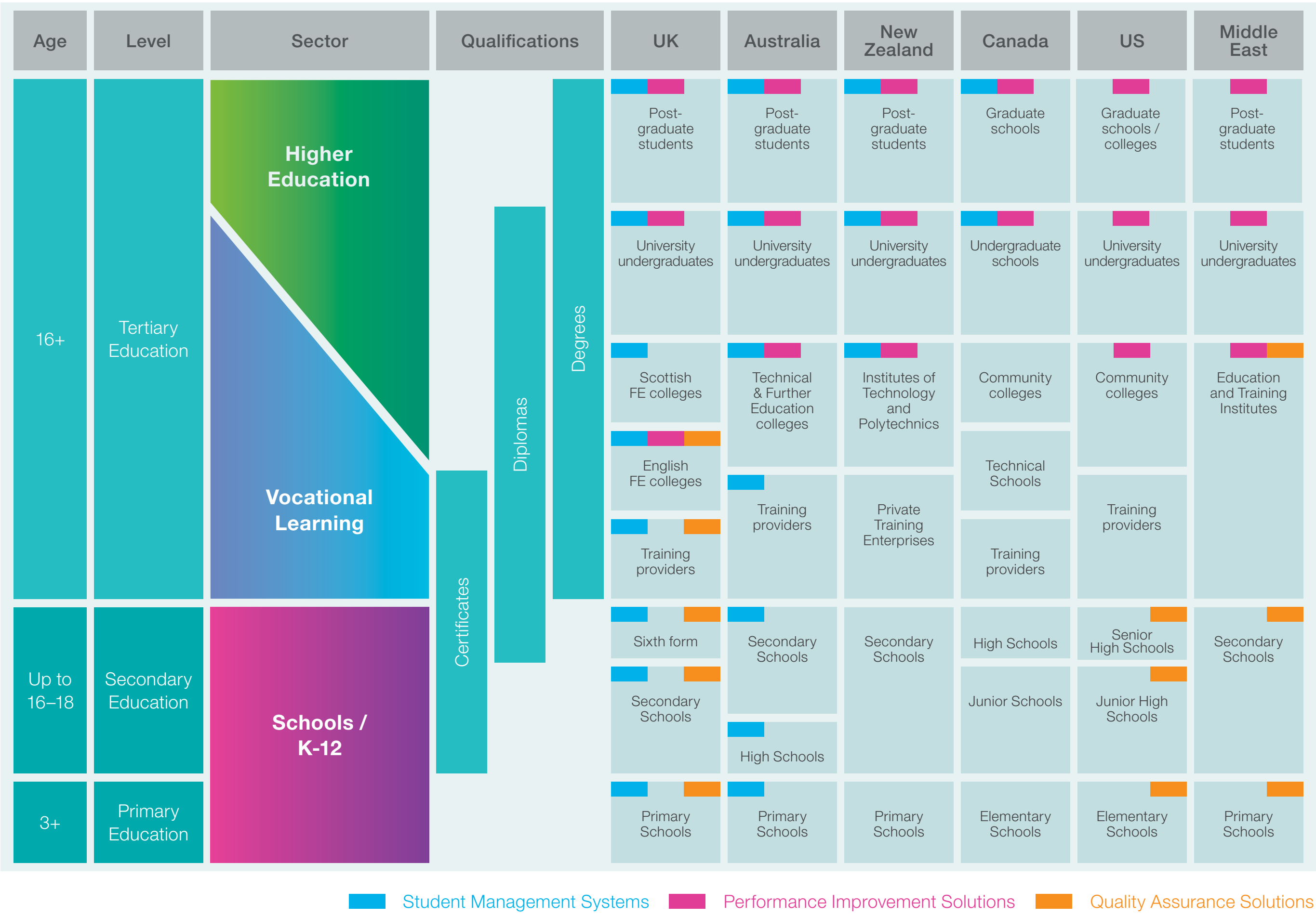
We have also significantly increased the technology content of our evidence-based performance improvement and quality assurance solutions, enhancing our methodologies and toolsets which provide scalability, resilience and secure our intellectual property.

Financially, we continue to focus on margin improvement, whilst maintaining an appropriate balance between profit growth and business investment.

We are well placed to invest. Tribal is cash generative, and we benefit from an increasingly strong balance sheet. We have also refreshed and extended our bank facilities, and now have committed financial support until 2018.

Whilst our growth is principally organic, we maintain an interest in bolt-on acquisitions for our systems and solutions which can add functionality or give us increased regional penetration. Our recently announced acquisition of Sky Software, an Australian-based provider of cloud-based student management systems to the vocational and higher education markets, extends our product portfolio and brings new customer relationships in our target markets.

Our place in the education market



Higher education

We have continued to grow our customer base in the UK and Ireland, with Bournemouth University joining our user group, and being appointed preferred supplier for Imperial College, London. Our major implementation at University of Oxford is proceeding well, and our systems have gone live during the year at Staffordshire University and Trinity College, Dublin.

In Asia Pacific, we have continued to build our customer base. The University of Otaga has also now extended its use of our systems with its purchase of our asset management system to manage its estate and facilities.

Our significant implementation programmes at University of Sydney and University of Canterbury, Christchurch are going well, and during the year our systems went live at Royal Melbourne Institute of Technology and University of Otago.

In North America, we have secured a major market entry contract through the University of British Columbia (UBC) in Vancouver, one of Canada's leading universities. UBC will provide us with a strong basis from which to develop our Higher Education business in Canada and the US.

Building on our existing presence in the US student benchmarking market, we are now working with the University of California, Berkeley on joint development and delivery of a suite of performance analytics solutions, and separately we have formed a collaboration with the American Association of College Registrars and Admissions Officers to help develop our solutions for the North American region, and to support our implementation activities.

On the back of these initiatives, we have developed a growing pipeline of opportunities across the North American region.

Chief Executive's Statement continued

Investing for sustainable growth

Vocational learning

Whilst we have seen generally quieter market conditions in the vocational learning market in the UK, customer activity levels in our student management systems have been good.

We will be placing increased emphasis on enhancements to our college-based systems in 2014, having focussed development resources on the SALM programme during 2013. However, we have continued to increase our customer base with new student management system customers at Luton College, Rhondda Cynon Taff Council, Devon County Council and Neath Port Talbot College.

Tribal's work-based learning student management system upgrade was launched at the end of 2012, and over 85% of our UK customers have migrated to the new version.

Our performance improvement and quality assurance solutions have retained their market leading positions. The trend towards employer funding for workforce skills development has presented new opportunities for our student management systems and related services, and we are currently active with pilot apprenticeship programmes in Tesco, Pizza Hut and KFC.

In Asia Pacific, the major New South Wales Student Administration and Learning Management (SALM) programme continues to make good progress, with our college student management system due to go-live during the first half of 2014. Our installed base in New Zealand and the SALM programme are providing strong credentials to support growth elsewhere and our performance analytics solutions are established and growing across the region, with new customers in Western Australia, Queensland and Canberra.

Our recently established North America team is now beginning to explore the potential for our systems and solutions across the community college market, and in the Middle East we are optimistic that we will be able to develop our business further following our significant contract in Saudi Arabia with the Saudi Skills Standards Agency to deploy our quality assurance solutions on a wider basis.

Schools / K-12

Our student management system customer base across our core education authority products in the UK has continued to develop well. We have also developed new modules for children's safety and welfare, and have begun to take early market entry positions in the schools student management system market. Our quality assurance solutions have retained their high standard of delivery through our key relationship with Ofsted, and provide very strong credentials for taking these solutions to wider markets.

In Asia Pacific, the SALM programme is making strong progress, with our schools-based student management systems having gone live in a staged manner in August and November 2013. As our system rolls out over the New South Wales schools base, we will establish a leading position in the schools market in Australia, which will create a number of new development opportunities. During 2014, we will be exploring the increased deployment of our performance improvement and quality assurance across the Asia Pacific region.

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Working as one to deploy a Cloud-based management system across a leading group of schools

The Outwood Grange Academies Trust (OGAT) was created following the success of Outwood Grange, a large school of 2,200 students which has been judged as Outstanding in every area of its operation and was one of the first National Leader of Education Support Schools (NLES).

The Trust's objective is to "inspire students and staff and bring about rapid and sustained improvement for the benefit of the local community". The Trust currently comprises eight secondary academy schools, and three primary academy schools, a Post-16 centre, and a National Teaching School.

A key element of the Trust's vision is the ability to use management information to identify areas where individual students require intervention, allowing them to take appropriate action to address difficulties, and to learn from their successes.

The Trust is working with Tribal to consolidate current systems to a single Management Information System across the family of schools, using Tribal's Synergy in Schools (SIS) solution. Following a detailed evaluation process, the Trust and Tribal will work together to migrate the three existing systems into Synergy in Schools, which includes a detailed project plan covering data migration and product training.

OGAT is recognised by the Department for Education as one of the highest performing academy chains in the country.

Following our quality assurance work in Nashville, Tennessee, we secured a significant contract to deploy our solutions across New York State, one of the largest education authorities in the US. This work complements our schools-focused quality assurance work in Massachusetts, through our operations in Boston.

In the Middle East, we have now secured a contract presence for our quality assurance solutions in Bahrain, the United Arab Emirates and Saudi Arabia, and have become established as one of the major providers in the region. We have therefore now established a regional team, who will support the development of all of our systems and solutions in the Middle East.

Focus for 2014

Tribal is increasingly well positioned to take advantage of good market growth opportunities around the world. Our technologies and intellectual property have demonstrated an ability to compete on the world stage, and our strong UK customer base, combined with our growing international customer groups, provide us with an exceptional insight into trends in education management. Our task is to build further on these strengths, and our key objectives for 2014 are therefore three-fold:

1. We will seek to sustain the momentum in our international growth markets, growing within the sectors where we have established ourselves, and also reaching into new markets. We are principally focussed on English speaking markets, but remain alert to opportunities elsewhere which may enable access to significant new territories.
2. Alongside this focus on extending our customer relationships, we will continue to build local infrastructure to underpin our growth into these markets in the long-term. Our investment will concentrate on senior management capacity, sales and business development capabilities, and implementation and support capacity in our key regional markets.
3. Our international focus is important, but we are committed to supporting, developing and growing our UK markets. We will be placing renewed emphasis on developing innovative and valuable systems functionality and solutions for our UK customers.

Outlook

Our expectations for 2014 are unchanged. As a consequence of seasonality in our business, and our continued programme of international development and investment, we anticipate our profits in 2014 will once again be weighted towards the second half of the year, and Tribal has good potential to make further progress over the medium-term.

Keith Evans
Chief Executive

Financial Review

Another year of profit growth and cash generation

Tribal has continued to grow its revenue and operating profits. We have delivered strong increases in our international activities, and our operating cash generation remains healthy.

Our debt levels have continued to fall, and our capacity to invest for the long-term is growing.

Steve Breach
Group Finance Director

Group Profit and Loss

In the year ended 31 December 2013, the Group's adjusted revenue from continuing operations was £125.5m (2012: £113.4m). Adjusted operating profit was £15.8m (2012: £13.9m) and adjusted operating margin was 12.6% (2012: 12.3%). Adjusted profit before tax was £14.6m (2012: £12.8m) and adjusted diluted earnings per share were 12.5p (2012: 10.9p).

The Group's statutory revenue from continuing operations was £125.5m (2012: £115.4m). Statutory operating profit was £15.5m (2012: £11.5m) and statutory operating margin was 12.4% (2012: 9.9%). Statutory profit before tax was £13.5m (2012: £10.0m) and statutory diluted earnings per share from continuing operations were 11.5p (2012: 8.5p). The statutory profit for our continuing business after tax was £10.8m (2012: £8.0m).

Adjusted revenue

Adjusted revenue from continuing operations increased by 11% to £125.5m, underpinned by organic growth in the Systems business of 16%, primarily resulting from strong performance in international markets. Our Solutions business grew by 4%, with the acquisition of i-graduate contributing to the development of our performance improvement activities.

Adjusted operating profit

Our adjusted operating profit has increased by 14% year-on-year to £15.8m. Our divisional profit margins have improved incrementally in each of our Systems and Solutions divisions; we anticipate that margins will continue to improve, albeit reflecting our international expansion programme, with a focus on increasing strength in our regional management structures and sales and business development capabilities in the near term.

Our central costs were £5.1m (2012: £3.5m), or 4.1% of revenue (2012: 3.1% of revenue), slightly above our target range of less than 4% of revenue, as a result of this development programme. Nevertheless, the Group's adjusted operating margin increased to 12.6%.

Continuing operations

	2013 £'000	2012 £'000	Change
Adjusted revenue	125,485	113,417	11%
Adjusted operating profit from divisions before central costs	20,892	17,354	20%
Central costs	(5,133)	(3,472)	48%
Adjusted operating profit	15,759	13,882	14%
Adjusted net finance costs	(1,198)	(1,043)	15%
Adjusted profit before tax	14,561	12,839	13%
Adjusted effective tax rate	19.8%	20.5%	
Adjusted diluted earnings per share	12.5p	10.9p	15%

A reconciliation of our adjusted profit to our statutory profit is set out on the face of the Income Statement.

Divisional performance

Systems

Our Systems business has made significant progress again this year, securing further customers for our major student management systems in new international markets, advancing well on the major SALM programme with key go-live milestones having been successfully met, and continuing to invest in significant enhancements to our management systems.

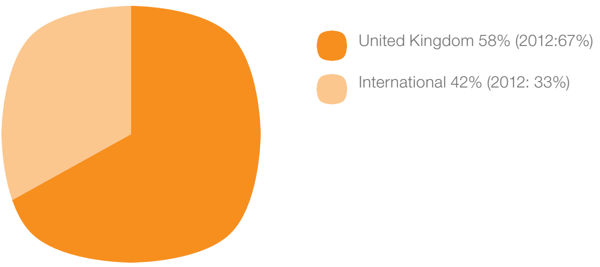
Systems

Year ended 31 December	2013 £'000	2012 £'000
Adjusted revenue		
Licence and development fees	19,471	16,035
Implementation	22,367	18,316
Maintenance	18,802	16,782
Other	3,566	4,411
	64,206	55,544
Of which:		
UK	58%	67%
International	42%	33%
	100%	100%
Adjusted segment operating profit	14,826	12,072
Adjusted operating profit margin	23%	22%
Systems product development investment	£6.0m	£6.4m

Our Systems business grew revenue by 16% to £64.2m (2012: £55.5m). Divisional adjusted operating profit was £14.8m (2012: £12.1m), and the adjusted operating margin was 23% (2012: 22%).

We again experienced generally good trading conditions in the UK across the sectors in which our Systems business operates, and our activities in Asia Pacific continued to perform well. Our international revenues in 2013 in our Systems business were £26.8m, of which £18.7m related to the SALM programme. As a whole, our Systems business generated 42% of its revenues from international customers, compared with 33% in 2012.

Revenues from international sources (2013)

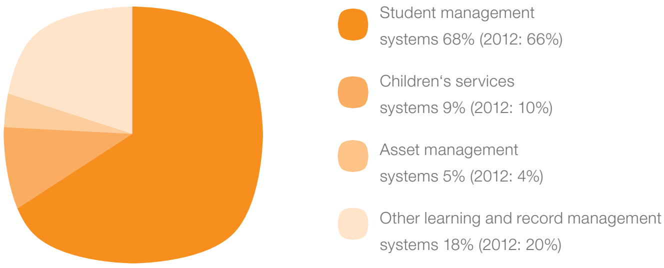


Our licence revenues grew strongly in the year. We are now well advanced through the core development phase of the SALM programme in New South Wales, and this work represents an important part of this licence revenue growth. Our student management systems continued to see good momentum with new University and college customers in the UK and internationally, although we experienced some delays in closure of new contracts which we now expect to complete during 2014.

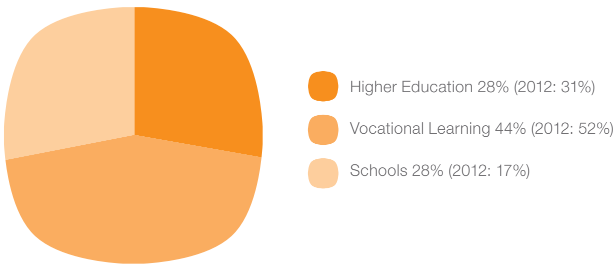
Implementation revenues grew strongly, as we continued to support the SALM programme implementation in New South Wales. Our work on this aspect of the programme began in H2 2012, and is continuing into 2014. Our teams were also engaged in the deployment of our systems for major customers such as University of British Columbia, University of Oxford, Otago University and Staffordshire University, and we enter 2014 with a strong pipeline of new projects on which these teams will be engaged.

Maintenance revenues grew well, as our customer base expanded. The SALM programme did not contribute materially to our maintenance income during 2013, but our support activity for the SALM system commenced towards the end of 2013, and this stream of activity will move forward through 2014 and beyond.

Revenues by product type (2013)



Revenues by market (2013)



Our adjusted operating margin improved from 22% to 23%. We continue to seek operational efficiency improvements to enhance our margins further, but we remain committed to growing our implementation capacity in our international markets, which in the short-term will offset margin gains from our operating efficiency programme.

Strong revenue growth has supported our continued investment programme in new software product development. We have invested across our range of systems, with capitalised investment of £6.4m in 2012 maintained at £6.0m in 2013. Our intention is to sustain the momentum in our software investment programme for the medium-term.

Divisional performance

Solutions

Our Solutions business continues to re-focus towards increased technological underpinning of the services we provide, and higher quality revenues. We have successfully integrated i-graduate, which has out-performed in its first year within Tribal.

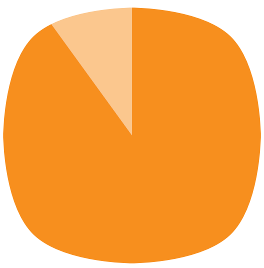
Solutions

Year ended 31 December	2013 £'000	2012 £'000
Adjusted revenue		
Performance improvement solutions comprising:		
– Benchmarking and analytics	6,508	2,727
– Professional development and training support	17,323	19,754
- Other	6,467	7,045
Quality assurance solutions	31,272	29,816
	61,570	59,342
Of which:		
UK	90%	90%
International	10%	10%
	100%	100%
Adjusted segment operating profit	6,066	5,282
Adjusted operating profit margin	10%	9%
Solutions product development investment	£0.9m	£0.9m

Our Solutions business' revenue increased by 4% to £61.6m (2012: £59.3m) including the benefit of the i-graduate acquisition in January 2013. Excluding i-graduate, our Solutions business' revenue decreased by 1%. Divisional adjusted operating profit was £6.1m (2012: £5.3m), an increase of 15%, and the adjusted operating margin increased to 10% (2012: 9%).

The UK market in which the Solutions business predominantly operates has remained relatively quiet, and comparatively it continues to present fewer growth opportunities than we see in our Systems business. Growth opportunities in the Solutions business are targeted on internationalising our activities, and increasing focus on analytics and software-based performance improvement solutions and quality assurance solutions.

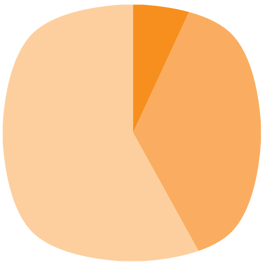
Revenues from international sources (2013)



United Kingdom 90%
(2012: 90%)

International 10%
(2012: 10%)

Revenues by market (2013)



Higher Education 7%
(2012: 1%)

Vocational Learning 35%
(2012: 44%)

Schools 58%
(2012: 55%)

Performance improvement solutions

At the beginning of the year, we completed our acquisition of i-graduate, our student experience benchmarking business. i-graduate now forms part of our analytics proposition, combined with our financial and operational analytics solutions, which has grown strongly in the year. i-graduate has performed ahead of our expectations, and has secured a number of important new customers and programmes such as University of California, Berkeley and the National Student Engagement Survey for Ireland.

Our professional development and training support work continues to evolve toward increasingly software-based activities. Our apprenticeship management programmes for large employers are developing well, with a number of pilots progressing in parallel. We are also seeing our e-learning "GoLearn" system gaining momentum in colleges and work-based learning, and we have recently signed a contract to deploy the GoLearn system as the platform for the Welsh Essential Skills and Assessment Tool, to be rolled out across institutions in Wales.

Consistent with our strategic direction, we are placing less emphasis on those areas of our work where technology is less able to be deployed effectively. Our specialist learning solutions work, for Further Education colleges in the UK, has had a quiet year, with uncertain funding levels from the Skills and Funding Agency for new learners holding back colleges' appetite to extend programmes on which work. In our careers advice programmes for the offender management service, changes in prison operating environments have constrained our activity levels.

Quality assurance solutions

Our quality assurance solutions are now actively deployed on a number of significant programmes in North America and the Middle East, complementing our significant contracts with Ofsted in the UK.

In the US, we are working with the New York State Education Department, National Charter Schools Institute, and with authorities in Massachusetts. Our work in the Middle East has expanded beyond that with the Abu Dhabi Education Council and we are now active in Saudi Arabia and Bahrain on similar programmes, targeted at uplifting the quality of education outcomes.

Financial performance

Income Statement

Items excluded from adjusted profit figures

The adjusted profit figures exclude the results of closed businesses (where closure took place in 2012) and other costs (including amortisation of IFRS 3 intangibles and adjustments to deferred consideration of £0.6m).

The adjustment to deferred consideration represents the unwinding of the discount applied to the deferred contingent consideration on the acquisition of i-graduate, reflecting the fact that these payments are expected to be made over a number of years.

The amortisation charge in relation to IFRS 3 intangible assets arose from separately identifiable assets recognised as part of the i-graduate acquisition, principally in relation to the order book and customer relationships at completion.

