TRIBAL

Annual Report and Accounts **2017**

Empowering the world of education

Empowering the world of education

Tribal is a world-class, education focused company, providing the expertise, software and services needed by education and business organisations worldwide, to underpin student success.

We operate internationally and serve hundreds of Higher Education, Further Education and Vocational institutions; thousands of schools; and many Government and State bodies, Training Providers and Employers; in over 55 countries. Tribal employs over 800 professionals with deep educational domain expertise, across our offices in the UK, Australia, New Zealand, Canada, US, Middle East, Philippines and Malaysia.

Highlights

Revenue

£84.9m

2017	£84.9m
2016	£90.3m

down 6%

Adjusted operating profit

£8.5m

2017	£8.5m
2016	£4.7m

up 82%

Statutory operating profit

£3.7m

2017	£3.7m
2016	£0.1m

up 5,816%

Financial performance

10.1%
Adjusted Operating Margin[1]
2016: 5.2%

3.1%
Statutory Operating Margin[1]
2016: (1.3)%

3.2p
Adjusted Earnings per Share[1]
2016: 1.9p

1.3p
Statutory Profit per Share
2016: Loss of (0.7)p

£14.1m
Net Cash
2016: £8.8m

130%
Cash Conversion[2]
2016: 115%

1 Adjusted Operating Profit, Adjusted Operating Margin and Adjusted Earnings per Share is in respect of continuing operations which excludes "Other Items" charges of £4.8m (2016: charge of £4.6m).

2 Cash Conversion is calculated as net cash from operating activities before tax from continuing operations, less expenditure on intangible assets and property, plant and equipment, as a proportion of adjusted operating profit.

From 2016, Share-based payments charges/(credits) are shown in "Other Items" and no longer part of the adjusted operating results.

Operational performance

£37.5m
Annually Recurring Revenues[1]
2016: £35.5m

£120.4m
Backlog[2]
2016: £113.8m

1 Annually Recurring Revenues is defined as the software related support and maintenance fees and from 2017 recurring cloud services revenue.

2 Backlog refers to the Total Contract Value of booked sales orders which have not yet been delivered (including two years Support & Maintenance, where it is contracted on an annually recurring basis).

Contents

At a glance

Our portfolio consists of a range of world-class software and education services: market-leading Student Information Systems that underpin the student journey from recruitment to successful outcomes; a broad range of education services covering quality assurance, peer review, improvement and inspections; and a student survey and analysis business, i-graduate, that provides the leading global benchmarks for student experience.

Our vision is simply:

to empower the world of education.

We strive to research, develop and deliver the products, services and solutions needed by education institutes across the world to support their primary goals of educating their students, providing optimum learning experiences and ultimately delivering successful outcomes. Our vision leads to a simple mission to guide our business.

Our mission:

to provide the expertise, software and services required by education and business organisations worldwide to underpin student success.

From easing the administrative and student management activities of universities, to partnering with schools and colleges to improve their performance, we look to offer the products and services that will enable education institutes to maintain their focus on the quality of learning and development offered to their students.

Our key strengths

Extensive and long-standing customer relationships

We enjoy deep and long-term relationships with our customers across all education sectors.

Broad, complementary portfolio

We offer an extensive portfolio of Student Information software that is uniquely complemented with a wide range of Education Services, including quality assurance, assessment and benchmarking.

Educational expertise and focus

Our deep educational domain expertise has been developed through a long and successful history of working with, and focusing on, the education market, and our team includes many previous education practitioners.