The financial instruments charge in the year arises from the unwinding of the hedging reserve relating to the interest rate swap which was closed out in July 2011. The reserve has unwound over the original life of the swap to December 2013.

	2013 £'000	2012 £'000
– Trading loss from closed businesses	–	(844)
– Redundancy costs and other closure costs	(93)	(1,286)
Operating loss from closed businesses	(93)	(2,130)
Other costs excluded from adjusted profit:		
– Property-related credits	117	–
– Acquisition-related expenses	(54)	(259)
– Adjustments to deferred consideration	(231)	(24)
	(261)	(2,413)
– Interest rate hedge instrument	(453)	(453)
– Adjustments to deferred consideration	(350)	–
	(1,064)	(2,866)

Discontinued activities

Our major disposal programme was completed in 2011. Since completion of the disposals, certain deferred consideration payments have continued to be receivable. We have also undertaken a programme to mitigate any residual property lease obligations which remained with Tribal.

In these respects, we have continued to be successful in recovering significant portions of the receivable amounts, in subletting and disposing of the residual property and in securing deferred contingent consideration in excess of our previous expectations. This has resulted in profits arising in connection with discontinued activities.

	2013 £'000	2012 £'000
Profit attributable to Resourcing	165	666
Profit attributable to Health and Government	242	1
Profit attributable to Kindred	318	185
Loss attributable to Nightingale Associates	–	(50)
Operating profit attributable to discontinued operations	725	802
Profit on disposal of Resourcing	248	541
Profit on disposal of Health and Government	–	45
Loss on disposal of Nightingale Associates	(131)	(179)
Profit on disposal of discontinued operations	117	407
Attributable tax (charge)/credit	(54)	556
Net profit attributable to discontinued operations	788	1,765

Financial performance continued

Income Statement

Finance costs

	2013 £'000	2012 £'000
Investment income	(37)	(162)
Finance costs	1,585	1,205
Net finance costs	1,548	1,043

Net finance costs have increased due to higher other interest charges, including in particular the unwinding of the discount on the i-graduate deferred contingent consideration. Underlying interest on our revolving credit facility has fallen in line with the reduction in year end net debt, although our cash and debt balances fluctuate within each quarter, due to some of our larger customers operating under quarterly invoicing schedules.

In addition to interest costs on our bank borrowings, finance costs also include charges arising from bank guarantees issued as part of the SALM contract.

Tax

The effective tax rate on our adjusted continuing business of 20% (2012: 21%) is lower than the standard rate, due in particular to the beneficial effect of prior year adjustments. The corporation tax charge on continuing operations was £2.7m (2012: £2.0m). As the Group is now growing its activities in international jurisdictions, it is anticipated that the tax charge on profits in the near to medium-term future is likely to be modestly higher than the standard UK corporation tax rate.

Earnings per share

The adjusted diluted earnings per share from continuing operations before exceptional costs, the results of closed businesses and intangible asset amortisation, which reflects the underlying trading performance of the Group, grew from 10.9p to 12.5p.

Basic earnings per share from continuing and discontinued operations was 12.3p (2012: 10.4p).

Shareholder returns and dividends

The statutory profit for the year was £11.6m (2012: £9.7m).

The Group's financial performance, and balance sheet strength, has significantly improved over the last three years. Our focus continues to be on growing the business, sustaining strong investment in our software products, entering selected new markets and, where appropriate, considering bolt-on acquisitions.

The Directors have previously pursued a progressive dividend policy, reflecting the cash generative nature of the continuing business, but seeking to reduce debt levels over the medium-term and to retain capital to allow the Group to implement its strategic plan. This progressive dividend policy remains appropriate. The Directors consider that it is in the Group's best interest, for the foreseeable future, generally to retain cash generated from operations for reinvestment in pursuit of the above opportunities.

On this basis, and taking into account the good financial performance of the Group in 2013, the Board has proposed a final dividend of 1.10p per share which, together with the interim dividend of 0.50p per share, gives a total dividend of 1.60p per share (2012: 1.25p). The full year dividend is covered 7.8 times by adjusted earnings per share, and the final dividend will be paid on 11 July 2014 to shareholders on the register on 13 June 2014.

Working as one to support the student lifecycle in over 2,200 schools and 138 colleges in Australia

The New South Wales (NSW) Department of Education and Communities (DEC) Learning Management and Business Reform (LMBR) program is a major reform initiative, underpinned and enabled by the rollout of new technology for schools and Technical and Further Education (TAFE) institutions across NSW.

The software being implemented is built around the SAP platform for HR, payroll and finance, and the Student Administration and Learning Management system (SALM) is built around Tribal's ebs4 and Synergy solutions.

With over 2,200 public schools and 135 TAFE campuses in scope for the incremental implementation, the project is one of the largest and most complex education technology rollouts in the world. The project sees the replacement of legacy systems across DEC with a fully integrated set of applications that will improve the ability of principals, teachers and other stakeholders in schools to plan and support the delivery of learning.

The Tribal software solution is used to record and manage data from all phases of the student life cycle, with the initial implementation focused on the health and well-being of the students, as well as the management of counselling services, timetabling, excursions, attendance and behaviour, plus the complex area of fees and invoicing management. In its final rollout, the application will hold the data for over one million students, and over one hundred thousand teachers and staff across the state.

Tribal is one of the major vendors in the initial phase of implementation and support and ongoing development of its student management solution. A project of this size, scope and complexity requires flexibility, skills and commitment from Tribal teams working across NSW and in the UK. Major enhancements have been made to the Tribal solution, to ensure they meet the needs of NSW, and in order to deliver the complex integration with SAP and legacy software.

Financial position and resources

Net debt and cash flow

Cash flow and net debt

Group net debt decreased from £9.9m at 31 December 2012 to £4.6m at 31 December 2013. As at 31 December 2013, cash at bank and in hand included advance cash receipts in relation to customer programmes of £4.8m (2012: £0.8m).

	2013 £'000	2012 £'000
Cash at bank and in hand	7,555	8,424
Syndicated bank facility (net of bank arrangement fees)	(12,114)	(18,274)
Net debt	(4,559)	(9,850)
Net debt / Adjusted EBITDA	0.23	0.59

Cash flow and cash management

During 2013, the Group's underlying activities generated strong operating cash flows after capital expenditure, but before exceptional cash costs, of £12.2m (2012: £12.1m), with cash conversion of 77% (2012: 87%).

Capital expenditure

Capital expenditure across the Group totalled £8.5m (2012: £8.4m). During 2012, we significantly increased our investment in software development. We have sustained this higher level of investment during 2013, and undertaken other capital expenditure as the infrastructure of the Group was further refreshed and extended in international markets.

We have maintained capitalised expenditure on software product development at £6.9m (2012: £7.3m). At the same time, research and development costs charged directly against profits were £1.7m (2012: £1.3m). Our areas of investment expenditure particularly relate to enhancements to our existing education management systems, to address international customer requirements, and new development for both domestic and international markets.

Cash flows arising from discontinued activities

A net inflow of cash of £0.4m was generated in the year, through actions associated with the discontinued activities related to our disposal programme, which was completed in 2011. These actions comprised successful property disposals and subletting arrangements, and the collection of deferred consideration receipts in relation to the disposal of Tribal Resourcing.

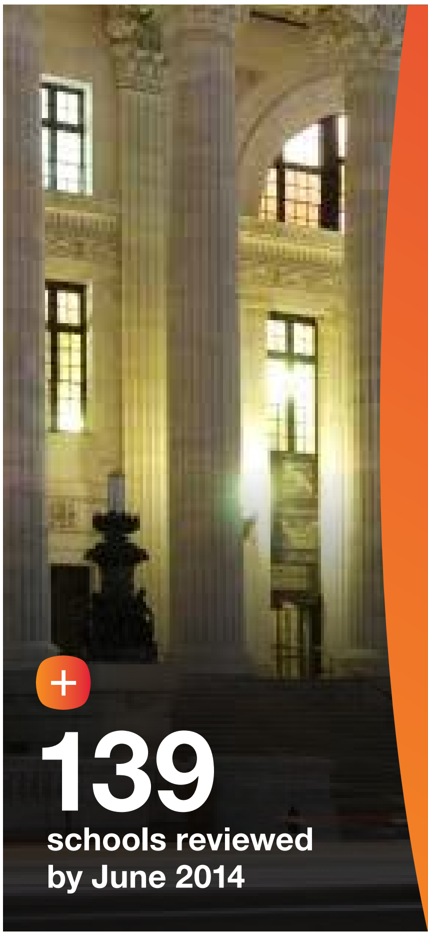
Cash flow and cash management

	2013 £'000	2012 £'000
Continuing operations		
Net cash from operating activities before tax and before exceptional cash flows	20,743	20,423
Capital expenditure (net)	(1,552)	(2,178)
Capital expenditure on software product development and business systems	(6,994)	(6,188)
Operating cash flow from underlying operations after capital expenditure before exceptional cashflows	12,197	12,057
Exceptional cash flows	(375)	(1,664)
Operating cash flow from underlying operations after capital expenditure	11,822	10,393
Operating cash flow from closed businesses	–	(791)
Operating cash flow from discontinued operations after capital expenditure	446	(1,213)
Net interest	(633)	(633)
Tax	(2,168)	(1,692)
Free cash flow	9,467	6,064
Acquisitions and deferred consideration	(2,521)	(50)
Disposal of discontinued operations	638	1,542
Dividends paid	(1,260)	(934)
Financing	(6,647)	(4,695)
Effect of foreign exchange rate changes	(546)	(27)
(Decrease)/increase in cash and cash equivalents in year	(869)	1,900

Renewal of bank facilities

During January 2014, we agreed a new facility with our existing banks (Lloyds Banking Group and HSBC), and additionally with Clydesdale Bank (part of National Australia Bank).

Our senior debt banking facility is now committed until June 2018, subject to compliance with covenants. Under the terms of the facility, £40m is available under a revolving credit facility, with a further £10m available on a non-committed basis under an accordion arrangement.



Working as one to support school improvement across New York State

In May 2012, the United States Education Department granted New York State Education Department (NYSED) a waiver from the specific provisions of No Child Left Behind Act. One of the primary objectives of the waiver was to allow the state to create a new, common and robust school and district quality assurance process, enabling them to be compared with optimal conditions for learning.

Each school or district review is carried out over a period of several days by an Integrated Intervention Team composed of NYSED staff, an Outside Educational Expert (OEE), a district representative, and in some instances, experts in the education of English language learners and/or students with disabilities. The length of the review will depend on the size of the school and its accountability status in terms of students' academic performance.

Tribal has been working with NYSED since October 2013 as the OEE, including management of the review process. Sixty per cent of the OEEs come from Tribal's cohort of international inspectors who have significant experience in school improvement and management from working with Ofsted in the UK and in other international settings such as Abu Dhabi. The other reviewers are typically American educators sourced by Class Measures, Tribal's quality assurance business based in Massachusetts.

Our team is working across New York State, from New York City in the south and the largest school district in the United States, to the international borders with Canada in the north. By the end of the first year of the project in June 2014, 139 schools and 47 districts will have been reviewed, and this phase of the programme will extend into at least 2015.

Order book

The total forward order book of the Group as at 31 December 2013 was lower by 24% at £127m (2012: £168m). Our order book relates to business we will deliver over the next five years, but includes only two years of software maintenance income. The year-on-year movement primarily reflects the maturity of our Ofsted inspection contracts, which extend until August 2015. Technology is becoming increasingly pervasive throughout our work; this focus is increasingly reflected in the shape of our order book, which continues to provide good underpinning to our revenue expectations for 2014 and beyond.

Pension obligations

As a consequence of certain contract awards, a number of employees participate in defined benefit pension schemes, the largest of which relates to the Ofsted Early Years inspection contract which was entered into during the year ended 31 December 2010. Across these pension schemes, the combined surplus calculated under IAS 19 at the end of the year totalled £0.8m (with gross assets of £6.9m and gross liabilities of £6.1m), compared to a deficit of £0.4m last year.

Acquisition of Sky Software

On 6 March 2014, the Group acquired the entire issued share capital of Sky Software Pty Limited, a company incorporated in Australia that provides cloud-based student management systems to the vocational and higher education markets in Australia, the Asia Pacific region and elsewhere in the world. Initial consideration is AUD4m, with up to a further AUD17m payable in deferred contingent consideration, dependent on the future earnings growth of the business over the period to December 2017.

Financial position and resources continued

Financial risks and treasury management

The main financial risks faced by the Group relate to the availability of funds to meet business needs, credit risk arising from customer defaults, fluctuations in interest rates and foreign exchange risk. These risks are managed as described below.

Funding adequacy

The Group finances its operations by a combination of cash reserves from equity capital, retained profits and bank borrowings. Treasury management is led by the Group finance team and operates within policies and procedures reviewed and approved by the Board. Liquidity matters are discussed in more detail in the going concern section of the Corporate Governance report.

Credit risk

The Group seeks to reduce the risk of bad debts arising from non-payment from our customers. This risk is closely monitored by the Group finance team, of which the credit control function forms part. We incurred no material bad debts during 2013, due to the nature of our customer base. Of the total trade receivables balance at the end of the year, £8.1m (2012: £5.6m) is due from one customer.

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. An interest rate cap has been implemented, which ensures that the Group's first £20m of borrowings will incur interest costs at a maximum of 2%, plus the relevant margin, until 1 February 2015.

Foreign exchange risk

An increasing proportion of Tribal's business is transacted overseas, and the financial performance of the Group is therefore exposed to movements in foreign currency exchange rates. During 2013, the Group's activities in Australia expanded significantly, and therefore the principal currency fluctuation to which the Group is exposed in the near term is the Australian dollar / Sterling rate. During the course of 2013, the Australian dollar weakened against Sterling, thereby reducing the Sterling value of profits and cash generated in Australia.

Management of foreign exchange risk is overseen by the Group finance team, and policies and procedures are in place that have been approved by the Board.

Where appropriate, forward foreign exchange contracts and options are taken out, in order to reduce potential financial exposure to an acceptable level. There were no open contracts at the year end. As the Group continues its international expansion, these policies and procedures are regularly reviewed, to ensure that they are appropriate to the Group's operations.

Steve Breach
Group Finance Director

Strategic report approval

The Strategic Report, outlined on pages 4 to 43, incorporates the sections dealing with Our Business, Our Strategic Objectives, and Delivering Our Strategy, as well as the Key Performance Indicators, the Chief Executive's Statement, the Financial Review, the Principal Risks and Uncertainties and the Corporate Responsibility Statement.

By order of the Board

S Breach

Steve Breach
Company Secretary

14 March 2014

1,400
institutions world wide

Working as one to benchmark student experience in universities around the world

Tribal has completed the acquisition of i-graduate, the leading provider of student experience analytics solutions to the Higher Education market. i-graduate work with over 1,400 institutions in 28 countries around the world, bringing a wealth of tools and experience to Tribal's portfolio of performance improvement solutions.

i-graduate has performed ahead of our expectations during its first year as part of Tribal. Having passed the impressive milestone of now having analysed 1.7 million sets of feedback from students around the globe, some of i-graduate's additional highlights of 2013 include:

- Establishing a collaborative relationship with University of California, Berkeley's Center for Studies in Higher Education, to conduct joint research and administration of surveys at universities in China and Japan.
- Entering into a three year contract to run the National Student Engagement Survey for Ireland.
- Renewal of a contract with Oxford University to run the University's official student feedback survey, and to track the destinations of 80% of Oxford's graduates.
- Reaching agreement with the Australian Government to run its International Student Barometer for all Australian universities, technical and further education colleges, and private providers.
- Extending a contract to track graduate outcomes for around 165 Further Education colleges in England, working for the Higher Education Funding Council for England (HEFCE).

i-graduate
INTERNATIONAL INSIGHT
part of the Tribal Group plc

Principal risks and uncertainties

How we manage risk

Risk management

Risk is an accepted part of doing business, and a successful risk management process balances risks and rewards, and relies on a sound judgement of their likelihood and consequences.

The Board has overall responsibility for risk management and internal control within the context of achieving our objectives. During 2013, Tribal has maintained and improved its risk management processes, doing so in the context of the structure, risk appetite, international growth and strategy of the business going forward.

Our risk framework

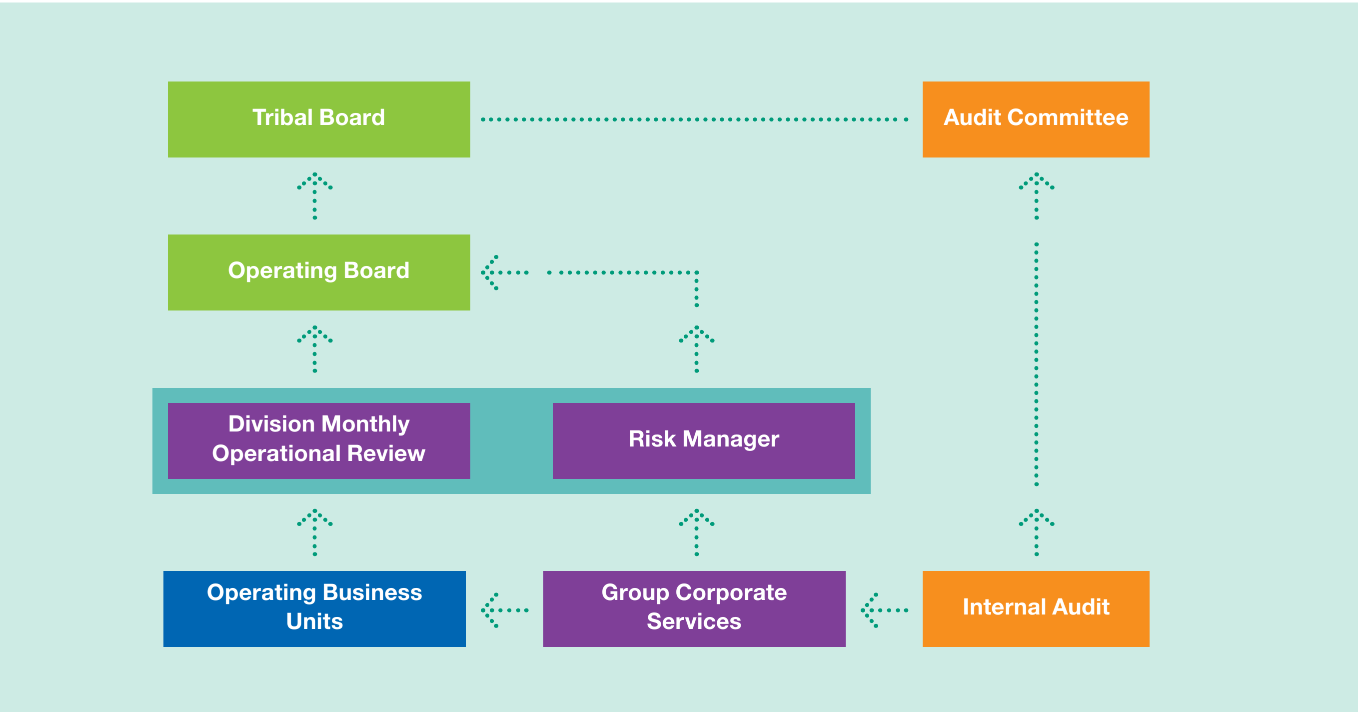
The Board establishes the overall risk framework and the risk management process is embedded within Tribal by the Board's role in:

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

Risk is robustly managed throughout Tribal through its risk management framework, which operates as part of the ongoing performance management process. This framework has been reviewed and enhanced during the year. During 2014, we are working to further improve the quality of our risk assurance methodology, and to enhance the benefits we derive from forward-looking key risk indicators.

We have a number of clear objectives for risk management, which this framework helps us to achieve. We seek to:

- Identify, measure, control and report on 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;
- Drive business improvements and improved intelligence for key decision-making;
- Support and develop our reputation as a well governed and trusted organisation; and
- Reduce cost and improve efficiency in our combined governance, risk and assurance investment.



Our risk management resources and internal audit

Risk management is embedded into our organisational structure.

The executive directors provide the leadership to ensure that our strategy is effectively communicated throughout the organisation. This is achieved through regular meetings of the senior executive leadership team, triennial strategic reviews, annual strategic planning reviews with individual business units, and by clear guidance within the annual budget planning process.

The senior leadership team of each division is specifically responsible for the management of risk within its respective businesses. In addition, ‘risk owners’ have been identified from amongst senior management, to take the lead in managing certain risks. Performance is reviewed through regular monthly meetings, enabling risks or other issues to be addressed efficiently and appropriate actions to be taken. Risks are also assessed and monitored at the regular meetings of the Board, and risk management processes are reviewed periodically by the Audit Committee.

At Group level, risk management is independently facilitated and challenged by the Group Risk Manager and the Internal Audit function, the latter having been outsourced to Baker Tilly, in order that Tribal may benefit from a wider skill set than would be available through an in-house capability. Each reports to the Group Finance Director, and independently to the Audit Committee.

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 the risks.

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

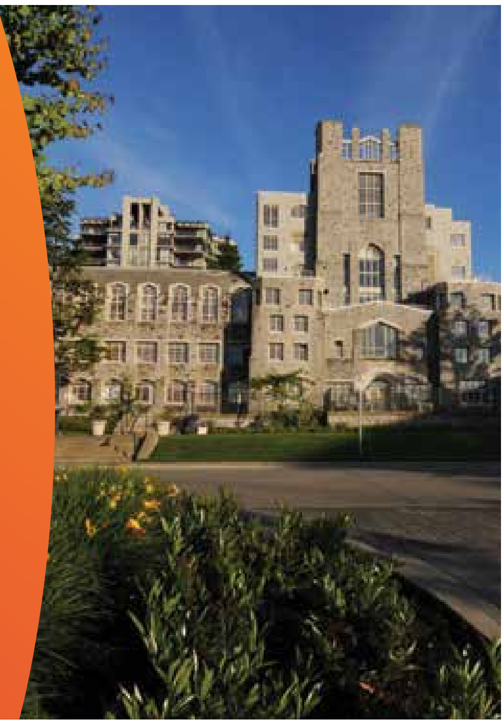
The principal risks that we manage are described on the following pages. Financial risks are covered in the Financial Review and principally relate to funding, credit risk, interest rate risk and foreign exchange risk.

Working as one to provide world-class University management systems in Canada

As part of our growing presence in the global Higher Education market, Tribal has partnered with one of the world’s leading research universities, the University of British Columbia (UBC). 54,000 students from across Canada and from 140 countries worldwide attend the University, which is consistently ranked among the top 40 universities in the world.

UBC is the first North American customer for Tribal’s SITS:Vision student management system. The University has opted for SITS:Vision initially to manage Student Financial Support, Graduate Student Admission and the registration and enrolment of non-credit UBC courses. All three functions are expected to be live by autumn 2014.

UBC joins Tribal’s Centre of Excellence programme, an invitation-only partnership that drives engagement to share and develop best practice business process design in the use of Student Information Systems around the world. Other members of the Centre of Excellence programme include the University of Sydney and the University of Oxford.



Principal risks and uncertainties continued

The key risks we manage

Risk priority	Risk categories	Examples of events and trends which may lead to manifestation of the risk	Potential impact
1	**Resource allocation**	• Poor operational delivery on key contracts • Investment in new software development does not produce a marketable software product • Poor selection of options when transaction timelines do not allow clear direct comparative choices • Insufficient knowledge of local market conditions during international expansion	• Failure to meet contractual obligations and consequential financial penalties and potential loss of contracts • Reputational damage • Insufficient return on investments • Adverse impact on current and future financial performance
2	**People**	• Insufficient sales and business development capability • Student management systems implementation resource cannot be expanded sufficiently rapidly to support international expansion • Sustaining expatriate teams whilst growing local management capacity	• Inability to develop and execute business plans • Poor morale, and poor key staff retention • Competitive disadvantage • Weaker control of international operations
3	**Geographic distribution**	• Management capacity or capability shortcomings, or control failure, in new markets, as scale of operations grows rapidly • Resource stretch, as international growth draws on key expertise in existing markets	• Reputational damage • Constraint on growth potential • Adverse effect on current and future financial performance and our reputation
4	**Competitive positioning**	• Aggressive competitor reaction to our international expansion • Inappropriate pricing strategy in new markets	• Constraint on growth potential • Weakening of long-term customer relationships • Adverse effect on future financial performance

Strategic objective impacted	Mitigating factors	Change in residual risk since 2012
• Revenue growth rates • Growth in revenues from international sources • Growth in proportion of revenues underpinned by technology • Sustainable earnings growth	• Careful due diligence / investment appraisal before proceeding with new ventures • Strong programme of rolling review on major projects • Close attention from senior executive team, including frequent in-country presence on international programmes • Investment in additional capacity and skills	• Increased – as success in international markets is growing, and with some uncertainties in our UK market, particularly in work-based learning
• Revenue growth rates • Growth in revenues from international sources • Sustainable earnings growth	• Continued investment in sales and business development skills and resources • Investment in growth of implementation capacity, and development of innovative implementation models	• Unchanged – while we have made further steps forward in enhancing our capacity, our growth internationally into additional new markets means that these pressures remain
• Revenue growth rates • Growth in revenues from international sources • Sustainable earnings growth	• Trusted UK management initially put into senior roles in new international operations • Limit geographical spread through careful selection of new markets and new developments	• Decreased – as success in further international markets is growing, we are building our regional capabilities
• Revenue growth rates • Sustainable earnings growth	• Close monitoring of market and competitor behaviour	• Unchanged – whilst we have not experienced significant aggressive competitor actions in new markets, the threat remains

Principal risks and uncertainties continued

The key risks we manage

Risk priority	Risk categories	Examples of events and trends which may lead to manifestation of the risk	Potential impact
5	Innovation and technology	• Failure to complete new development projects in a disciplined fashion • Incorrect assessment of market developments • Obsolescence of technology platforms within key systems • Rapid change in mobile learning technology	• Loss of long-standing customers and erosion of customer base • Constraint on growth potential • Adverse impact on current and future financial performance
6	Reputation	• Adverse public profile in the event of a failure • Related media / political lobby attention on a contract failure • Data protection risks • Cyber risks	• Perceived value and integrity of our solutions is undermined, weakening confidence of potential customers
7	Governance and controls	• Lack of clarity in strategic direction • Failure to keep a tight grip on international growth • Inappropriate balance of control vs freedom to operate • Shortcomings in management information systems' ability to accommodate international growth	• Adverse impact on current financial performance
8	Customer demands	• Political or economic change driving rapid policy development • SALM contract cancellation • Ofsted terminates schools inspections regime • Failure to renew our contracts with Ofsted, which expire in August 2015 and which together contributed approximately £26m to our Solutions business revenue in 2013	• New business wins falling short of expectations • Adverse effect on future financial performance
9	Intellectual property	• Loss of control of key intellectual property when outsourcing development work to developing economies with poor IP protection laws • Capturing human IP in software-based tools which may be copied / infringed	• Constraint on growth potential • New or unforeseen competitive threat

Strategic objective impacted	Mitigating factors	Change in residual risk since 2012
• Growth in the proportion of revenues underpinned by technology • Sustainable earnings growth	• Careful due diligence and design / evaluation of new propositions • Investment programme to identify new attractive technologies which can be brought into our existing product set • Increased resource, with skilled individuals focusing on this area • Close monitoring of technological development, and maintenance of Tribal labs innovation centre	• Unchanged – the demands of large international projects increase pressure on our development teams, and their capacity to support UK market requirements may be reduced. However, we have increased our capacity through expansion of our UK and international software teams
• Growth in revenues • Sustainable earnings growth	• Focus on effective delivery and maintenance of strong customer relationships	• Unchanged – good progress is being made on our key contracts
• Sustainable earnings growth • Net debt reduction	• Board strengthened with broader skills and experience • Development and enhancement of management information systems • Effective risk management and internal audit processes	• Unchanged – our international growth has accelerated, and whilst we have invested further in enhanced local infrastructure and management capacity, our growth rate places some pressures on governance and control effectiveness
• Revenue growth rates • Growth in revenues from international sources • Growth in proportion of revenues underpinned by technology • Sustainable earnings growth	• Strong progress achieved delivering the SALM programme, and contract now increasingly advanced • Market intelligence and close senior management relationships into key customers • Increasingly innovative culture amongst senior management • Market positioning giving us strong customer insight	• Unchanged – economic circumstances remain challenging and can create instability in policy-making by governments and those organisations which rely on government funding
• Revenue growth rates • Sustainable earnings growth	• Careful due diligence and robust contractual frameworks for outsourcing partners • Establishment of robust legal protection, where available	• Unchanged – our development work is now operating on a greater international platform, but we have established relationships with high-quality partners

Corporate responsibility

Developing our capabilities

Keith Evans
Chief Executive

Education is capable of making a great difference to people's life chances, and Tribal is proud to be a part of the education world. We believe in fairness, integrity, and 'doing the right thing'.

Supporting our staff, and giving something back to the communities where we work through our charitable activities, is an important part of Tribal's ethos.

Momentum led by our people

Tribal's capabilities are founded on the talent and expertise of our people. We work within challenging and high profile projects, and in international as well as domestic settings. Our people meet the high expectations of our customers, and our success in building on our market leading positions in the UK, to create a growing international business, is a tribute to our people's commitment and skills.

We seek to provide our staff with the tools and flexible training opportunities to support and enable them to grow and develop to their potential, and we will be working hard to improve this support during 2014 both in the UK and in our international operations.

Developing our people's capabilities

As Tribal continues to expand, it is important that we identify the future talent within the organisation and ensure that we have depth and breadth in our talent pool, so that we are able to support and execute current and future business strategies. In order to achieve this, it is important that we have robust approaches to both succession planning and identification of high potential employees.

Our development, retention and recruitment strategies at all levels of the business contain a strong emphasis on diversity. During 2013, we launched a new programme across the business, our 'Women in Tribal Initiative', through which we have introduced flexible working to improve efficiency and increase our recruitment pool. The Women in Tribal Initiative also established a mentoring scheme, designed to encourage and enable high potential employees to progress within the Group.

We have also continued to build on our learning and development programmes. These have recently focused on professional sales and business development programmes, alongside broadening the skills and awareness of our up and coming managers. In addition, during 2014 we will be launching a significant programme focused on tomorrow's leadership, in conjunction with a number of major business schools.

Employee statistics	2013	2012
Average number of employees	1,415	1,395
Location of our people		
UK	1,259	1,346
Asia Pacific	91	70
North America	10	12
Rest of the World	4	4
Voluntary employee turnover	12%	15%
Employee gender		
– female	686 (48%)	751 (54%)
– male	729 (52%)	644 (46%)
Directors		
– female	1	1
– male	5	5
Senior managers (earning over £50,000 pa)		
– female	52	42
– male	137	160
Ethnicity (white, British)	76%	74%
Workforce aged 29 or under	25%	26%
Workforce aged 45 or over	33%	34%
Average training spend per employee	£280	£147
Staff survey engagement score	70%	n/a

Diversity

We see diversity as a source of strength and work hard to ensure that attention to diversity is built into everything we do. We strive to build a culture where the best people want to work, where people are promoted on their merits, where development opportunities are available to all and respect of all differences is both demanded and valued.

The re-launch of our staff survey in 2013 identified that our people believe Tribal is committed to equality of opportunity for all employees, with a 76% positive response and only 5% disagreeing with this statement.

Throughout 2014, we will build further on our approaches to inclusion through the development of our core management and tomorrow's leaders programmes, and expanding mentoring programmes, designed to ensure we address any real or perceived barriers to any individual reaching their full potential in Tribal.

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.

Tribal operates in an increasing number of jurisdictions around the world, and we are proud of our reputation for acting fairly and ethically wherever we do business. We are committed to upholding the highest legal, ethical and moral standards and all 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 the anti-bribery and ethics policy, in which our staff have received training.

Engaging with people

Tribal operates from a number of offices in the UK and an increasing number of locations around the world. As we grow, communication amongst our people is crucial. We use a combination of group-wide updates with specific local communications and engagement surveys, to ensure that our people have a good understanding of the direction in which we are moving as a business.

Twice a year, approximately ten per cent of our people are invited to the 'Tribal Summit', which supports engagement across all levels and disciplines in the business, on matters ranging from strategy and market developments, through to branding, employee matters and our communications strategy.

We supplement these events with continual communications through a number of channels, corporate social media and staff newsletters and have recently further developed our internal communication strategy, to ensure that we are utilising a full range of media to ensure our people have access to the relevant information at a time and format that is convenient for them.

Our employer brand continues to be an important element of what will make us a success in the future. In 2013, we secured our re-accreditation for Investors in People and will continue to expand this across the wider Group throughout 2014. We also increased our ISO accreditation 9001 (quality management systems) in sites around the Group, and we extended our 14001 (environmental management systems) and 27001:2005 (information technology) accreditation where appropriate. We shall continue to embed these quality systems throughout our working practices during 2014.

Thanking our staff

Tribal's contribution to the world of education, and its success as a business, is a reflection of the expertise, devotion and energy of our people.

We are very grateful for the continued support of our staff around the world throughout 2013, and we look forward to another year in which Tribal's people will help our customers to improve education in the UK and in many parts of the world.

Tribal believes in making a contribution beyond its activities in the education market. Our values demand that we do the right thing, and helping in the communities in which we work is an important part of our activities.

Our role in the community

Making a positive contribution

The Tribal Foundation

Tribal's charity, the Tribal Foundation, supports projects in the UK, Australasia and elsewhere, which reflect Tribal's expertise in education.

The Foundation is a registered charity and is 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 which we support.

Since its establishment, the Foundation has contributed around £0.5m to a variety of programmes. During 2013, the Foundation raised approximately £71,000, allowing us to sustain our support for our chosen projects.

The Foundation seeks out projects which bring sustainable benefits, rather than short-term remedies. Whilst we seek out projects with a strong education theme, we complement our support of these programmes with our local giving initiative, where Tribal offices nominate a local charity to receive a donation towards a project connected to one or more of our staff.

Our fundraising takes place throughout the year., through activities organised by Tribal's team of Foundation Champions, individuals and staff groups.

TRIBAL foundation watch your charity grow

Human rights

Tribal is confident of the human rights performance of its own operations but recognises that business practices of its business partners may not always be transparent and represent a risk that must be managed. Every effort is made 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 in relation to child labour, forced labour, non-discrimination, freedom of association and collective bargaining.

Compliance with, and respect for, these core principles are integrated within the risk assessment procedures and impact assessments which are undertaken 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 2013, we continued to work to minimise our carbon emissions, using where possible renewable/green energy in relation to our electricity supplies. We continue to rationalise and upgrade our property portfolio and have reduced our office footprint in the UK by 12%. Through the use of flexible working techniques, we are anticipating further reductions during 2014.

Our policies require consideration of sustainability in our selection of, and continued relationship with, our suppliers. Offices managed by Tribal recycle over 80% 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. We also recycle confidential waste and use recycled paper where possible. 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.

We are acutely aware that as we grow internationally, our people are increasingly using air transport which is increasing our carbon emissions. We are monitoring the impact our travel has, and seeking to minimise its effects through the analysis of the travel trends and acting to reduce travel where possible (including through the use of online meeting technology). During 2013, our carbon emissions on travel alone were as follows.

Assessment Parameters	
Base line year	FY 2013
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, uder 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 2013)
Assessment methodology	The Greenhouse Gas Protocol and ISO 14064-1 (2006)
Intensity ratio	Emissions per £m revenue

Green house Gas Emission Source	2013 (tCO2e)	2013 (tCO2e/£m)
Scope 1	54	0.0004
Scope 2	801	0.0064
Statutory total (Scope 1 and 2)	855	0.0068
Scope 3	411	0.0033
Total Gross emissions	**1,266**	**0.0101**

Working as one over 130 children have been assessed for disabilities through the Access to Inclusive Education project this year.

Working with the Tribal Foundation, 107 children across the Chongwe district have been provided with rehabilitation, including ear medication, eye medication, assistive devices and multi-vitamins.

The project has been very successful to date. Over 25 boys and girls with disabilities have been newly enrolled in five project schools. These children are aged between 7 and 12 years, with disabilities including visual problems, speech difficulties and physical and learning disabilities.

The teachers that received training through the project in August are working hard in the schools and surrounding communities, to sensitise the community and disseminate information on disability, as well as to identify further children with disabilities for educational enrolment. Parents have also shown overwhelming interest in enrolling their children with disabilities in school.

130 children assessed this year

Corporate Governance

Balanced governance

Our Board combines diverse skills and experience, to create a constructively challenging Board environment. We work hard to support the international growth of Tribal within a well balanced governance framework.

John Ormerod, Chairman

Our Board

The successful delivery of our strategy is dependent upon attracting and retaining the right experience and talent, and this starts with our Board. As Tribal has evolved, so the Board has adapted its approach and focus. As a team, the Board has a varied range of expertise and backgrounds, which bring together a good balance of skills and knowledge. Diverse backgrounds bring different ways of approaching challenges, through alternative thought processes and behaviours.

Our Board has sought to blend these different attributes, to engender constructive and energetic debate, and to create a forum in which all Directors are confident that they have an equal voice. Our Board also seeks to offer a forum for executive Directors to test and develop ideas, ahead of more formal consideration of proposals for approval. Our objective is to help Tribal to meet its objectives, and to manage challenges most effectively.

Set out below is the age, committee membership and tenure of our Board. Biographical details are set out on page 124

John Ormerod (Age 65)
Chairman, and Chairman of the Nominations Committee
Committees: AC, NC, RC
Tenure: 4 years

Steve Breach (Age 45)
Group Finance Director
Committees: n/a
Tenure: 4 years

Katherine Innes Ker (Age 53)
Non-executive Director, Senior Independent Director and Chairman of the Remuneration Committee
Committees: AC, NC, RC
Tenure: 5 years

Keith Evans (Age 55)
Chief Executive
Committees: n/a
Tenure: 3 years

Simon Ball (Age 53)
Non-executive Director and Chairman of the Audit Committee
Committees: AC, NC, RC
Tenure: 4 years

Robin Crewe (Age 53)
Non-Executive Director
Committees: NC, RC
Tenure: 2 years

Key: AC – Audit Committee / NC – Nominations Committee / RC – Remuneration Committee

Our Chairman is responsible for the leadership of the Board and creating the conditions for overall Board and individual director effectiveness, both inside and outside the boardroom.

Our Chief Executive is responsible for the leadership and day-to-day running of the Group's business, to ensure the delivery of 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 with shareholders where needed.

Our governance structure

Our Board	The Board exercises full and effective control over the Group. The Board maintains a formal schedule of matters reserved for the Board's decision, and its responsibilities include strategy and management of performance, acquisitions, capital expenditure and safeguarding the Group's assets. 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 formally with division management on a frequent basis, to review business performance and to discuss operational and strategic issues. Key points from these meetings are discussed at Group Board meetings.		
Committee oversight	The Board has established three Committees to deal with matters in accordance with written terms of reference. They are an Audit Committee, a Nomination Committee and a Remuneration Committee. The Chairmen of the Board committees will be available to answer questions at the 2014 AGM. Terms of reference for the Audit, Nomination and Remuneration Committees can be found on the Group's website, www.tribalgroup.com, are available on request from the Company Secretary and will be available for inspection at the forthcoming AGM. It is the general practice of each committee to invite all Directors to attend committee meetings, where appropriate.		
	Audit Committee	**Nominations Committee**	**Remuneration Committee**
	Oversees the Group's financial reporting, internal controls and their effectiveness and risk management processes. It also oversees the external audit process.	Deals with appointments to the Board, monitors potential conflicts of interest and reviews the independence of the non-executive Directors.	Sets the remuneration of the Directors, including basic salary, bonuses and other incentivisation 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 operational and financial performance of the Group. It is responsible for making day-to-day management decisions in line with the Group's strategy. The Executive Board also considers succession planning and talent management. During 2013, the Executive Board comprised the Chief Executive, the Group Finance Director, and Managing Directors of each of the business units in the Group. With effect from 1 November 2013, the Executive Board was supplemented with a further senior executive appointment, to support the Group's increasing international growth plans. The Executive Board typically meets monthly, but the members interact very frequently in the normal course of their roles.		
Management committees	**Health and Safety committee**	**Anti-bribery committee**	**Information Security Group**
	The committee comprises Tribal employees from across our business, and a consultant from our external Health and Safety advisors. It meets quarterly, and reports directly to the CEO. It has delegated authority from the Board to ensure compliance by business units and employees with all aspects of Health and Safety legislation, and for implementing best practice in this area, both in the UK and overseas.	The committee ensures the compliance of the Group and its employees with the terms of the Bribery Act, particularly as the business encounters different market conditions as we expand into new territories. It is chaired by our General Legal Counsel and includes the CEO and the managing Directors of our various business streams. Its remit is to implement procedures to be followed by all staff, and associated organisations in their dealings with customers and third parties throughout the world, and to ensure that appropriate training has been undertaken throughout the business.	The information security group is comprised of senior managers from across the Group. It is responsible for establishing information security policies and procedures across the Group, and ensuring compliance with those policies. The group ensures that Tribal remains compliant with current and future legislation relevant to information security, reviews security risks including particularly those identified by the site-by-site based security forums (ISO27001), and the response of the business to managing those risks.

Corporate Governance continued

Balanced governance

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 2013. 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.

The Board

Alongside the matters formally reserved for Board consideration, the key areas of focus for the Board during 2013 were as follows:

Compliance statement

The Board is committed to high standards of corporate governance, integrity and business ethics across Tribal, and we support the principles of the UK Corporate Governance Code (the Code). We are pleased to report that throughout 2013, the Group has complied with main principles and the supporting principles of the Code.

Monitoring progress against our three year strategy plan
Monitoring the key strategic risks affecting the business, and the sufficiency of mitigating controls and actions to address those risks
Reviewing, challenging and in due course approving the budget for the year ending 31 December 2014
Considering the capital structure of the Group, and agreeing a programme to maintain a suitable capital structure for the business, together with approving the renewal of our bank facilities which completed in early 2014
Consideration of the commercial and operational aspects of major contracts, particularly in relation to the New South Wales SALM contract and new business opportunities as they arose
Considering and approving the acquisition of i-graduate, and considering the acquisition of Sky Software, which completed in early 2014
Reviewing the Group's sales and business development structures and capacity, along with development plans for these areas of our business over the year
Reviewing the Group's pension obligations, and the approach to managing those obligations going forward
Ensuring our talent management and succession planning keeps pace with the development of the business, particularly our international growth
Considering the results of our staff survey and plans to address issues identified
Reviewing the management of our Health and Safety obligations towards our staff
Reviewing our corporate responsibility and sustainability activities
Continuing to evaluate the Board's performance, and to seek ways to improve its performance

Going forward into 2014, it is anticipated that areas for Board focus will include consideration of the next stage of our strategy plan beyond 2014, and planning our response to the forthcoming retendering of the Ofsted inspection contracts.

Board composition and diversity

We seek to ensure that the composition of the Board is balanced, with executive and non-executive Directors bringing a range of skills and experience to the Board, including building large and mid-cap public company businesses, hands-on financial and operational experience, and strategy development and implementation. Biographies of the Directors are set out on page 124, and details of Board attendance are set out on page 48.

Gender balance (number of female Board members)	Expertise in software and related information system technologies	Experience of working directly in service delivery	Experience of working directly in international markets	Expertise in financial management and reporting	Expertise in investment and financial markets
1 of 6	2 of 6	4 of 6	3 of 6	4 of 6	4 of 6

All Directors are appointed by the Board as a whole following 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. None of the executive Directors has a service contract with a notice period greater than 12 months. Details of all payments to Directors are included in the Remuneration Report on pages 56 to 69, and the terms and conditions of all Directors are available for inspection on request from the Company Secretary and will be available for inspection at the forthcoming AGM.

The Chairman, John Ormerod, has other significant time commitments. Overall, these have not changed materially during the year and they 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 previous 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 believes that the non-executive Directors are independent as defined by the Code. The Chairman was considered independent on appointment, and the Senior Independent Director is Katherine Innes Ker.

The 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 annually the independence of the non-executive Directors. The Committee is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board. Suitable candidates for non-executive roles are, where appropriate, identified with the assistance of external recruitment consultancies.

Director election and re-election

Each director is required to submit himself/herself for re-election annually at the AGM. All Directors were re-elected at the 2013 AGM on 17 May 2013.

As announced on 26 February 2014, Simon Ball will not be offering himself for re-election at the AGM. During the latter part of 2013, a process consistent with our established approach has been undertaken to identify a suitable candidate to undertake Simon Ball's role, both as a non-executive director and as chair of the Audit Committee. As previously announced, David Egan will be taking over the chair of the Audit Committee with effect from 16 May 2014.

Corporate Governance continued

Board evaluation and effectiveness

An evaluation of the Board's effectiveness, and the effectiveness of its committees, was conducted in the second half of 2013.

The overall review was conducted using retained legal counsel, and therefore did not constitute an external Board effectiveness review. The review was focused on a number of areas, including those concerned with best practice based on the principles of good governance. The evaluation was conducted through a series of one-to-one interviews, the results of which were reported to the Board in December 2013. Interviews focused on:

- How the Board functions as a unit;
- Board composition;
- The tone set by the chairman (including the chairs of the Audit and Remuneration Committees);
- The relationship between the executive and non-executive Directors;
- The range of topics covered at Board meetings; and
- The quality of papers, presentations, discussions and decision-making in Board meetings.

The performance of each individual director was also assessed. The Group Finance Director was assessed by the Chief Executive, and the Chief Executive was assessed by the Chairman. The executive and non-executive Directors, led by the Senior Independent Director, assessed the performance of the Chairman. The non-executive Directors' performance was reviewed by the Chairman, taking into account the views of the other Directors. The approach taken in respect of the Audit Committee is set out in the Audit Committee report.

The Board concluded that the Board and its committees continue to operate effectively but that certain areas of its effectiveness could be improved. The key elements for improvement are set out below, together with key actions to address these during 2014.

	Area for improvement	Action arising
	Board calendar and agenda	
1	Consideration should be given to creating more time for the Board to review and discuss medium and long-term strategic issues, and enhance the Board's direct exposure to operational activities across the business.	The Board intends to have fewer, albeit longer, meetings during 2014, and an increasing portion of Board meetings will be held at Tribal's operating business sites.
	Board composition	
2	The Board should review the composition of the Board in terms of skills and experience as the next stage of the Group's strategy develops.	The Board will review both its composition, skills and experience, and the management information it receives, to ensure they continue to be closely aligned with the execution of the strategic plan.

Board and Committee meeting attendance

Board and Committee meeting attendance is set out in the following table.

	Board	Audit committee	Nominations committee	Remuneration committee
Number of meetings in period	14	4	2	6
Number of meetings attended by members:				
John Ormerod	14	4	2	6
Keith Evans	14	–	–	–
Steve Breach	14	–	–	–
Simon Ball	13	4	1	5
Katherine Innes Ker	13	3	2	6
Robin Crewe	14	–	–	4

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 is available to the Chairman and/or the senior independent director and other non-executive Directors, if this is required.

The Chairman has met with a number of the principal shareholders in the period under review. The full Board is kept informed about shareholder relations and in particular the Senior Independent Director is kept informed of the views of major shareholders. This is achieved by a combination of reports to the Board on meetings held and feedback to the Board from the Group's advisers.

The Group holds briefing meetings with analysts and institutional shareholders, usually following the half year and final results announcements, to ensure that the investment community receives a balanced and complete view of the Group's performance and the issues faced by the business. The Group provides financial statements to all shareholders twice a year, when its half year and full year results are announced, and provides interim management statements as required. These results and all other Stock Exchange announcement information are available on the Group's website www. tribalgroup.com. The AGM is attended by all Directors and private investors are 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 ended 31 December 2013, and has examined the way in which those matters have been presented in the Annual Report. The Audit Committee has reported its findings to the Board.

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report, incorporating the Chief Executive's Report and Financial Review. The risks that the business faces in the coming year, changes in those risks during 2013 and the mitigants which address these risks, are set out on pages 34 to 39. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in further detail the Financial Review on pages 24 to 33.

The Board has reviewed carefully the Group's budget for 2014, and its forecasts and projections beyond 2014. These financial forecasts and projections allow for reasonably possible changes in trading performance, and show that the Group will have adequate headroom against its committed borrowing facilities and financial covenants across the forecast period.

The Group's software products benefit from a significant installed customer base, while its solutions activities are underpinned by a portfolio of long-term contracts. Collectively, the Group has a range of customers across different geographic areas, high levels of committed income and a strong pipeline of new opportunities. The Group's forecasts and projections, which allow for reasonably possible changes in trading performance, show that the Group will be cash generative across the forecast period. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

The Group's borrowing facilities were renewed in January 2014, and are now committed until June 2018. The solvency and liquidity risks that the Group faces are described on page 32 of the Financial Review.

Based on a careful consideration of the Group's budget and forecasts, and taking into account the risks faced by the business, the Directors believe that the Group is well placed to manage its business risks. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual report and accounts.

Audit Committee

Overseeing controlled change

Tribal's international growth has continued to accelerate during 2013. The pace of change is significant, and maintaining close control over the business during a period of change inevitably presents challenges.

The Board has maintained its focus on upholding high standards of internal control and risk management throughout the business, supported by the work of the Audit Committee. In turn, the Audit Committee has worked closely with the Group's external and internal auditors, and its risk management function, to secure assurance that effective policies and procedures are maintained.

Simon Ball
Chairman of the Audit Committee

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 Simon Ball. Katherine Innes Ker and John Ormerod are also members. The Group Finance Director attends all meetings at the invitation of the Committee. The Chief Executive, the Group Risk Manager, the lead internal auditor and the external auditor also attend by invitation. The Committee met four times during 2013.

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 2013. The key areas of business covered at each of those meetings were as follows.

Meeting date	Main activities
Quarter 1 2013	Reviewed the December 2012 annual report and financial statements, including receiving detailed reports from the external auditors 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, including a review of the Group's whistle-blowing policy, anti-bribery controls, and controls and risk management in the Group's international businesses
	Reviewed internal audit reports, including those relating to key contract delivery controls and anti-bribery and anti-corruption policies and controls
	Reviewed risk assurance status reports
Quarter 2 2013	Reviewed the basis on which the May 2013 interim management statement was prepared
	Finalised and agreed a work programme for the Audit Committee for 2013
	Approved the internal audit programme for 2013
	Considered the results of internal audit projects focused on areas of Tribal's tax compliance
	Considered business continuity planning in the Group
	Reviewed and considered the roadmap for development of the finance department
	Reviewed risk assurance status reports

Meeting date	Main activities
Quarter 3 2013	Reviewed the 2013 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 enhanced investment appraisal procedures
	Considered plans for the upgrades to the Group's accounting systems
	Considered internal audit reports including work on billing accuracy and completeness
	Reviewed risk assurance status reports
Quarter 4 2013	Reviewed the basis on which the November 2013 interim management statement was prepared
	Considered the external audit plan for the audit of the 2013 full year financial statements
	Commenced the review of the audit committee's effectiveness, a process which will conclude in early 2014
	Reviewed and agreed the scope of the audit work to be undertaken by the external auditor, and agreed the fees to be paid for this work and the half year review
	Considered internal audit reports including work on data protection policies and controls within the Group
	Reviewed risk assurance status reports

As part of the Audit Committee's review of the full year and half year financial statements, and in its consideration of the basis on which interim management statements had been prepared, careful consideration was given to the following key areas of accounting judgement:

The Group's revenue recognition policies for important contracts, and in particular the accounting methodology to be applied to the SALM contract – careful consideration was given to the extent to which value is being transferred to the New South Wales Department of Education and Communities over time in relation to software supplies, implementation support and software maintenance activity, the stage of completion of the elements of the contract, the anticipated total contract value of each of these key elements of the contract and the recoverability of accrued income relating to ongoing work on the SALM programme.

The accounting methodology being applied in relation to software development costs associated with Tribal's development of new functionality for its existing software product portfolio and the creation of new complementary applications, and the assessment of impairment risk on the carrying values arising - careful consideration was given to the risk-assessed prospective revenues which will be generated from the software being created, and the cost of completing the development programme in each case.

The recoverability of accrued income, particularly in relation to longer term projects where payments are dependent on the successful achievement of key contracted milestones - in particular, Tribal's implementation of management systems for universities typically operate over a long period, and contain milestones which require the collaboration of Tribal and its customer to successfully meet objectives. The prospective achievement of these milestones, and the ultimate successful implementation of a properly performing management system, are key influences on the recoverability of accrued income at any point in time.

Goodwill carrying values and impairment risk, and the accounting treatment applied in the acquisition of i-graduate in January 2013 - consideration was focused on the prospects for the Systems and Solutions businesses, with particular focus on the Solutions business in which the headroom for the current carrying value of goodwill is somewhat less than that for the Systems business, and where recent financial performance in the Solutions business has not been as strong as that seen in the Systems business.

Audit Committee continued

Maintenance of a sound 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	Audit Committee
Sets risk appetite, approves relevant policies and delegates responsibilities	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	External audit
Designs and implements risk management policies, working with the Board, and reviews and assesses risk information and risk processes throughout the business	Develops and executes an audit plan based on a careful risk assessment
Internal audit	**Ethics and compliance management**
Undertakes a rolling programme, examining key areas of risk in the business covering operational and financial matters	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

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.

The Directors undertake a periodic review of the effectiveness of the Group's system of internal controls, and in turn this evaluation of the effectiveness of the internal controls is reviewed 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. It should be noted that the 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.

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 34 to 35. The effectiveness of the risk management function is reviewed annually by the Audit Committee.

Internal audit

The Group has an internal audit function, outsourced to Baker Tilly (formerly RSM Tenon), which 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 Department 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 continually assessed, to ensure that they take account of the latest information and in particular the results of the annual review of internal control 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. Accurate and reliable information is vital to good decision-making and control. 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.

Audit Committee continued

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 has established and 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 comprehensive 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.

Independence of 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. During 2013, a new senior statutory audit partner has taken over this responsibility;
- 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.

The Committee has considered the likelihood of a withdrawal of the auditor from the market and noted that there are no contractual obligations to restrict the choice of external auditor. The Audit Committee is also monitoring guidance regarding mandatory tendering of the external audit appointment applicable to FTSE 350 companies and EU proposals regarding mandatory firm rotation which will apply to public interest entities. We will continue to consider the implications for the appointment of the external auditors going forward.

To assess the effectiveness of the external auditor's independence and objectivity, the Audit Committee reviewed:

- The arrangements for ensuring the external auditor's independence and objectivity;
- The external auditor's fulfilment of the agreed audit plan and any variations from the plan;
- The robustness and perceptiveness of the auditor in its handling of the key accounting and audit judgements;
- 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 2013, non-audit fees payable to the external auditors were £25,000, representing 13% of the audit fee for the period. Of this, £22,000 was in respect of their review of the Half Year results.

Simon Ball
Chair, Audit Committee

Remuneration Committee

Incentivising sustainable growth

Tribal has made good progress during 2013. The business has maintained its market leadership position in the UK, whilst taking advantage of opportunities to expand into international markets where appropriate. This has resulted in strong performance, and Tribal's market capitalisation has increased materially since the start of 2011.

The Group's remuneration policy is weighted towards performance-related pay, and incentivises superior financial performance. The executive Directors and senior management have benefitted from, and shared in, the shareholder value that has been created. The Remuneration Committee has recommended a number of changes to reflect the change in size and scope of the business, the performance of the executive team and, most importantly, to align reward potential with the post 2014 strategy which is being developed.

Katherine Innes Ker
Chair of the Remuneration Committee

Information not subject to audit

Annual Statement by Chair of the Remuneration Committee

Set out below is the first Directors' Remuneration Report under the new reporting guidelines. We believe that the change in structure and presentation will provide further insight into the work which the Remuneration Committee undertakes and the reasons for the decisions it has made this year.

The Committee's objective is to set a remuneration policy which provides an overall package which is able to attract, retain and motivate high-quality executives to achieve the Group's business objectives and reward them for enhancing shareholder value. To do this we regularly review the individual components and the policy as a whole, to ensure it remains fit for purpose and is appropriately aligned with the Group's strategy.

Key reward outcomes for 2013

The remuneration policy is weighted towards performance pay and there is a clear link between value created for shareholders and reward for executives.

As described in the Chairman's Statement and the Financial Review, 2013 has been one of significant progress towards our three-year strategic plan. In the year, adjusted revenue increased by 11%, adjusted operating profit by 14%, adjusted earnings per share by 15% and net debt was reduced from £9.9m to £4.6m. Applying the performance criteria, the Committee has awarded an annual bonus of 92% and 95% to the Chief Executive and Group Finance Director, respectively. Additionally, a double LTIP award was made in 2011 to reflect the fact that no award had been made in 2010. Based on cumulative adjusted earnings per share over the three years ended 31 December 2013, 48.6% of these awards will vest. Accordingly, 495,137 shares will be issued to each of Keith Evans and Steve Breach on 20 June 2014, together with a further 20,796 shares for each executive director in relation to dividends deemed to have been paid and reinvested in Tribal shares during the vesting period.

Changes in policy for 2014

The Group has made good progress towards its strategic aspirations. The Committee considers that the remuneration policy, which is weighted towards performance-related pay and incentivises superior performance, has contributed towards the strong financial performance of the Group and the shareholder value created. The Committee has determined that a number of policy changes are required to reflect the change in size and scope of the business, to ensure continuing alignment with the post-2014 corporate strategy which is being developed, and to incentivise the executive Directors to continue to produce an exceptional performance, evident in the enhancement of shareholder value which has increased by 264% since the start of 2011 to 31 December 2013.

As a result of the Committee's review, and following consultation with our principal shareholders, it has proposed to make some changes which are outlined below and discussed in more detail in report:

- An increase in the maximum bonus potential for the Chief Executive from 100% to 125% of annual salary and a reduction in on-target bonus potential from 80% to 60% of maximum (the maximum bonus potential for the Group Finance Director is unchanged);
- An increase in the annual LTIP award from 100% of salary to 150% for the Chief Executive and 125% for the Group Finance Director;
- An annual increase in base salary to reflect changes in position or responsibility, and to reflect changes in the cost of living;
- An increase in pension contributions for Chief Executive and Group Finance Director to 15% of salary (previously 12% of salary); and
- A shareholding requirement of 100% of salary is to apply to executive Directors.

The Committee believes that this policy, which it is intended will apply retrospectively from 1 January 2014 subject to shareholder approval at the AGM in May 2014, provides a strong alignment between remuneration paid to executives and the business strategy and the continued creation of enhanced shareholder value, whilst also ensuring remuneration remains competitive against market benchmarks.

Directors' Remuneration Report

The following section contains details of the remuneration policy which will take effect from date of the AGM and apply for the following three years.

The Remuneration report has been prepared in accordance with the Companies Act 2006 (the Act). 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 Code ("Code").

The Remuneration Policy set out on pages 57 to 62, will be put to a shareholder vote at the AGM and will become immediately binding. The Annual Remuneration Report set out on pages 63 to 66, will be put to an advisory shareholder vote at the AGM.

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.

Directors' Remuneration Policy

The key objective of the Group's policy for executive Directors' remuneration is that the overall package should be structured so that it is able to attract, retain and motivate high calibre individuals to implement the Group's strategy and reward them for exceptional performance.

The package consists of basic salary, benefits, long-term share incentives, performance-related bonus and pension contributions. In line with the Group's strategy, a significant proportion of the package is based on performance and is dependent upon the achievement of stretching performance targets.

The Group has a range of share incentive plans in place, to provide the necessary mechanisms for employees and executive Directors to participate in the long-term success of the Group, and to align interests with those of shareholders. When considering the remuneration policy for executive Directors, the Committee considers pay and employment conditions existing elsewhere in the Group.

Remuneration Committee continued

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.

Remuneration policy

The table below shows how the remuneration policy is linked to overall Group strategy. This policy should be read in conjunction with the recruitment and promotions policy and the "Implementation of Remuneration Policy for 2014" section of the Annual Report on Remuneration on page 63.

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 63. 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 with market practice.	The main benefits provided will 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. The value of benefit provision may vary year on year, determined by the cost of providing the benefit.	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 payout 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. Subject to shareholder approval at the AGM, 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 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. Targets for the year ending 31 December 2014 are provided in the Annual Report on Remuneration.
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 £125 per month (£150 per month from April 2014).	None.

Remuneration Committee continued

Element of Pay	Purpose and link to Strategy	Operation including maximum	Performance Criteria
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.	None.

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 facilate 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 67. The Committee intends for these awards to vest on their original terms, subject to the relevant performance conditions and service requirements being met.

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. Both Executives' 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	26.10.09	Ongoing	12
Steve Breach	01.01.10	Ongoing	12

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 the 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.

Under the terms of his appointment, John Ormerod has agreed to commit not less than 50 days per annum to this role. If he is required to commit in excess of 50 days per annum, he may be entitled to an additional fee at a suitable pro rata rate per day. John Ormerod has entered an arrangement whereby his net monthly fee in March, June, September and December each year (i.e. every third month) will be used to purchase Tribal shares at the prevailing market price.

Non-executive Directors have a three-month notice period and no compensation or other benefits are payable. 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)
K C M Innes Ker	01.11.2008	2014 AGM	3	3
J Ormerod	21.10.2009	2014 AGM	3	3
R Crewe	03.07.2012	2014 AGM	3	3
S Ball	01.06.2010	2014 AGM	3	3

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 current 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.

Employment Conditions elsewhere in the Group

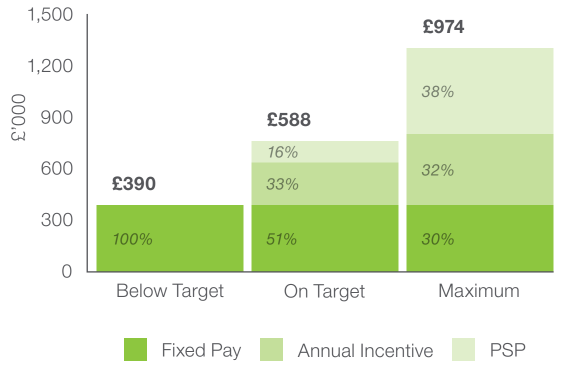
The Committee has not formally consulted with its employees on executive pay, but is made aware of the pay and wider employment conditions within the Group by reference to independent market surveys. This information provides context when the Committee is setting Executive Director pay levels. In particular, 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

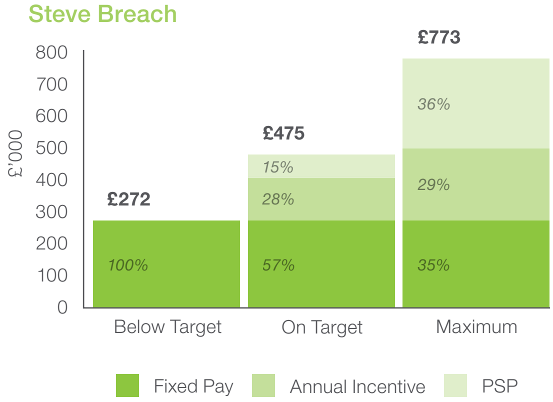
The Committee believes a transparent and constructive dialogue with our shareholders is important, and therefore seeks to consult with major investors when making significant changes to the policy. The Committee considers shareholder feedback received at the AGM and during meetings with investors throughout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

Illustration of the application of the remuneration policy

Keith Evans



Steve Breach



Notes:
- Fixed Pay = Salary for the current year + value of benefits as reported in the total single figure table + pension contribution of 15% of the current salary
- Below Target – Fixed pay only
- On-Target – assuming the bonus pays out 60% of the maximum and the normal LTIP award policy pays out at the threshold level (i.e. 25% of maximum)
- Maximum – bonus pays out in full and LTIP award vests in full
- No share price growth is included. For simplicity the value of an all-employee share schemes, which are offered to all employees, are excluded for these purposes

Annual Report on Remuneration

Remuneration Committee – composition and terms of reference

The Remuneration Committee is chaired by Katherine Innes Ker. Simon Ball, John Ormerod and Robin Crewe are also members. Keith Evans attends by invitation. The Group Legal 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 of the Tribal Group 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 six occasions during the year and attendance is outlined on page 48.

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, 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 £29,000.

Implementation of Remuneration Policy for 2014

Basic salaries and benefits

The Committee reviewed base salaries at the end of 2013, 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 Chief Executive's basic salary will increase by 6.8% to £330,000. The increase aligns the Chief Executive's salary with those of companies of a similar size and complexity, and reflects his experience, progress and strong performance in his role. His salary remains below the market median. The Group Finance Director's basic salary will increase by 3.0% to £222,800, in line with the increase range for strong performers in the wider workforce.

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.

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 Keith Evans and Steve Breach.

Performance related bonuses

For 2014, the annual bonus maximum will be 125% of salary for the Chief Executive, and 100% of salary for the Group Finance Director, and performance conditions will be based on adjusted operating profit and non-financial strategic objectives.

The table below sets out the weighting of the metrics and the sliding scales in relation to the budget. 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.

Performance Measure	Weighting	Threshold	On Target	Maximum
Adjusted operating profit	80%	95% of target (25% payable)	100% of target (60% payable)	107% of target (100% payable)
Non-financial objectives	20%	n/a	n/a	n/a

Personal objectives will be linked to the Group's strategy and will be disclosed in next year's report. In all cases, bonus payments are subject to the overriding discretion of the Remuneration Committee.

Remuneration Committee continued

Current share incentive schemes

The 2014 LTIP awards will be granted, subject to shareholder approval at the AGM in May 2014, at 150% of salary for the Chief Executive, and 125% of salary for the Group Finance Director, and will be subject to performance targets linked to adjusted earnings per share over a three-year vesting period. These cumulative targets are 42.0p for 25% vesting, 45.0p for 50% vesting and full vesting at 47.0p. Therefore, to achieve the threshold, target and maximum vesting, this would require annual adjusted earnings per share compound growth of circa 5.8%, 9.3% and 11.7% per annum respectively above the 12.5p adjusted earnings per share for the year ended 31 December 2013.

Non-Executive Director Fees

The fees for the year ending 31 December 2014, which will take effect from 16 May 2014, will be as follows:

Chairman	£110,000
Basic Fee	£40,000
Committee Chairman Fee*	£5,000
Senior Independent Director Fee	£4,000

*Applies to Audit and Remuneration Committee Chairman

1 The Chairman's fee for the year ended 31 December 2013 was £113,000.

2 The basic fee for the year ended 31 December 2013 was £36,050, the fee for chairing the Audit and/or Remuneration Committee was £5,150, and the Senior Independent Director fee was £5,150.

Information subject to audit

Remuneration payable for the financial year ending 31 December 2013

Director	Salary[1]	Benefits	Bonus	LTIP[2]	Pension	Total
Keith Evans	£306,750	£9,500	£284,458	£932,291	£36,800	£1,569,799
2012 comparable	£300,000	£9,500	£295,500	–	£36,000	£641,000
Steve Breach	£214,725	£15,500	£205,610	£932,291	£25,900	£1,394,026
2012 comparable	£210,000	£15,500	£208,425	–	£25,200	£459,125

1 Salaries for the Directors were adjusted for inflation with effect from 1 April 2013.

2 LTIP awards granted in June 2011 are due to vest in June 2014. Based on the earnings per share performance condition measured over 2011, 2012 and 2013, 48.6% of the shares comprising the award will vest to each executive. Additionally, dividends are deemed to have been paid in relation to vesting shares, and to have been reinvested in Tribal shares. As a result, a further 20,796 shares will be awarded to each executive. The value of these awards for the purpose of calculating the value of LTIP payable in the table above, is based on the average closing share price during the three months ended 31 December 2013 (being 180.7p).

Non-Executive Director Fees	Total 2013	Total 2012
John Ormerod	£112,475	£110,000
Katherine Innes Ker	£46,013	£45,000
Matthew Masters[1]	–	£17,500
Robin Crewe[2]	£35,788	£17,410
Simon Ball	£40,900	£40,000

1 Stepped down on 14 August 2012

2 Appointed on 3 July 2012

Annual Bonus Outcome

The Committee assessed the 2013 annual bonus performance as follows:

Keith Evans

Financial Performance Conditions

Performance Measure	Weighting	Threshold Target	On Target	Maximum	Actual	Bonus Payable
Operating profit against target	80%	£14.3m (20%)	£15.0m (64%)	£16.0m (80%)	£15.8m	£235,018, 95% of maximum

Non-financial Performance Conditions

On the basis of the performance in the year, the Committee assessed that 80% of the relevant potential payment in respect of non-financial performance conditions should be made.

Steve Breach

Financial Performance Conditions

Performance Measure	Weighting	Threshold Target	On Target	Maximum	Actual	Bonus Payable
Operating profit against target	80%	£14.3m (20%)	£15.0m (64%)	£16.0m (80%)	£15.8m	£164,513, 95% of maximum

Non-financial Performance Conditions

On the basis of the performance in the year, the Committee assessed that 95% of the relevant potential payment in respect of non-financial performance conditions should be made.

The Committee therefore approved bonus payments of £284,458 and £205,610 for Keith Evans and Steve Breach respectively. The Committee is comfortable that the level of bonus payable appropriately reflects the performance of the individuals and the Group.

Remuneration Committee continued

Long Term Incentives granted during the year under review

On 21 March 2013, the Committee approved an award to each executive director of 100% of salary. These awards were subject to challenging adjusted EPS targets 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 41p	On a straight-line basis between 50% and 100%
41p or more	100%

	Type	Number of Shares	Face Value[1]	Performance Condition	Performance Period	% Vesting at threshold
Keith Evans	Nil-Cost Option	224,075	£309,000 (100% of salary)	EPS	Measured over 3 financial years to 31 December 2015	25%
Steve Breach	Nil-Cost Option	156,853	£216,300 (100% of salary)	EPS	Measured over 3 financial years to 31 December 2015	25%

Face value calculated based on average share price over the five day period prior to date of grant of 137.9p.

Share Awards Vesting in the Year

LTIP awards granted on 21 June 2011 are due to vest on the third anniversary of grant, 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 2013 Financial Year	% of an Award that becomes capable of exercise
Less than 28p	0%
28p	25%
Between 28p and 31.5p	On a straight-line basis between 25% and 50%
31.5p	50%
Between 31.5p and 40p	On a straight-line basis between 50% and 100%
40p or more	100%

The Committee determined that the aggregate earnings per share over the three financial years to 31 December 2013 was 31.3p. 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 exceptional costs (net of tax). Based on this aggregate EPS figure, 48.6% of the award has vested, subject to continued service to the third anniversary of grant.

Share Award Interests

The interests of Directors in share options were as follows:

	At 1 January 2013	Granted	Lapsed	Exercised	At 31 December 2013	Exercise Price	5 day average price on date of grant	Date from which exercisable	Expiry Date
Keith Evans									
LTIP – 21 June 2011	1,019,400	–	–	–	1,019,400	Nil	41.2p	June 2014	June 2021
LTIP – 16 January 2012	1,078,554	–	–	–	1,078,554	Nil	55.6p	March 2015	January 2022
LTIP – 21 March 2013	–	224,075	–	–	224,075	Nil	137.9p	March 2016	March 2023
Steve Breach									
LTIP – 21 June 2011	1,019,400	–	–	–	1,019,400	Nil	41.2p	June 2014	June 2021
LTIP – 16 January 2012	754,988	–	–	–	754,988	Nil	55.6p	March 2015	January 2022
LTIP – 21 March 2013	–	156,853	–	–	156,853	Nil	137.9p	March 2016	March 2023

Notes:

The LTIP awards made in January 2012 are subject to an aggregate EPS performance condition for the three financials years to 31 December 2014. 20% of awards vest for aggregate EPS of 29.0p, 50% vest for aggregate EPS of 36.0p, and 100% vest for aggregate EPS of 42.8p. Further, for the 2012 award, 50% of post-tax shares vesting will be held in escrow for two years with an equal tranche (i.e. 25% of the award) being released to the executive on the first and second anniversaries of vesting. In addition, each of Keith Evans and Steve Breach must meet shareholding obligations to purchase Tribal shares in the open market, in order for these LTIP awards to vest. In aggregate, these Directors are required to purchase Tribal shares to the value of at least their basic annual salary over a period prior to vesting.

The closing share price at 31 December 2013 was 170.2p and during the year ranged from 105.7p to 206.5p. There have been no variations to the terms and conditions or performance criteria for share awards during the financial year.

Directors' Shareholdings

The table below sets out the Directors' current shareholdings as at 31 December 2013. There have been no changes to beneficial share interests since the year end. The shareholding guideline for the Chief Executive and the Group Finance Director has been met at 31 December 2013.

Director	Beneficially Owned	% of Salary / Fee held	Share options (LTIP)
Keith Evans	534,822	295%	2,322,029
Steve Breach	277,083	218%	1,931,241
John Ormerod	248,424	375%	–
Katherine Innes Ker	–	–	–
Robin Crewe	–	–	–
Simon Ball	100,000	415%	–

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 2013.

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

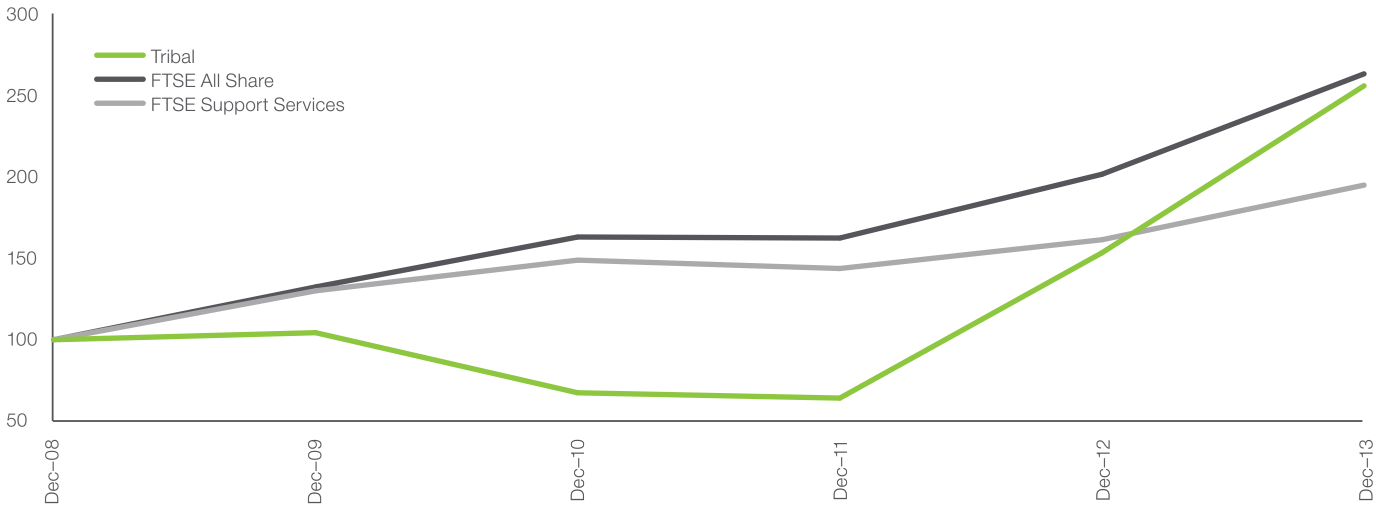
The share incentive plans operate in line with the ABI principle, which requires that all commitments must not exceed 10% of the issued share capital in any rolling 10 year period. Given the Company's issued share capital, the number of employees and the level of participation in the LTIP, the Committee 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 2013 was 8%.

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 five years from 31 December 2008 to 31 December 2013.

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 £142 on 31 December 2013, compared to £110 for the FTSE All Share Index and £165 for the FTSE Support Services Index.



		Single Figure £000	Annual Bonus outturn (as % of maximum)	Long-term Incentive vesting (as % of maximum)
2013	Keith Evans	1,570	92%	49%
2012	Keith Evans	641	99%	–
2011	Keith Evans[1]	443	86%	–
2011	Peter Martin[2]	116	0%	0%
2010	Peter Martin	697	0%	0%
2009	Peter Martin	644	0%	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.

CEO Pay Compared to Tribal Employees

		Remuneration received		
		Salary	Benefits	Annual Bonus
CEO	2013	£306,750	£9,500	£284,458
	2012	£300,000	£9,500	£295,500
	% Change	2.2%	–	(3.7%)
Average Tribal Employee	2013	£34,529	£973	£788
	2012	£33,695	£1,025	£751
	% Change	2.5%	(5.1%)	4.9%

Distribution Statement

	2013	2012	% Change
Employee Costs	£60.5m	£58.5m	9%
Adjusted EBITDA	£20.1m	£16.9m	19%
Corporation tax charge on continuing operations	£2.7m	£2.0m	35%
Distributions to shareholders by way of dividend	£1.5m	£1.2m	25%

£1.6m of the employee costs figure for 2013 relates to pay for the Executive Directors. This is different to the aggregate of the single figures for the year under review due to the way in which share-based awards are accounted for.

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.

Shareholder vote on remuneration at the last AGM

At the AGM held on 17 May 2013, the Directors' Remuneration Report was passed with the following vote:

For	%	Against	%	Withheld
65,335,911	99.84	104,126	0.16	754,312

Approval

This report was approved by the Board of Directors on 14 March 2014 and signed on its behalf by:

Katherine Innes Ker
Chair, Remuneration Committee

Directors' report

Introduction

The Directors present their Annual Report on the affairs of the Group, which includes the introduction, Strategic Report, Corporate Governance Report (including the Directors' assessment of going concern) and audited Financial Statements for the year ended 31 December 2013. Pages 1 to 72 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 and Strategic Report contains 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 36 to 39. 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.

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 1–4 Portland Square, Bristol, BS2 8RR. 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 28 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 27 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 £1,876,926.85. This authority expires at the conclusion of the AGM in 2014.

Acquisition of the Company's own shares

At the end of 2013, by virtue of the shareholders' resolution passed at the AGM in 2013, the Directors had authority to purchase 9,369,598 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 2014.

Directors

The Directors of the Company are listed on page 44. 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 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 44 to 49.

Directors' interests and share options

Each director's interest in the Company's shares is detailed on page 67, 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 16 to the financial statements. This has resulted in a number of new products being launched recently across a number of our markets, which are expected to contribute to the growth of the business.

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 40 and 43.

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 the "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 2011, and in light of the Group's increasing presence in international markets, the Group required all employees to undertake specific training to ensure an understanding of the key risks relating to this legislation. This, together with the Group's Business Ethics Policy (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 a final dividend of 1.10p per share which, together with the interim dividend of 0.50p per share, gives a total dividend of 1.60p per share (2012: 1.25p).

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, 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 (2012: £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 Keith Evans. 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.

Carbon emissions

Carbon emissions arising directly and indirectly from the Group's activities are set out in the commentary on sustainability on page 42.

Substantial shareholdings

At 28 February 2014, 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	21,947,330	23.42
Schroder Investment Management	9,138,136	9.75
JP Morgan Asset Management	6,822,032	7.28
Old Mutual Global Investors	4,888,000	5.22
Artemis Investment Management	4,712,175	5.03
Legal & General Investment Management	4,508,904	4.81
Henderson Global Investors	4,384,949	4.68
Crystal Amber Advisers	4,301,662	4.59
Flinvest	2,893,238	3.09

Annual General Meeting

The Annual General Meeting (AGM) will be held at 10.00am on 16 May 2014 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.

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 2014 AGM on 16 May 2014.

On behalf of the Board

Steve Breach
Company Secretary

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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

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

Keith Evans
Chief Executive
14 March 2014

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 2013 and of the group's profit 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 parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity, and the related notes 1 to 48. 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 (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules, we have reviewed the Directors' statement contained within the Governance Report on page 49 that the group is a going concern. We confirm that:

- We have not identified material uncertainties related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern; and
- We have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

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:

Revenue recognition

- The risk: 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 accounting for significant contracts with multiple revenue streams (e.g. software, implementation and support), accounting for significant long-term contracts, software revenue cut off where the product is made available for use around the year end and other significant judgements associated with contracts, such as accounting for contract claims or variations, and the recognition and recoverability of accrued income.
- Our response: We carried out detailed substantive testing on a sample of contracts and software sales, in order to assess whether the revenue recognition was consistent with the group policies and complied with the relevant accounting standards. We evaluated the allocation of fair value to respective parts of multi element arrangements. We agreed revenue recognised to source contracts and obtained evidence of delivery under the contract. We assessed management's key judgements in determining revenue and profit recognition through agreeing inputs to source data, reviewing assumptions against historical and post year end trends and performing procedures, to establish and test the basis for cost to complete estimates for significant long-term contracts. We performed detailed audit procedures on accrued income balances and challenged the recoverability of accrued income based on subsequent invoicing, cash receipts, customer correspondence and past payment history.

Capitalisation of development costs and the potential impairment

- The risk: As set out in Note 1 to the financial statements, 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 key judgements associated with determining whether or not costs incurred meet the capitalisation criteria and the subsequent assessment of any potential impairment based on estimated future sales and profitability.
- Our response: We challenged management's assessment in capitalising development costs in line with the accounting policy and IAS 38. We performed detailed substantive testing on a sample of capitalised development projects and validated our enquiries through discussions with project managers. We critically evaluated management's position on impairment of the carrying values by reference to current year sales and budgets and forecasts for the following two years.

Independent auditor's report to the members of Tribal Group plc continued

Impairment of goodwill

- The risk: The carrying value of goodwill is significant and there is a requirement for an impairment review to be performed at least annually. The nature of the impairment testing requires assumptions and estimates of the future profitability of each income generating unit, long-term growth rates and discount rates used as set out in Note 15 to the financial statements.
- Our response: Goodwill is reviewed for impairment using a value in use model. Our audit procedures focused on the key assumptions used in the model, which included specific review and challenge of discount rates and growth rates, the appropriateness of the level of aggregation of individual cash generating units and the methodology applied. We benchmarked the discount rates with external peer group published rates, checked the cash generating unit groupings to management information reviews and the forecasts used in the model to the budget. We considered the adequacy of the Group's disclosures as set out in Note 15 to the financial statements.

Accounting for the acquisition of International Graduate Insight Group Limited

- The risk: The Group acquired International Graduate Insight Group Limited during the year. As disclosed in Note 32 to the financial statements, the Group has established the fair value of the assets and liabilities acquired, including the valuation of separable intangible fixed assets and the determination of the fair value of the deferred contingent consideration. This requires various assumptions and estimates including future profitability and growth rates.
- Our response: We have challenged management's assumptions in relation to the accounting for the acquisition of International Graduate Insight Group Limited, including the valuation of deferred contingent consideration. Our procedures included assessing the business performance against the acquisition due diligence forecast; evaluating the impact of any deviations in business performance from the due diligence assessment on valuation of goodwill and separable intangibles; and considering the appropriateness of the discount rate used to discount the deferred contingent consideration.

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. The Audit Committee's consideration of these risks is set out on page 51

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 planning materiality for the group to be £650,000, which is below 5% of pre-tax profit and below 1% of equity.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £13,000, 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. The UK business was subject to a full audit, whilst the Australian business was subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the group's operations at that location. The UK and Australian operations represent the principal business units and account for 99.8% of the group's net assets, 96% of the group's revenue and 95% of the group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at these locations was executed at levels of materiality applicable to each individual entity, which were lower than group materiality.

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 current year audit.

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 audit or audit of specified account balances.

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; and
- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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 in respect of 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 nine 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 the ISAs (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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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, United Kingdom

14 March 2014

Consolidated income statement for the year ended 31 December 2013

	Note	Underlying £'000	Closed businesses and exceptional costs £'000	Year ended 31 December 2013 Total £'000	Underlying £'000	Closed businesses and exceptional costs £'000	Year ended 31 December 2012 Total £'000
Continuing operations							
Revenue	3	125,485	–	125,485	113,417	1,978	115,395
Cost of sales		(75,466)	–	(75,466)	(69,253)	(2,440)	(71,693)
Gross profit		50,019	–	50,019	44,164	(462)	43,702
Other administrative expenses		(34,260)	(30)	(34,290)	(30,282)	(1,927)	(32,209)
Amortisation of IFRS 3 intangibles	16	–	(231)	(231)	–	(24)	(24)
Total administrative expenses		(34,260)	(261)	(34,521)	(30,282)	(1,951)	(32,233)
Operating profit		15,759	(261)	15,498	13,882	(2,413)	11,469
Investment income	8	37	–	37	162	–	162
Other gains and losses	9	–	(453)	(453)	–	(453)	(453)
Finance costs	10	(1,235)	(350)	(1,585)	(1,205)	–	(1,205)
Profit before tax	6	14,561	(1,064)	13,497	12,839	(2,866)	9,973
Tax	11	(2,889)	169	(2,720)	(2,633)	619	(2,014)
Profit for the year from continuing operations		11,672	(895)	10,777	10,206	(2,247)	7,959
Discontinued operations							
Profit from discontinued operations	13	–	788	788	925	840	1,765
Profit for the year	5	11,672	(107)	11,565	11,131	(1,407)	9,724
Attributable to:							
Equity holders of the parent				11,565			9,724
Earnings per share							
From continuing operations							
Basic and diluted	14	12.5p	(1.0)p	11.5p	10.9p	(2.4)p	8.5p
From continuing and discontinued operations							
Basic and diluted	14	12.5p	(0.2)p	12.3p	11.9p	(1.5)p	10.4p

Consolidated statement of comprehensive income for the year ended 31 December 2013

	Note	**Year ended 31 December 2013 £'000**	Year ended 31 December 2012 £'000
Profit for the year		**11,565**	9,724
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit asset	33	**1,412**	290
Items that may be reclassified subsequently to profit or loss:			
Transfer from cash flow hedge reserve		**453**	453
Deferred tax	26	**(82)**	141
Exchange differences on translation of foreign operations		**(581)**	16
Total comprehensive income for the year attributable to equity holders of the parent		**12,767**	10,624

Consolidated balance sheet at 31 December 2013

	Note	2013 £'000	2012 £'000	2011 £'000
Non-current assets				
Goodwill	15	**78,652**	72,616	72,616
Other intangible assets	16	**16,732**	10,195	5,655
Property, plant and equipment	17	**3,085**	3,146	2,576
Investments	18	**1**	1	1
Retirement benefit surplus	33	**778**	–	–
Deferred tax assets	26	**2,209**	2,033	1,661
		101,457	87,991	82,509
Current assets				
Inventories	19	**714**	1,931	333
Trade and other receivables	20	**28,915**	28,225	23,323
Cash and cash equivalents	22	**7,555**	8,424	6,524
		37,184	38,580	30,180
Total assets		**138,641**	126,571	112,689
Current liabilities				
Trade and other payables	23	**(12,438)**	(7,642)	(8,781)
Accruals		**(12,871)**	(11,298)	(10,387)
Deferred income		**(24,575)**	(28,516)	(17,884)
Tax liabilities		**(3,197)**	(2,797)	(2,671)
Provisions	25	**(3,296)**	(1,159)	(2,419)
		(56,377)	(51,412)	(42,142)
Net current liabilities		**(19,193)**	(12,832)	(11,962)
Non-current liabilities				
Bank loans	24	**(12,114)**	(18,274)	(22,503)
Retirement benefit obligations	33	**–**	(419)	(540)
Deferred tax liabilities	26	**(389)**	–	(178)
Provisions	25	**(1,531)**	(523)	(1,439)
		(14,034)	(19,216)	(24,660)
Total liabilities		**(70,411)**	(70,628)	(66,802)
Net assets		**68,230**	55,943	45,887
Equity				
Share capital	28	**4,685**	4,685	4,685
Other reserves	29	**28,042**	26,913	26,245
Retained earnings	30	**35,503**	24,345	14,957
Total equity attributable to equity holders of the parent		**68,230**	55,943	45,887

Notes 1 to 40 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 14 March 2014 and were signed on its behalf by:

Keith Evans
Director

Steve Breach
Director

Consolidated statement of changes in equity

For the year ended 31 December 2013

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2013	4,685	26,913	24,345	**55,943**
Total comprehensive income for the year	–	349	12,418	**12,767**
Dividends	–	–	(1,260)	**(1,260)**
Credit to equity for share-based payments	–	780	–	**780**
Balance at 31 December 2013	4,685	28,042	35,503	**68,230**

For the year ended 31 December 2012

	Share capital £'000	Other reserves £'000	Retained earnings £'000	**Total equity £'000**
Balance at 1 January 2012	4,685	26,245	14,957	**45,887**
Total comprehensive income for the year	–	302	10,322	**10,624**
Dividends	–	–	(934)	**(934)**
Credit to equity for share-based payments	–	366	–	**366**
Balance at 31 December 2012	4,685	26,913	24,345	**55,943**

For the year ended 31 December 2011

	Share capital £'000	Other reserves £'000	Retained earnings £'000	**Total equity £'000**
Balance at 1 January 2011	4,685	26,246	38,824	**69,755**
Total comprehensive income for the year	–	169	(22,666)	**(22,497)**
Dividends	–	–	(980)	**(980)**
Charge to equity for share-based payments	–	(170)	(221)	**(391)**
Balance at 31 December 2011	4,685	26,245	14,957	**45,887**

Consolidated cash flow statement for the year ended 31 December 2013

	Note	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Net cash from operating activities	34	**18,646**	15,063
Investing activities			
Interest received		**37**	117
Proceeds on disposal of discontinued operations		**638**	1,542
Purchases of property, plant and equipment		**(1,552)**	(2,178)
Expenditure on product development and business systems		**(6,994)**	(6,188)
Acquisition of investments in subsidiaries		**(2,521)**	(50)
Net cash outflow from investing activities		**(10,392)**	(6,757)
Financing activities			
Interest paid		**(670)**	(750)
Equity dividend paid		**(1,260)**	(934)
Repayment of borrowings and loan arrangement fees		**(6,647)**	(4,695)
Net cash used in financing activities		**(8,577)**	(6,379)
Net (decrease)/increase in cash and cash equivalents		**(323)**	1,927
Cash and cash equivalents at beginning of year		**8,424**	6,524
Effect of foreign exchange rate changes		**(546)**	(27)
Cash and cash equivalents at end of year		**7,555**	8,424

Notes to the financial statements

1. Accounting policies

Basis for accounting

The financial statements on pages 76 to 119 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.

Adoption of new and revised standards

In the current financial year, the Group has adopted the amendments to IAS 1 'Presentation of Items of Other Comprehensive Income', IAS 19 (revised 2011) 'Employee Benefits' and IAS 36 'Impairment of Assets'.

The amendments to IAS 1 require items of other comprehensive income to be grouped by those items that will be reclassified subsequently to profit and loss and those that will never be reclassified, together with their associated income tax. The amendments have been applied retrospectively, and hence the presentation of items of comprehensive income have been restated to reflect the change. The effect of these changes is evident from the consolidated statement of comprehensive income.

IAS 19 (revised 2011) and the related consequential amendments have impacted the accounting for the Group's defined benefit scheme, by replacing the interest cost and expected return on plan assets with a net interest charge on the net defined benefit liability. There is no significant impact on the profit for the period or other comprehensive income as a result of adopting IAS 19 (revised 2011).

The amendments to IAS 36 have not had a material effect on these financial statements.

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 10, IFRS 12 and IAS 27 (amendments)	Investment Entities
IFRS 9	Financial Instruments
IFRS 13	Fair Value Measurement
IAS 39 (amendments)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC Interpretation 21	Levies

It is not practicable to provide a reasonable estimate of the effect of these standards, 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 to govern the financial and operating policies of the investee entity so as to obtain benefits from its activities.

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.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Corporate Governance statement on page 49.

Notes to the financial statements continued

1. Accounting policies (continued)

Revenue and turnover recognition

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

- Revenue from the sale of goods and services is recognised upon transfer to the customer of the risks and rewards of ownership. This is generally when goods are despatched to, or services performed for, customers.
- Revenue on software licences is recognised on transfer to the customer of the risks and rewards of ownership providing there are no unfulfilled obligations that are essential to the functionality of the product. If such obligations exist, revenue is recognised as they are fulfilled.
- 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.

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.

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

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.

The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) 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.

1. Accounting policies (continued)

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.

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). An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the financial statements continued

1. Accounting policies (continued)

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 lives of three to five 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 are 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:

- Freehold buildings – over 50 years
- 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.

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.

1. Accounting policies (continued)

Exceptional items

Exceptional items are items which derive from events or transactions that fall outside the ordinary activities of the Group and which are therefore shown separately in the middle column on the face of the income statement. This includes any entries in relation to hedge ineffectiveness, amortisation of IFRS 3 intangibles, acquisition related items and charges in relation to the run-off of the property portfolio re-set following the disposal programme carried out in 2010 and 2011. It also includes the associated tax entries. The Group withdrew from the reselling and implementation of Microsoft Dynamics software and the direct delivery of apprenticeship training programmes during 2012, and the results of closed businesses were included within the middle column of the income statement.

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 benefit 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 two components of defined benefit costs within cost of sales and administrative expenses in its 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

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.

Restructurings

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.

Notes to the financial statements continued

1. Accounting policies (continued)

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, which is able to value the options subject to market-based performance conditions.

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.

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.

Notes to the financial statements continued

1. Accounting policies (continued)

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 37 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.

2. Critical accounting judgements

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.

Goodwill and other intangible assets

The carrying value of goodwill at the year-end is £78.6m (2012: £72.6m, 2011: £72.6m). 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 15.

The carrying value of other intangible assets is £16.7m (2012: £10.2m, 2011: £5.7m). 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.

2. Critical accounting judgements (continued)

Revenue recognition

The Group's revenue recognition policies are disclosed in note 1. In some cases, judgement is required to determine the most appropriate measure of the fair value of the services that have been delivered to the customer at the balance sheet date. Where revenue is recognised on a long-term contract basis, judgement is required to assess the stage of completion of a project at the period end.

Share-based payments

The Group has issued certain employees with share-based incentives which vest based on cumulative three-year EPS targets. Judgement is required to determine the expected future EPS which drives the level of charge made in respect of the incentives.

Acquisition accounting

The Group acquired International Graduate Insight Group Limited on 2 January 2013 with up to £4.6m of the consideration being deferred and contingent of the future performance of the acquired group. Judgement is required to estimate the expected profitability of the acquired group over the performance period, which determines the level of provision for deferred contingent consideration required.

3. Revenue

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

	2013 £'000	2012 £'000
Continuing operations		
Sales of services	125,485	115,395
Investment income	37	162
Total revenue	125,522	115,557

Sales of goods are not material and are therefore not shown separately.

Notes to the financial statements continued

4. Business segments

The Group is organised into two business segments: Solutions and Systems.

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.

The principal activities of the Group are as follows:

Systems – a range of proprietary software products and related services to support the business needs of education, learning and training providers

Solutions – a range of services to support the improvement of education, learning and training delivery by our customers

Year ended 31 December 2013

	Systems £'000	Solutions £'000	Eliminations £'000	Consolidated £'000
Revenue				
External sales	63,954	61,531	–	125,485
Inter-segment sales	252	39	(291)	–
Total adjusted revenue	64,206	61,570	(291)	125,485
Adjusted segment operating profit	14,826	6,066	–	20,892
Unallocated corporate expenses				(5,133)
Adjusted operating profit				15,759
Amortisation of IFRS 3 intangibles				(231)
Exceptional costs				(30)
Operating profit				15,498
Investment income				37
Other gains and losses				(453)
Finance costs				(1,585)
Profit before tax				13,497
Tax				(2,720)
Profit for the year from discontinued operations				788
Profit after tax and discontinued operations				11,565

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.

Inter-segment sales are charged at prevailing market prices.

Revenues of approximately 21% (2012: 22%) have arisen within our Solutions division from the Group's largest customer and revenues of approximately 15% (2012: 7%) have arisen within our Systems division from the Group's second largest customer.

4. Business segments (continued)

Year ended 31 December 2012

	Systems £'000	Solutions £'000	Eliminations £'000	**Consolidated £'000**
Adjusted revenue				
External sales	54,083	59,334	–	**113,417**
Inter-segment sales	1,461	8	(1,469)	**–**
Total adjusted revenue	55,544	59,342	(1,469)	**113,417**
Adjusted segment operating profit	12,072	5,282	–	**17,354**
Unallocated corporate expenses				**(3,472)**
Adjusted operating profit				**13,882**
Amortisation of IFRS 3 intangibles				**(24)**
Exceptional costs				**(1,545)**
Closed businesses				**(844)**
Operating profit				**11,469**
Investment income				**162**
Other gains and losses				**(453)**
Finance costs				**(1,205)**
Profit before tax				**9,973**
Tax				**(2,014)**
Profit for the year from discontinued operations				**1,765**
Profit after tax and discontinued operations				**9,724**

Of the total losses from closed businesses of £844,000, £483,000 arose in relation to the Systems division and £361,000 in relation to the Solutions division.

Geographical information

Revenue from external customers

	2013 £'000	2012 £'000
UK	**92,709**	89,212
Asia Pacific	**25,584**	16,449
North America and rest of the world	**7,192**	7,756
Total adjusted revenue	**125,485**	113,417
UK revenue from closed businesses	**–**	1,978
	125,485	115,395

Non-current assets

	2013 £'000	2012 £'000
Asia Pacific	**41**	55
North America and rest of the world	**36**	71
	77	126

Notes to the financial statements continued

4. Business segments (continued)

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

Continuing operations

	2013 £'000	2012 £'000
Licence and development fees	19,471	16,035
Implementation	22,367	18,316
Maintenance	18,802	16,782
Other Systems division revenue	3,566	4,411
Performance improvement solutions	30,298	29,526
Quality improvement solutions	31,272	29,816
Eliminations	(291)	(1,469)
	125,485	113,417

5. Profit for the year (continuing and discontinued)

	2013 £'000	2012 £'000
Profit for the year is stated after charging/(crediting):		
Depreciation and other amounts written off property, plant and equipment	1,707	1,625
Staff costs (see note 7)	60,533	58,547
Amortisation of acquired IFRS 3 intangible assets	231	24
Amortisation of business systems	356	356
Cost of inventories recognised as an expense	530	456
Write-down of inventories recognised as an expense	-	235
Impairment loss on trade receivables	(37)	(833)
Research and development expenditure	1,717	1,293
Amortisation of development costs	2,057	1,268
Impairment losses on development costs	250	-
Net foreign exchange losses	164	361

The analysis of auditor's remuneration is as follows:

	2013 £'000	2012 £'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	106	97
Total audit fees	186	177
– audit related assurance	22	23
– other assurance	3	3
Total non-audit fees	25	26
Total auditor's remuneration	211	203

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.

See page 55 for the Group policy on use of auditor for non-audit work.

6. Exceptional costs and closed businesses

	2013 £'000	2012 £'000
Closed businesses:		
– Turnover	–	1,978
– Cost of sales	–	(2,440)
– Administrative expenses	–	(382)
Trading loss from closed businesses	–	(844)
– Redundancy costs – closed businesses	–	(279)
– Other restructuring costs – closed businesses	(93)	(1,007)
Operating loss from closed businesses	(93)	(2,130)
Other exceptional costs:		
– Acquisition costs	(54)	(209)
– Property related	117	–
– Unwinding of discount on deferred contingent consideration	(350)	–
– Movements in deferred consideration	-	(50)
– Amortisation of IFRS3 intangibles	(231)	(24)
– Unwinding of hedge accounting reserve	(453)	(453)
	(1,064)	(2,866)

Exceptional costs have arisen throughout the year, which are not part of the Group's normal trading activities. This includes additional costs in relation to the closure of the Direct Delivery business during 2012, direct costs arising on acquisition activity, credits where leases were exited or sub-let on terms that were more favourable than expected, adjustments to deferred consideration in respect of acquisitions, amortisation of IFRS3 intangibles and the unwinding of the hedge accounting reserve.

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:

	2013 No.	2012 No.
Selling, operations and marketing	1,193	1,183
Finance and administration	222	212
	1,415	1,395

The aggregate payroll costs of these persons were as follows:

	2013 £'000	2012 £'000
Wages and salaries	51,351	49,482
Social security costs	4,710	4,564
Pension costs	3,013	3,339
Redundancy costs	679	796
Share option charge	780	366
	60,533	58,547

The comparative figures in the table above have been restated to include the costs of the Group's Australian subsidiary which were incorrectly excluded in the 2012 Annual Report.

Notes to the financial statements continued

8. Investment income

	2013 £'000	2012 £'000
Interest on bank deposits	21	42
Net interest receivable on retirement benefit obligations	–	45
Other interest receivable	16	75
	37	162

9. Other gains and losses

	2013 £'000	2012 £'000
Unwinding of hedge accounting reserve	453	453

No other gains or losses have been recognised in respect of loans and receivables, other than impairment losses reversed in respect of trade receivables (see notes 5 and 20).

10. Finance costs

	2013 £'000	2012 £'000
Interest on bank overdrafts and loans	979	1,014
Unwinding of discount on deferred contingent consideration	350	–
Other interest payable	256	191
	1,585	1,205

11. Tax

	Continuing operations		Discontinued operations		Total	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Current tax						
UK corporation tax	3,096	2,698	54	30	3,150	2,728
Overseas tax	343	313	–	–	343	313
Adjustments in respect of prior years	(551)	(722)	–	(452)	(551)	(1,174)
	2,888	2,289	54	(422)	2,942	1,867
Deferred tax						
Current year	(258)	221	–	23	(258)	244
Adjustments in respect of prior years	90	(496)	–	(157)	90	(653)
	(168)	(275)	–	(134)	(168)	(409)
Tax charge/(credit) on profits/(losses)	2,720	2,014	54	(556)	2,774	1,458

11. Tax (continued)

The continuing tax charge can be reconciled to the profit from continuing operations per the income statement as follows:

	2013 £'000	2012 £'000
Profit before tax on continuing operations	13,497	9,973
Tax charge at standard rate of 23.25% (2012: 24.5%)	3,138	2,443
Effects of:		
Overseas tax rates	45	95
Expenses not deductible for tax purposes	420	266
Adjustments in respect of prior years	(461)	(1,218)
Group relief and utilisation of losses	–	(71)
Additional deduction for R&D expenditure	(73)	(367)
Effect of items recognised directly in equity	(70)	61
Movement in tax provision	(129)	810
Other	(150)	(5)
Tax expense for the year	2,720	2,014

In addition to the amount charged to the income statement, a deferred tax charge of £82,000 (2012: credit of £141,000) has been taken directly to equity (see consolidated statement of comprehensive income on page 77).

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 23.25% (2012: 24.5%). This rate reflects the reduction of the UK corporation tax rate from 24% to 23% from 1 April 2013.

The reduction in the corporation tax rate to 21%, from 1 April 2014, and to 20%, from 1 April 2015, will affect the Group's future effective tax rate accordingly. The effective tax rate of the continuing Group in future years is anticipated to be broadly equivalent to the UK corporation tax rate.

12. Dividends

	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2012 of 0.85 pence (year ended 31 December 2011: 0.60 pence) per share	794	560
Interim dividend for the year ended 31 December 2013 of 0.50 pence (year ended 31 December 2012: 0.40 pence) per share	466	374
	1,260	934
Proposed final dividend for the year ended 31 December 2013 of 1.10 pence (year ended 31 December 2012: 0.85 pence) per share	1,031	796

The interim dividend for 2013 was approved by the Board on 12 August 2013 and was paid on 18 October 2013 to ordinary shareholders who were on the register on 20 September 2013.

The Board is recommending a final dividend of 1.10p per share. This dividend will be paid on 11 July 2014 to shareholders on the register at 13 June 2014.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has therefore not been included as a liability in these financial statements.

Notes to the financial statements continued

13. 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:

	2013 £'000	2012 £'000
Operating profit before exceptional credits	13	369
Exceptional credits	712	433
Operating profit	725	802
Attributable tax (charge)/credit	(54)	556
Profit on disposal of discontinued operations	117	407
Net profit attributable to discontinued operations	788	1,765
Operating cash flows for discontinued operations	446	(1,213)
Investing cash flows for discontinued operations	638	1,542
Total cash flows for discontinued operations	1,084	329

14. 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:

	2013 thousands	2012 thousands
Weighted average number of shares outstanding:		
Basic weighted average number of shares in issue	93,696	93,696
Employee share options	–	–
Weighted average number of shares outstanding for dilution calculations	93,696	93,696

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 2013. 49% of the 3,016,300 share options that were issued in 2011 meet the performance criteria and are included as dilutive options this year. However, as the vesting criteria were only met at the end of 2013, the weighted average number of these shares measured across the whole year for dilution calculations is nil.

The maximum number of potentially dilutive shares excluding the 2011 grant, based on options that have been granted but have not yet met vesting criteria, is 3,521,109 (2012: 5,719,281).

The adjusted basic and diluted earnings per share figures shown on the consolidated income statement on page 76 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:

	2013 £'000	2012 £'000
Earnings		
From continuing operations		
Net profit from continuing operations attributable to equity holders of the parent	10,777	7,959
Earnings per share		
Basic and diluted	11.5p	8.5p
From continuing and discontinued operations		
Net profit from continuing and discontinued operations attributable to equity holders of the parent	11,565	9,724
Earnings per share		
Basic and diluted	12.3p	10.4p

14. Earnings per share (continued)

	2013 £'000	2012 £'000
From discontinued operations		
Net profit from continuing and discontinued operations attributable to equity holders of the parent	788	1,765
Earnings per share		
Basic and diluted	0.8p	1.9p

	2013 £'000	2012 £'000
Adjusted earnings		
From continuing operations		
Net profit from continuing operations attributable to equity holders of the parent	10,777	7,959
Amortisation of IFRS 3 intangibles (net of tax)	177	18
Unwinding of discount on deferred contingent consideration	350	–
Closed businesses (net of tax)	–	610
Exceptional costs (net of tax)	20	1,166
Financial instruments charge (net of tax)	348	453
Adjusted earnings	11,672	10,206
Adjusted earnings per share		
Basic and diluted	12.5p	10.9p
From continuing and discontinued operations		
Net profit from continuing and discontinued operations attributable to equity holders of the parent	11,565	9,724
Amortisation of IFRS 3 intangibles (net of tax)	177	18
Unwinding of discount on deferred contingent consideration	350	–
Closed businesses (net of tax)	(13)	610
Exceptional (credits)/costs (net of tax)	(638)	733
Profit on disposal of discontinued operations and associated tax adjustments	(117)	(407)
Financial instruments charge (net of tax)	348	453
Adjusted earnings	11,672	11,131
Adjusted earnings per share		
Basic and diluted	12.5p	11.9p
From discontinued operations		
Net profit from discontinued operations attributable to equity holders of the parent	788	1,765
Closed businesses	(13)	–
Exceptional credits (net of tax)	(658)	(433)
Profit on disposal of discontinued operations and associated tax adjustments	(117)	(407)
Adjusted earnings	–	925
Adjusted earnings per share		
Basic and diluted	–	1.0p

Notes to the financial statements continued

15. Goodwill

	2013 £'000	2012 £'000	2011 £'000
Cost			
At beginning of year	102,196	102,196	259,605
Additions	6,036	–	–
Disposals	–	–	(157,409)
At end of year	108,232	102,196	102,196
Accumulated impairment losses			
At beginning of year	29,580	29,580	164,489
Disposals	–	–	(134,909)
At end of year	29,580	29,580	29,580
Net book value			
At end of year	78,652	72,616	72,616
At beginning of year	72,616	72,616	95,116

Goodwill acquired in a business combination 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, with the change during 2012 made to reflect an internal reorganisation:

	2013 £'000	2012 £'000	2011 £'000
Systems	42,113	37,520	42,430
Solutions (comprising two CGUs)	36,539	35,096	30,186
	78,652	72,616	72,616

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the Systems and Solutions CGU groups are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, short to medium-term trading performance, longer-term growth rates and expected changes to selling prices, sales volumes and direct costs during the period. 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 CGUs. 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 the Board for the next two years and has extrapolated cash flows in perpetuity based on an estimated growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets and reflects the ongoing caution in the market. All Tribal's CGUs operate in the same industry sectors and markets around the world. Therefore discount rates for each of the CGUs are considered to be 14% (2012: 11%) which represents a reasonable rate for the market participants in this sector.

The goodwill has not been impaired. The Group has conducted a sensitivity analysis on the impairment test for each CGU group's carrying value. For the Systems division, a reduction in the operating profit in each of the forecast years by 52% would result in the carrying value of goodwill being reduced to its recoverable amount. The equivalent figure for the Solutions group of CGUs is 31%. In forming our opinion on goodwill impairment in respect of the Solutions group of CGUs we have assumed that the Ofsted contracts, which expire in August 2015, will be renewed on broadly similar terms or that we generate other equivalent revenues to mitigate the impact of losing these contracts.

During the year to 31 December 2013, goodwill of £6.0m has been created from the acquisition of International Graduate Insight Group Limited. This consideration in excess of the identifiable separable net assets represents collective knowledge and experience of the staff in place at the time of the acquisition and market synergies specific to Tribal around the potential to collaborate with other business units within Tribal to improve the quality and scope, as well as market penetration, of existing offerings.

16. Other intangible assets

	Customer relationships and contract pipeline £'000	Development costs £'000	Business systems £'000	Total £'000
Cost				
At 1 January 2012	2,446	10,685	4,349	17,480
Additions	–	6,188	–	6,188
At 1 January 2013	2,446	16,873	4,349	23,668
Transfer from inventories	–	1,098	–	1,098
Additions	1,339	6,903	91	8,333
At 31 December 2013	**3,785**	**24,874**	**4,440**	**33,099**
Amortisation				
At 1 January 2012	2,363	6,645	2,817	11,825
Charge for the year	24	1,268	356	1,648
At 1 January 2013	2,387	7,913	3,173	13,473
Charge for the year	231	2,057	356	2,644
Impairment loss	-	250	-	250
At 31 December 2013	**2,618**	**10,220**	**3,529**	**16,367**
Carrying amount				
At 31 December 2013	**1,167**	**14,654**	**911**	**16,732**
At 31 December 2012	59	8,960	1,176	10,195
At 31 December 2011	83	4,040	1,532	5,655

Customer relationships and contract pipeline have arisen from acquisitions, and are amortised over their estimated useful lives, which on average is five years. As at 31 December 2013, the total net book value is made up of £1.2m relating to customer relationships (2012: £0.1m, 2011: £0.1m) and £0.1m relating to contract pipeline (2012: £nil, 2011: £nil).

The amortisation period for development costs incurred on the Group's software development and product development is three to five years, based on the expected life-cycle of the product.

The Group's corporate business systems software is amortised over an average of five years from the date it first comes into use.

The amortisation for development costs is included within cost of sales. The amortisation for customer relationships, contract pipeline and business systems is included within administrative expenses.

During the year, £1.1m of software development cost, previously included in inventories in connection with the SALM programme, have been reclassified to other intangible assets because the related functionality forms part of our core product development strategy and meets the relevant requirements under IAS 38 'Intangible Assets'.

Notes to the financial statements continued

17. Property, plant and equipment

	Leasehold buildings £'000	Fixtures, fittings and other equipment £'000	Total £'000
Cost			
At 1 January 2012	1,754	6,603	8,357
Additions	510	1,668	2,178
Disposals	–	(221)	(221)
At 1 January 2013	2,264	8,050	10,314
Additions	169	1,383	1,552
Acquisition of subsidiary	–	111	111
Disposals	–	(5,708)	(5,708)
At 31 December 2013	**2,433**	**3,836**	**6,269**
Accumulated depreciation and impairment			
At 1 January 2012	996	4,785	5,781
Charge for the year	275	1,350	1,625
Disposals	–	(238)	(238)
At 1 January 2013	1,271	5,897	7,168
Charge for the year	263	1,444	1,707
Disposals	–	(5,708)	(5,708)
Exchange differences	1	16	17
At 31 December 2013	**1,535**	**1,649**	**3,184**
Net book value			
At 31 December 2013	**898**	**2,187**	**3,085**
At 31 December 2012	993	2,153	3,146
At 31 December 2011	758	1,818	2,576

18. Investments

Available-for-sale investments carried at fair value:

	2013 £'000	2012 £'000	2011 £'000
Cost			
At beginning and end of period	**1**	1	1

The Directors have considered the value of the above investments and are satisfied that the aggregate value of the investments is not less than their carrying value.

19. Inventories

	2013 £'000	2012 £'000	2011 £'000
Work in progress	**363**	1,655	115
Finished goods and goods for resale	**351**	276	218
	714	1,931	333

During the year, £1.1m of software development cost, previously included in inventories in connection with the SALM programme, have been reclassified to other intangible assets because the related functionality forms part of our core product development strategy and meets the relevant requirements under IAS 38 'Intangible Assets' (see note 16).

20. Trade and other receivables

	2013 £'000	2012 £'000	2011 £'000
Amounts receivable for the sale of goods and services	18,492	16,823	12,024
Allowance for doubtful debts	(216)	(287)	(1,178)
	18,276	16,536	10,846
Amounts recoverable on contracts	270	812	228
Other receivables	283	903	3,605
Prepayments	2,705	2,353	2,556
Accrued income	7,381	7,621	6,088
	28,915	28,225	23,323

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.

Other receivables includes amounts of £nil (2012: £0.2m) which are due in more than one year.

Trade receivables

Trade receivables are measured at amortised cost. The average credit terms on sales is 30 days (2012: 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 £5.2m (2012: £3.4m, 2011: £3.5m), 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, £8.1m (2012: £5.6m) is due from one customer. There are no other customers that represent more than 5 percent of the total balance of trade receivables. The average age of receivables is 42 days (2012: 41 days).

Ageing of past due but not impaired receivables:

	2013 £'000	2012 £'000	2011 £'000
30–60 days	3,707	1,984	2,292
60–90 days	829	865	624
90–120 days	568	404	99
120+ days	92	160	490
Total	5,196	3,413	3,505

Movement in the allowance for doubtful debts:

	2013 £'000	2012 £'000	2011 £'000
Balance at the beginning of the year	287	1,178	860
Discontinued operations	–	–	(469)
Amounts written off during the year	(34)	(58)	(251)
Recognised in the income statement	(37)	(833)	888
Transferred from assets held for sale	–	–	150
Balance at the end of the year	216	287	1,178

Notes to the financial statements continued

20. 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:

	2013 £'000	2012 £'000	2011 £'000
30–60 days	16	26	36
60–90 days	5	5	40
90–120 days	35	18	58
120+ days	160	238	1,044
Total	216	287	1,178

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

21. Long-term contracts

At the end of 2013, trade and other receivables included amounts due from contract customers of £6,576,000 (2012: £5,461,000, 2011: £806,000) and trade and other payables included amounts due from contract customers of £3,082,000 (2012: £4,890,000, 2011: £480,000).

	2013 £'000	2012 £'000	2011 £'000
Contract costs incurred plus recognised profits less recognised losses to date	10,622	5,779	2,372
Less: progress billings	(9,256)	(10,782)	(2,496)
	1,366	(5,003)	(124)

At 31 December 2013, retentions held by customers for contract work amounted to £194,000 (2012: 714,000, 2011: £650,000).

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

22. Cash and cash equivalents

Cash and cash equivalents of £7.6m (2012: £8.4m, 2011: £6.5m) 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. The cash figure is net of gross overdrawn accounts totalling £7.3m (2012: £0.9m).

Of the above balance, £4.8m (2012: £0.8m, 2011: £0.5m) represents funds restricted in use by the relevant commercial terms of certain trading contracts. These terms have been complied with. In the prior year, an additional £0.6m related to funds held by solicitors on behalf of the Group in escrow accounts. There is no equivalent balance at the end of 2013.

23. Trade and other payables

	2013 £'000	2012 £'000	2011 £'000
Trade payables	3,000	3,284	4,241
Other taxation and social security	4,558	3,349	2,587
Other payables	4,880	1,009	1,953
	12,438	7,642	8,781

The average credit period taken for trade purchases is 23 days (2012: 24 days).

For most suppliers, no interest is charged on the trade payables for the first 30 days from the date of invoice. Thereafter, 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.

24. Borrowings

At 31 December 2013, there were bank loans (maturing in the second to fith years inclusive) of £12.1m (2012: £18.3m, 2011: £22.5m) net of unamortised loan arrangement fees of £0.4m (2012: £0.7m, 2011: £1.0m). The Directors estimate that these are the fair value of the Group's borrowings. The bank loans are all denominated in UK sterling at floating rates.

At 31 December 2013, the weighted average interest rate paid was 2.8% (2012: 2.7%, 2011: 5.4%).

There were £17.5m (2012: £11.0m) undrawn committed borrowing facilities at 31 December 2013, which were due to expire in February 2015. The Group also had cash balances of £7.6m (2012: £8.4m) (see note 22), giving net debt at the year end of £4.6m (2012: £9.9m). In addition, at the year-end there was a £5m undrawn overdraft facility giving underlying headroom of £30.1m (2012: £24.4m).

At the year-end, a £30m bank loan was available under a revolving facility until February 2015. During January 2014, this has been refinanced such that the Group now has a revolving facility of £40m committed until June 2018, with a further £10m available on a non-committed basis under an accordion arrangement.

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 2013, the amount drawn down (net of bank arrangement fees) was £12.1m (2012: £18.3m). The loan is secured by way of a fixed and floating charge over the assets of the Group.

25. Provisions

	2013 £'000	2012 £'000	2011 £'000
At beginning of year	1,682	3,858	525
Reduction in provision in year	(828)	(423)	–
On acquisition of subsidiary	3,962	–	–
Unwinding of discount on deferred contingent consideration	350	–	–
Reclassification from accruals	–	–	3,350
Utilisation of provision	(339)	(1,753)	(17)
At end of year	4,827	1,682	3,858

See note 32 for further details of the provision arising on acquisition.

Notes to the financial statements continued

25. Provisions (continued)

The provisions are split as follows:

	2013 £'000	2012 £'000	2011 £'000
Future lease costs	6	1,174	3,350
Deferred contigent consideration	4,313	–	–
Potential litigation claims	508	508	508
Total	4,827	1,682	3,858

Less than one year:	2013 £'000	2012 £'000	2011 £'000
Future lease costs	6	651	1,911
Deferred contingent consideration	2,782	–	–
Potential litigation claims	508	508	508
Total	3,296	1,159	2,419

More than one year:	2013 £'000	2012 £'000	2011 £'000
Future lease costs	–	523	1,439
Deferred contingent consideration	1,531	–	–
Total	1,531	523	1,439

The provisions for future lease costs relate to properties vacated as part of the restructuring undertaken by the Group, following the sale of the Health and Government, Resourcing and Communications businesses during 2011 and 2010.

The potential litigation claims are expected to be resolved within one year and are therefore shown within current liabilities. However, it is possible that these claims may take longer to resolve, or the Group may not be promptly notified that the claim has been dropped. The claim may be settled at amounts higher or lower than that provided, depending on the outcome of commercial or legal arguments. The provision made is management's best estimate of the Group's liability based on past experience, commercial judgement and legal advice. Further details are contained in note 36.

26. Deferred tax

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

	2013 £'000	2012 £'000	2011 £'000
Deferred tax assets			
Retirement benefit schemes	–	190	135
Depreciation in excess of capital allowances	1,070	1,305	1,066
Other timing differences	314	207	53
Share-based payments	825	227	153
Derivative financial instruments	–	104	254
	2,209	2,033	1,661
Deferred tax liabilities			
Intangible assets	(234)	–	(33)
Retirement benefit schemes	(155)	–	–
Leasehold property not qualifying for tax allowances	–	–	(145)
	(389)	–	(178)
	1,820	2,033	1,483

26. Deferred tax (continued)

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. Accordingly, the Directors believe that it is more likely than not that the deferred tax assets will be recoverable.

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

	Temporary differences on non-current assets £'000	Retirement benefit schemes £'000	Derivative financial instruments £'000	Other temporary differences £'000	Total £'000
At 1 January 2013	1,305	190	104	434	2,033
Acquisitions	(6)	–	–	(286)	(292)
Foreign exchange differences	–	–	–	(7)	(7)
(Debit)/credit to income statement	(229)	87	–	310	168
Items taken directly to equity	-	(432)	(104)	454	(82)
At 31 December 2013	**1,070**	**(155)**	**–**	**905**	**1,820**

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

	Temporary differences on non-current assets £'000	Retirement benefit schemes £'000	Derivative financial instruments £'000	Other temporary differences £'000	Total £'000
At 1 January 2012	921	135	254	173	1,483
Credit to income statement	384	6	–	19	409
Items taken directly to equity	–	49	(150)	242	141
At 31 December 2012	1,305	190	104	434	2,033

Notes to the financial statements continued

27. Share-based payments

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

	2013 £'000	2012 £'000
Continuing operations		
LTIP	782	382
SAYE	(2)	(16)
Total	780	366

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.

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:

	ESOS		LTIP		SAYE	
	Number of options thousands	Weighted average exercise price	Number of options thousands	Weighted average exercise price	Number of options thousands	Weighted average exercise price
Outstanding at 1 January 2013	49	£3.05	5,670	£nil	34	£1.08
Exercised during the year	–	–	–	–	(13)	£1.08
Granted during the year	–	–	883	£nil	–	–
Lapsed during the year	(44)	£3.16	(1,571)	£nil	–	–
Outstanding at 31 December 2013	5	£1.96	4,982	£nil	21	£1.08
Exercisable at 31 December 2013	5	£1.96	–	–	7	£1.08
Weighted average remaining contractual life (years)	0.2	–	8.24	–	1.4	–
Weighted average share price at date of exercise	–	–	–	–	–	–

Share options outstanding at the year-end have the following exercise prices: ESOS: £1.96, LTIP: £nil and SAYE: £1.08.

For the year ended 31 December 2013, 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:

	LTIP 31 December 2013
Date of grant	March 2013
Share price	£1.49
Exercise price	£nil
Expected dividend yield	1.2%
Risk-free interest rate	0.37%
Expected volatility	55.3%
Term (years)	3.0
Option fair value	£1.43

27. Share-based payments (continued)

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.

28. Share capital

	2013 £'000	2012 £'000	2011 £'000
Authorised			
125,000,000 (2012: 125,000,000; 2011: 125,000,000) ordinary shares of 5p each	6,250	6,250	6,250

	2013 number	2013 £'000	2012 number	2012 £'000	2011 number	2011 £'000
Allotted, called up and fully paid						
At beginning and end of the year	93,695,985	4,685	93,695,985	4,685	93,695,985	4,685

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

29. Other reserves

	Capital reserve £'000	Merger reserve £'000	Own share reserve £'000	Share-based payment reserve £'000	Hedging reserve £'000	Total £'000
At 31 December 2010	9,545	18,033	(984)	472	(820)	26,246
Net expense recognised directly in equity	–	–	–	–	169	169
Movement in relation to share-based payment	–	–	216	(386)	–	(170)
At 31 December 2011	9,545	18,033	(768)	86	(651)	26,245
Net credit recognised directly in equity	–	–	–	–	302	302
Movement in relation to share-based payment	–	–	–	366	–	366
At 31 December 2012	9,545	18,033	(768)	452	(349)	26,913
Net credit recognised directly in equity	–	–	–	–	349	349
Movement in relation to share-based payment	–	–	–	780	–	780
At 31 December 2013	**9,545**	**18,033**	**(768)**	**1,232**	**–**	**28,042**

The capital reserve of £9.5m (2012: £9.5m) resulted from a share exchange when Tribal Group plc was listed in February 2001.

The merger reserve of £18.0m (2012: £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 £52.0m (2012: £52.0m) in respect of related acquisitions deemed to be impaired.

The own share reserve of £0.8m (2012: £0.8m) represents the cost of 392,892 shares (2012: 392,892) 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 2013, no shares (2012: nil) were disposed of on exercise of options.

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

The hedging reserve represents movements relating to cash flow hedges net of deferred tax.

Notes to the financial statements continued

30. Retained earnings

	2013 £'000	2012 £'000	2011 £'000
At beginning of the year	24,345	14,957	38,824
Profit/(loss) for the year	11,565	9,724	(22,439)
Dividends	(1,260)	(934)	(980)
Net income/(expense) recognised directly in equity	853	598	(448)
At end of the year	35,503	24,345	14,957

31. Capital and other commitments

There are no capital commitments at 31 December 2013 (2012: £nil).

	2013 £'000	2012 £'000
The Group as lessee		
Minimum lease payments under operating leases recognised as an expense in the year	1,589	1,798

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:

	2013 £'000	2012 £'000
Within one year	183	193
In the second to fifth years inclusive	3,079	2,578
After five years	–	2,227
	3,262	4,998

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.

The Group as lessor

The Group has sub-let certain properties previously used in its discontinued businesses, with rental income earned during the year totalling £117,500 (2012: £1,125,000). By the balance sheet date, these had ceased and therefore at the year-end, the Group had no contracts with tenants for lease payments (2012: £35,000 within one year).

32. Acquisition of subsidiary

On 2 January 2013, the Group acquired 100% of the issued share capital of International Graduate Insight Group Limited, a company which carries out education related benchmarking and analytics services.

This transaction has been accounted for by the purchase method of accounting. The total cost of acquisition is £8.1m. This comprised an initial cash consideration of £3.5m and a deferred consideration of £4.6m (the discounted figure at acquisition being £4.0m) which is payable based on the future profits of the acquired business. At the year-end, the equivalent figure was £4.3m.

Deferred consideration that becomes due shall be satisfied in the period January 2013 to March 2016.

The maximum amount payable is £8.1m.

The carrying amount of each class of International Graduate Insight Group Limited's assets before combination is set out below:

	Book value £'000	Provisional fair value adjustments £'000	Acquisition adjustments £'000	Provisional fair value £'000
Intangible assets	–	1,339	–	1,339
Tangible assets	151	–	(40)	111
Trade and other receivables	457	–	(74)	383
Cash and cash equivalents	929	–	–	929
Trade and other payables	(1,151)	–	57	(1,094)
Deferred tax liabilities	(22)	(287)	17	(292)
Net assets/(liabilities) acquired	364	1,052	(40)	1,376
Goodwill arising on acquisition				6,036
Consideration				7,412
Satisfied by:				
Initial cash consideration				3,450
Deferred cash consideration for performance related consideration				3,962
				7,412

The cash consideration paid by Tribal to date of £3.5m was satisfied out of the cash reserves of the Group. The net cash outflow from the acquisition, after taking account of the cash acquired, was £2.5m.

The goodwill arising on the acquisition is attributable to the anticipated profitability of the distribution of the Group's products and services in the new markets. None of the goodwill is expected to be deductible for income tax purposes.

Intangible assets arising on acquisition are in respect of the contract pipeline, £0.1m, and customer relationships, £1.2m (see note 16).

International Graduate Insight Group Limited contributed £3.1m revenue and operating profit of £0.9m to the Group for the period between the date of acquisition and the balance sheet date.

Acquisition related costs amounted to £0.1m.

Notes to the financial statements continued

33. 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 2013 was £3,013,000 (2012: £3,339,000), of which £1,359,000 (2012: £1,564,000) related to defined contribution schemes and £1,654,000 (2012: £1,775,000) to defined benefit schemes.

Contributions amounting to £581,000 (2012: £346,000) were payable to the funds at the year end and are included in current liabilities.

Defined benefit schemes

At 31 December 2013, 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. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 31 March 2012.

The Tribal Technology section of the TfL Pension Fund had one active member at the year-end. Employer contributions amounting to £nil were paid in the year ended 31 December 2013 (2012: £21,000). The accounting figures have been calculated using the valuation as at 31 March 2012, updated on an approximate basis to 31 December 2013 by a qualified independent actuary.

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 active members at the year-end. Employer contributions amounting to £42,000 were paid in the year ended 31 December 2013 (2012: £27,000). The accounting figures have been calculated using the valuation as at 31 December 2012, updated on an approximate basis to 31 December 2013 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 118 active members at the year-end. Employer contributions amounting to £1,245,000 were paid in the year ended 31 December 2013 (2012: £1,558,000). The accounting figures have been calculated using the valuation as at 5 April 2012, updated on an approximate basis to 31 December 2013 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:

	2013 % per annum	2012 % per annum	2011 % per annum
Inflation	**3.50**	2.70–2.90	2.50–3.00
Salary increases	**1.00–5.00**	3.00–3.70	3.50–4.00
Rate of discount	**4.40**	4.50	4.70
Pension in payment increases	**2.50–3.50**	2.70–2.90	2.50–3.00

The mortality assumptions adopted at 31 December 2013 imply the following life expectations:

	Males	Females
Aged 60 in 2013	27.5	29.8
Aged 60 in 2033	30.3	32.3

33. Retirement benefit schemes (continued)

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

	2013 £'000	2012 £'000	2011 £'000
Equities	4,520	3,462	2,102
Alternative assets	24	18	–
Corporate Bonds	2,263	1,758	1,051
Gilts	33	28	25
Cash	96	133	–
Total fair value of scheme assets	6,936	5,399	3,178

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%	Decrease by 10%
Rate of salary growth	Increase by 0.5%	Increase by 2%
Rate of mortality	Increase by one year	Increase by 3%

The amount included in the balance sheet arising from the Group's obligation in respect of its defined benefit schemes is as follows:

	2013 £'000	2012 £'000	2011 £'000
Present value of defined benefit obligations	(6,158)	(5,818)	(3,718)
Fair value of scheme assets	6,936	5,399	3,178
Surplus/(deficit) in schemes	778	(419)	(540)
Asset/(liability) recognised in the balance sheet	778	(419)	(540)

Reconciliation of opening and closing balances of the fair value of scheme assets:

	2013 £'000	2012 £'000	2011 £'000
Fair value of scheme assets at beginning of year	5,399	3,178	4,631
Expected return on assets	278	219	129
Actuarial gains/(losses)	383	324	(5)
Contributions by employer	1,287	1,606	1,831
Contributions by scheme participants	54	128	143
Benefits paid	(117)	(56)	(53)
Settlements	(328)	–	–
Administration expenses	(20)	–	–
Sale of subsidiary	–	–	(3,498)
Fair value of scheme assets at end of year	6,936	5,399	3,178

Notes to the financial statements continued

33. Retirement benefit schemes (continued)

Reconciliation of opening and closing balances of the present value of the defined benefit obligations:

	2013 £'000	2012 £'000	2011 £'000
Defined benefit obligation at beginning of year	**5,818**	3,718	5,790
Current service cost	**1,632**	1,819	1,971
Interest cost	**300**	175	128
Contributions by scheme participants	**54**	128	143
Actuarial (gains)/losses	**(1,029)**	34	170
Benefits paid	**(117)**	(56)	(53)
Settlements	**(500)**	–	–
Sale of subsidiary	**–**	–	(4,431)
Defined benefit obligation at end of year	**6,158**	5,818	3,718

The Group's contribution rate for 2013 was 22.05% to 26.9% (2012: 22%) of pensionable earnings for the TfL Pension Fund, 36.9% (2012: 30%) for the Prudential Platinum Fund and 32% to 39.9% (2012: 34% to 35%) for the Federated Pension Plan.

The Group expects to make contributions of £827,000 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:

	2013 £'000	2012 £'000	2011 £'000
Current service cost	**1,632**	1,819	1,971
Recognised in arriving at operating profit	**1,632**	1,819	1,971
Other finance costs			
Interest on pension scheme liabilities	**300**	175	128
Expected return on pension scheme assets	**(278)**	(219)	(129)
Net finance charge/(credit)	**22**	(44)	(1)
Total charge to income statement	**1,654**	1,775	1,970

Analysis of actuarial gain/(loss) in the consolidated statement of comprehensive income:

	2013 £'000	2012 £'000	2011 £'000
Actual return less expected return on pension scheme assets	**383**	324	(5)
Experience gains and losses arising on the scheme liabilities	**1,391**	(54)	(151)
Changes in assumptions underlying the present value of scheme liabilities	**(362)**	20	(19)
Total actuarial gains and losses recognised in the consolidated statement of comprehensive income	**1,412**	290	(175)

Cumulative actuarial profit recognised in the consolidated statement of comprehensive income since 1 April 2004 is £1,218,000 (2012: cumulative loss of £194,000).

33. Retirement benefit schemes (continued)

The history of experience adjustments is as follows:

	31 December 2013 £'000	31 December 2012 £'000	31 December 2011 £'000	31 December 2010 £'000	31 December 2009 £'000
Present value of defined benefit obligations	(6,158)	(5,818)	(3,718)	(5,790)	(6,060)
Fair value of scheme assets	6,936	5,399	3,178	4,631	3,917
Surplus/(deficit) in the scheme	778	(419)	(540)	(1,159)	(2,143)
Experience adjustments arising on scheme assets:					
Amount	383	324	(5)	(160)	398
Percentage of the scheme assets	6%	6%	(0%)	(3%)	10%
Experience adjustments arising on scheme liabilities:					
Amount	1,391	(54)	(151)	569	8
Percentage of the present value of the scheme liabilities	23%	(1%)	(4%)	10%	0%

No assets are invested in the Group's own financial instruments, properties or other assets used by the Group.

34. Notes to the cash flow statement

	2013 £'000	2012 £'000
Operating profit from continuing operations	15,591	13,599
Operating loss from closed businesses	(93)	(2,130)
	15,498	11,469
Operating profit from discontinued operations	725	802
Depreciation and impairment of property, plant and equipment	1,707	1,625
Amortisation and impairment of other intangible assets	2,894	1,648
Net pension (credit)/charge	(156)	15
Research and development tax credit	(322)	–
Share-based payments	780	366
Movement in deferred consideration	-	50
Operating cash flows before movements in working capital	21,126	15,975
Decrease/(increase) in inventories	190	(1,400)
Increase in receivables	(1,326)	(6,049)
Increase in payables	824	8,229
Net cash from operating activities before tax	20,814	16,755
Tax paid	(2,168)	(1,692)
Net cash from operating activities	18,646	15,063

Net cash from operating activities before tax can be analysed as follows:

	2013 £'000	2012 £'000
Continuing operations (excluding restricted cash)	16,413	17,083
Increase in restricted cash	3,955	885
	20,368	17,968
Discontinued operations	446	(1,213)
	20,814	16,755

Notes to the financial statements continued

35. Analysis of net debt

	2013 £'000	2012 £'000	2011 £'000
Cash and cash equivalents (note 22)	7,555	8,424	6,524
Syndicated bank facility (net of bank arrangement fees)	(12,114)	(18,274)	(22,503)
Net debt	(4,559)	(9,850)	(15,979)

Analysis of changes in net debt:

	2013 £'000	2012 £'000
Opening net debt	(9,850)	(15,979)
Net (decrease)/increase in cash and cash equivalents	(323)	1,927
Effect of foreign exchange rate changes	(546)	(27)
Decrease in bank loans	6,160	4,229
Closing net debt	(4,559)	(9,850)

36. Contingent liabilities

The Group has received notification of a number of potential litigation claims, the majority 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 £0.5m (2012: £0.5m) has been made for defending these claims, where appropriate (see note 25).

A cross-guarantee exists between Group companies in respect of bank facilities totalling £5.9m (2012: £12.6m).

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 £9.4m (2012: £6.9m). These are not expected to result in any material financial loss.

37. 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 24, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 28 to 30.

Gearing ratio

The Gearing ratio at the year-end is as follows:

	2013 £'000	2012 £'000
Net debt	(4,559)	(9,850)
Equity	68,230	55,943
Net debt to equity ratio	6.7%	17.6%

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.

37. Financial instruments (continued)

Categories of financial instruments

	2013 £'000	2012 £'000	2011 £'000
Financial assets			
Loans and receivables (including cash and cash equivalents):			
Cash	7,555	8,424	6,524
Trade receivables	18,276	16,536	10,846
	25,831	24,960	17,370
Financial liabilities			
At amortised cost:			
Trade payables	3,000	3,284	4,241
Bank loans and loan notes	12,114	18,274	22,503
	15,114	21,558	26,744

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

The Group operates mainly within the UK. Therefore, its market risk exposure is generally limited to changes in interest rates, although there is increasing exposure to overseas markets, 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 2013 £'000	31 December 2012 £'000	31 December 2013 £'000	31 December 2012 £'000
Euros	1,194	1,086	21	96
Australian Dollar	187	1,632	–	–
United States Dollar	169	484	1	6
Saudi Arabian Riyal	205	–	–	–
United Arab Emirates Dirham	518	265	167	14
Other	44	89	–	–
	2,317	3,556	189	116

Notes to the financial statements continued

37. Financial instruments (continued)

Foreign currency sensitivity analysis

The Group is mainly exposed to the US Dollar, the Euro and the Australian Dollar.

If Sterling were to strengthen or weaken by 25% against the relevant foreign currencies, the balances in the table above would give rise to an increase/reduction in profit of £521,000 (2012: £408,000). This sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period-end for a 25% change in foreign currency rates.

25% represents management's assessment of the reasonably possible change in foreign exchange rates, noting that the Australian Dollar to Sterling rate moved by approximately 20% during 2013.

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The risk is managed by the Group maintaining an appropriate mix of borrowings and forward interest rate contracts, with a cap at 2% above base rate in place at the year-end until February 2015. 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.

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 2013 would decrease/increase by £22,000 (2012: decrease/increase by £61,000).

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, £8.1m (2012: £5.6m) is due from one customer. There are no other customers that represent more than 5 percent of the total balance of trade receivables.

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 £17.5m at the balance sheet date (2012: £11.0m). In addition, at the year-end, there was a £5.0m (2012: £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 2013 of £7.6m (2012: £8.4m) as detailed in note 22. Net debt at the year-end was £4.6m (2012: £9.9m), giving underlying headroom at the balance sheet date of £30.1m (2012: £24.4m). During January 2014, this has been refinanced such that the Group now has a revolving facility of £40m committed until June 2018, with a further £10m available on a non-committed basis under an accordion arrangement.

38. 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 2013, in which a director had a material interest.

Remuneration of key management personnel

The remuneration of the Directors, who are 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'.

	2013 £'000	2012 £'000
Short-term employee benefits	1,272	1,271
Share-based payment	501	261
	1,773	1,532

Included within Directors' emoluments are pension costs of £63,000 (2012: £61,000) in respect of payments made to two (2012: 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 33.

39. Principal subsidiary undertakings

The principal direct subsidiary undertakings at 31 December 2013 are shown below. The subsidiary undertakings are registered in the United Kingdom and prepare accounts to 31 December each year.

	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%
Tribal Group PTY Limited	Australia	Education related systems and solutions	100%

The proportion of voting rights held is equivalent to the equity shareholdings. Tribal Education Limited also operates a branch in New Zealand. Full details of related undertakings will be attached to the relevant company's Annual Return to be filed with the Registrar of Companies.

40. Post balance sheet events

On 6 March 2014, the Group acquired the entire issued share capital of Sky Software Pty Limited ('Sky Software'), a company incorporated in Australia that provides cloud-based student management systems to the vocational and higher education markets in Australia, the Asia Pacific region and elsewhere in the world. Initial consideration is AUD4m, with up to a further AUD17m payable in deferred contingent consideration, dependent on the future earnings growth of the business over the period to December 2017. The unaudited loss before tax for Sky Software for the year ended 30 June 2013, restated in accordance with IFRS, was AUD0.6m, with gross assets of AUD4.5m.

During January 2014, the Group agreed a new loan facility which is committed until June 2018, subject to compliance with covenants. Under the terms of the facility, £40m is available under a revolving credit facility, with a further £10m available on a non-committed basis under an accordion arrangement.

The Board is recommending a final dividend of 1.10p per share. This dividend will be paid on 11 July 2014 to shareholders on the register at 13 June 2014.

Company balance sheet at 31 December 2013

	Note		2013 £'000		2012 £'000
Fixed assets					
Investments	42		68,023		64,084
Current assets					
Debtors: amounts falling due within one year	43	807		1,115	
Cash at bank and in hand		100		100	
		907		1,215	
Creditors: amounts falling due within one year	44	(30,216)		(23,033)	
Net current liabilities			(29,309)		(21,818)
Total assets less current liabilities			38,714		42,266
Creditors: amounts falling due after more than one year	45		(4,114)		(10,274)
Net assets			34,600		31,992
Capital and reserves					
Called up share capital	46		4,685		4,685
Merger reserve	47		18,032		18,032
Hedging reserve	47		–		(349)
Own share reserve	47		(768)		(768)
Share-based payment reserve	47		1,231		451
Profit and loss account	47		11,420		9,941
Equity shareholders' funds			34,600		31,992

Notes 41 to 48 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 14 March 2014. They were signed on its behalf by:

Keith Evans
Director

Steve Breach
Director

Notes to the Company balance sheet

41. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the parent Company financial statements.

Basis of preparation

The financial information has been prepared on the historical cost basis, modified to include the revaluation of certain fixed assets and financial instruments, and in accordance with applicable United Kingdom law and accounting standards.

In the Company's balance sheet, the investment in Tribal Holdings Limited is stated at the nominal value of the shares issued in consideration for that company. As required by section 612 of the Companies Act 2006, no premium has been recorded on the shares issued as consideration.

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account. The profit for the Company amounted to £2.7m (2012: profit of £3.8m). The auditor's remuneration for audit services to the Company was £80,000 (2012: £80,000).

Investments

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

Taxation

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

In accordance with FRS 19 'Deferred Tax', deferred taxation is provided in full on timing differences which represent an asset or liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising on unremitted earnings of subsidiaries, associates and joint ventures where there is no commitment to remit these earnings. Deferred tax assets and liabilities are not discounted.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Cash flow statement

The results, assets and liabilities of the Company are included in the consolidated financial statements of Tribal Group plc. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised) 'Cash flow statements'.

Derivative financial instruments and hedging activities

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the profit and loss account. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the profit and loss account in the same period in which the hedged item affects net profit or loss.

Share-based payments

The Company issues equity-settled share-based payments to certain employees. For all grants, the fair value at the date of the grant is calculated using an adjusted Black-Scholes model, which is also able to value the options subject to market-based performance conditions. The cost for options granted to the Company's subsidiaries' employees represents additional capital contributions by the Company in its subsidiaries. An additional investment in subsidiaries has been recorded with a corresponding increase in shareholders' equity. The additional capital contribution is based on the grant date fair value of the options issued, allocated over the underlying grant's vesting period.

Directors' remuneration

Detailed disclosures of Directors' individual remuneration and share options are given in the audited part of the remuneration report on pages 56 to 69 and should be regarded as an integral part of this note.

Related parties

The Company has taken advantage of the exemption under Financial Reporting Standard Number 8 not to disclose transactions with entities, 100% of whose voting rights are wholly-controlled within Tribal Group plc.

Notes to the Company balance sheet continued

42. Fixed asset investments

	Shares in subsidiary undertakings £'000	Long term loans £'000	Total £'000
Cost			
At 1 January 2012	23,899	40,146	64,045
Capital contribution relating to share-based payments	365	–	365
Movement in long-term loans	–	(326)	(326)
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 31 December 2013	**24,544**	**43,479**	**68,023**

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.

A listing of principal subsidiaries is included in note 39 to the Group financial statements.

43. Debtors

	2013 £'000	2012 £'000
Amounts owed by group undertakings	557	961
Other debtors	23	12
Deferred taxation	227	142
	807	1,115

	2013 £'000	2012 £'000
Deferred taxation		
At start of year	142	299
Effect of rate change	(14)	(4)
Credit/(charge) to income statement	203	(3)
Items taken directly to equity	(104)	(150)
At end of year	227	142

The deferred tax asset is analysed as follows:

	2013 £'000	2012 £'000
Derivative financial instruments	–	104
Share schemes	162	-
Other timing differences	65	38
	227	142

44. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Amounts owed to group undertakings	28,489	21,659
Other creditors	91	4
Accruals	1,636	1,370
	30,216	23,033

45. Creditors: amounts falling due after more than one year

	2013 £'000	2012 £'000
Bank loan (maturing between two and five years)	4,114	10,274

The bank loan (which has primary security) is at market rates of interest and is secured by way of a fixed and floating charge over the assets of the Company and its subsidiary undertakings. For further details, see note 24 to the Group financial statements.

46. Called up share capital

	2013 £'000	2012 £'000
Authorised		
125,000,000 ordinary shares of 5p each (2012: 125,000,000)	6,250	6,250

	2013 number	2013 £'000	2012 number	2012 £'000
Allotted, called up and fully paid				
At beginning and end of the year	93,695,985	4,685	93,695,985	4,685

Details of options in respect of shares outstanding at 31 December 2013 are as follows:

Employee share option schemes:	Number outstanding	Price payable	Date from which exercisable
PLC scheme	4,725	£1.96	14.07.2007
2011 LTIP	1,465,060	£nil	June 2014
2012 LTIP	2,633,542	£nil	March 2015
2013 LTIP	882,842	£nil	March 2016
	4,981,444		
Savings related option scheme:			
SAYE 2008 (5 years)	6,575	£1.08	01.12.2013
SAYE 2008 (7 years)	13,999	£1.08	01.12.2015
	20,574		
Total Tribal Group plc share option schemes	5,006,743		

Notes to the Company balance sheet continued

47. Share premium and reserves

	Merger reserve £'000	Hedging reserve £'000	Own share reserve £'000	Share-based payment reserve £'000	Profit and loss account £'000
At beginning of the year	18,032	(349)	(768)	451	9,941
Profit for the year	–	–	–	–	2,739
Dividends	–	–	–	–	(1,260)
Fair value movement on cash flow hedges	–	349	–	–	–
Movement in relation to share-based payments	–	–	–	780	–
At end of the year	18,032	–	(768)	1,231	11,420

The merger reserve of £18.0m (2012: £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 (2012: £0.8m) represents the cost of 392,892 (2012: 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 27 of the consolidated accounts for details of the Group's share options schemes.

48. Contingent liabilities

A cross-guarantee exists between group companies in respect of bank facilities totalling £5.9m (2012: £12.6m).

Five year summary

Summarised consolidated Group income statement

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Revenue	**125,485**	113,417	108,231	175,372	238,048
Profit before interest, amortisation and impairment on goodwill and intangibles and exceptional items	**15,759**	13,882	11,312	7,374	18,218
Exceptional costs and closed businesses	**(30)**	(2,389)	(5,349)	(10,446)	–
Amortisation and impairment on goodwill and intangibles	**(231)**	(24)	(218)	(52,637)	(62,805)
Interest	**(2,001)**	(1,496)	(2,005)	(2,116)	(1,045)
Taxation	**(2,720)**	(2,014)	(415)	1,984	(3,863)
Minority interests	**–**	–	–	–	(828)
Dividends	**(1,260)**	(934)	(980)	(4,284)	(4,055)
Retained profit/(loss)	**9,517**	7,025	2,345	(60,125)	(54,378)
Adjusted diluted earnings per share	**12.5p**	10.9p	7.9p	5.0p	13.3p
Dividend per ordinary share	**1.60p**	1.25p	1.00p	2.50p	4.60p

Summarised consolidated Group balance sheet

	2013	2012	2011	2010	2009
Intangible assets	**95,384**	82,811	78,271	102,917	166,847
Other non-current assets	**6,073**	5,180	4,238	9,445	11,165
Current assets	**37,184**	38,580	30,180	54,473	72,781
Current liabilities	**(56,377)**	(51,412)	(42,142)	(58,905)	(72,541)
Non-current liabilities	**(14,034)**	(19,216)	(24,660)	(38,175)	(41,735)
Net assets	**68,230**	55,943	45,887	69,755	136,517

The amounts disclosed above are for the underlying business as defined at the time of the publication of the respective Annual Reports

Our Board

John Ormerod (65)

Chairman, and Chairman of the Nominations Committee
Committees: AC, NC, RC
Tenure: 4 years

John joined the Board of Tribal Group in October 2009 and was appointed Chairman on 20 May 2010. He has been a non-executive director of several public and private companies. John is currently a non-executive director and Chairman of the audit committees of Computacenter plc, ITV plc, and Gemalto NV. Prior to that, John, a chartered accountant, was a partner with Deloitte and before that Arthur Andersen.

Keith Evans (55)

Chief Executive
Committees: N/A
Tenure: 3 years

Keith joined the Board of Tribal Group in February 2011 and was previously Chief Operating Officer. He joined Tribal Group in October 2009, having been Chief Executive of Euromedic UK, a leading provider of clinical diagnostic services. Keith was previously managing director of Mercury Health, the healthcare business sold by Tribal in April 2007. Before joining Mercury Health, he held senior positions in Capita plc.

Steve Breach (45)

Group Finance Director
Committees: N/A
Tenure: 4 years

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.

Simon Ball (53)

Non-executive director and Chairman of the Audit Committee
Committees: AC, NC, RC
Tenure: 4

Simon joined the Board of Tribal Group in June 2010 and is Chairman of the Audit Committee. He is Deputy Chairman and Senior Independent Director of Cable & Wireless Communications plc and a non-executive director of Allied Irish Bank plc. Simon was Group Finance Director of 3i Group plc until November 2008. Prior to this, Simon was finance director for the Robert Fleming Group and director general, finance for the Department for Constitutional Affairs.

Katherine Innes Ker (53)

Non-executive director, Senior Independent Director and Chairman of the Remuneration Committee
Committees: AC, NC, RC
Tenure: 5

Katherine joined the Board of Tribal Group in November 2008 and is Senior Independent Director and Chairman of the Remuneration Committee. She is also Senior Independent Director of Go-Ahead Group plc, a member of the Management Board of the University of Oxford Institute of Human Rights and a non-executive director of Colt Group SA and S&U plc.

Robin Crewe (53)

Non-Executive Director
Committees: NC, RC
Tenure: 2

Robin joined the Board of Tribal Group in July 2012. He is the Head of Engineering and QA for Misys Limited. He was previously the CEO of Propero, a virtual desktop software company, and has held senior technology positions with VMware, Dresdner Kleinwort Benson, Swiss Bank and Arthur Andersen.

Key: AC – Audit Committee / NC – Nominations Committee / RC – Remuneration Committee

Company information

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Steve Breach

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E-communications

As an alternative to receiving documents through the post, shareholders can receive important information online, including annual and half-year reports and notices of meetings. Registering for e-communications also enables shareholders to obtain secure online access to personal shareholding details, change address details, request new share certificates and check dividend payments.

To register for e-communications, please visit https://www.capitashareportal.com.

Duplicate accounts

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

Ex-dividend date	11 June 2014
Record date	13 June 2014
Annual General Meeting	16 May 2014
Final dividend payment date	11 July 2014

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