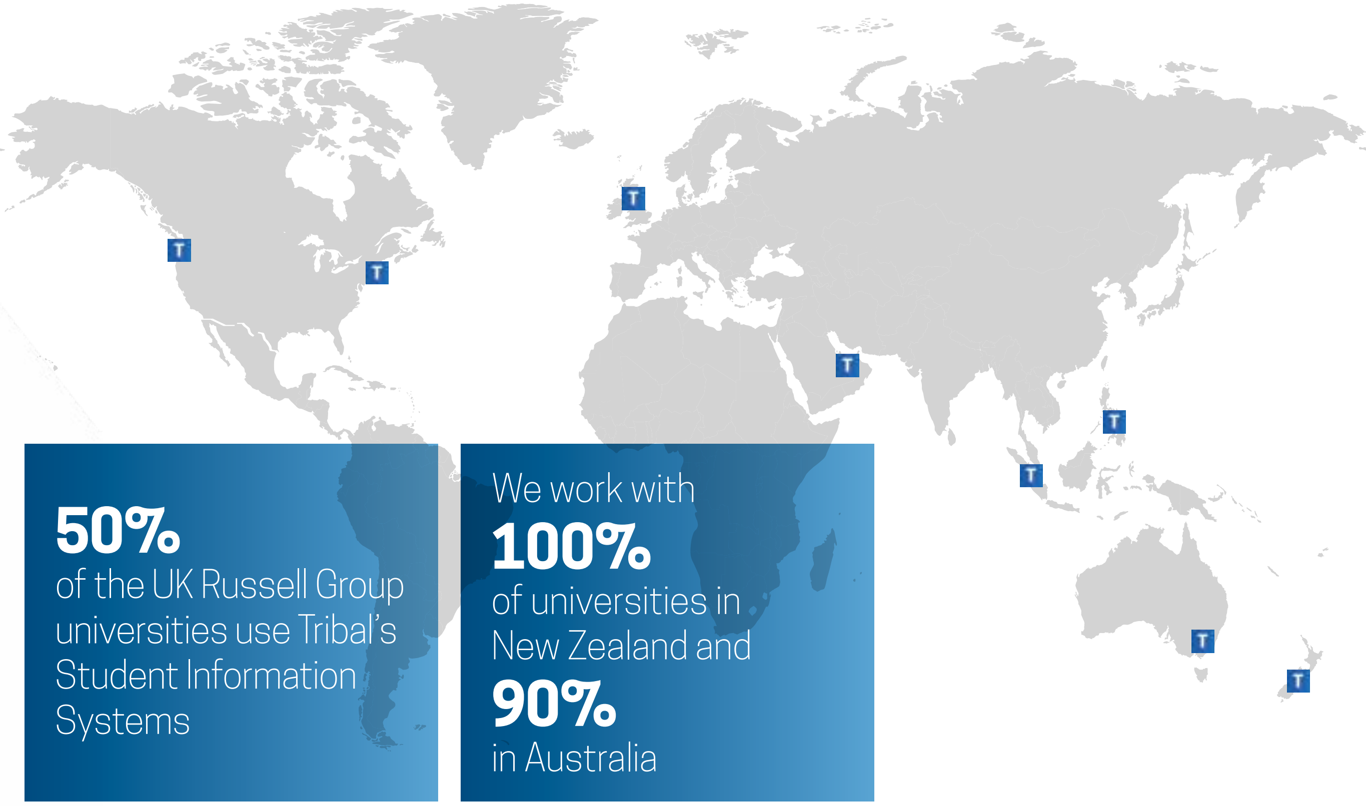
International delivery and insight

Our business operates globally, and actively collects and shares best practice and market insight with our worldwide customer base.

Investment case

Where we work

Tribal operates globally, with offices in the UK, Australia, New Zealand, Philippines, Malaysia, Middle East, Canada and the USA. We employ over 800 people worldwide, serving customers in over 55 countries. We have customers in Higher Education (HE), Further and Vocational Education (FE), Schools, Government and State bodies, training providers and employers.



50%
of the UK Russell Group universities use Tribal's Student Information Systems

We work with
100%
of universities in New Zealand and
90%
in Australia

Who are our customers

600+ Universities	100s of colleges	1,000s of schools	Training providers, employers, Government and State departments

Market Position

#1 student information systems provider	to HE in UK, Australia & New Zealand	to FE in UK, Australia & New Zealand	to UK Training providers

Chairman's statement

Return to full statutory profit, doubling of operating margin to 10%, Annually Recurring Revenue growing, and strong cash generation. Tribal has maintained its market leadership with significant new customers gained. Shareholder value is now being created in a sustainable manner.

With the Group placed on a sound financial footing in 2016, and with many of its operational challenges addressed, I am pleased to report that the Group has now returned to full year statutory profit for the first time since 2013.

Annually Recurring Revenues, which now include cloud services, grew over 5% to £37.5m, overall profitability doubled to an adjusted operating margin of 10%, compared with 5% in 2016, and the Group ended the year with net cash up 59%, at £14.1m (2016: £8.8m). Shareholder value is now being created in a sustainable manner as the Group continues to drive efficiencies in the business: a further £3m of annualised savings was realised in 2017, bringing the total annualised savings realised to £12.0m since the initiation of the cost savings programme; this has driven improved financial performance without impacting the Group's ability to serve its customers or drive its business forward.

For the year to 31 December 2017, Tribal Group achieved an adjusted Operating Profit of £8.5m, up 82%, on a revenue of £84.9m (2016: operating profit of £4.7m on a revenue of £90.3m) and increased Adjusted Earnings per Share (diluted) to 3.2p (2016: 1.9p). The fall in revenue was adversely impacted by a combination of the expiry of the Ofsted Early Years contract in March 2017 and the disposal of Synergy in March 2016 – excluding these factors, the revenue increased by 6.5%, particularly due to the strong performance in the remaining Quality Assurance Solutions (QAS) business.

2017 confirmed that Tribal remains a leading international provider of student information systems to universities, colleges and schools in the UK, Australia and New Zealand markets as well as elsewhere in the world. We serve a large installed customer base, including many of the world's leading universities and colleges.

During the year, the Group secured significant new contract wins in the Higher Education sector, including Sheffield University and Glasgow Caledonian University in the UK, and our third win in Malaysia, at the University of Malaya. We also finalised a AUD$27.5m (approx. £16.8m), four-year extension to the Callista contract, which provides student information systems to 11 Australian universities for the on-going development of the Callista product and seamless migration into the cloud ready Tribal Edge platform.

> **"Working with Tribal really has revolutionised the way we manage our learners."**
>
> **University of Sheffield's Advanced Manufacturing Research Centre**
> UK

I am also pleased to note the strong performance in Further Education and Work-based Learning where, in the UK, the growth is being driven by significantly improved software sales to new business customers, and in APAC, the Campus solution at the British Council has been successfully rolled out to 34 countries.

In our i-graduate business there was a change of leadership in the first half of the year, and we successfully secured a number of new contracts. However, the overall participation by universities in the key International Student Barometer survey towards the end of 2017 was disappointing, as more universities than expected chose to skip a year. We look forward to welcoming them back into the survey in 2018.

The Quality Assurance Solutions business also performed well in 2017 and secured significant contract wins at the Abu Dhabi Education Council, the Ministry of Education of Dubai & Northern Emirates. In addition to broadening the offerings beyond School Inspections to include Performance Benchmarking and Professional Development & Training, QAS continues to have opportunities to grow and develop its business both in the UK and, more widely, to build on our existing contracts in the Middle East and the USA.

Looking to the Future

In 2018, I expect Tribal to continue to secure new clients for our Student Information Systems, with a strong pipeline of new opportunities in Higher Education, and the prospect of continued improvement in sales performance. Additionally, with a further contract already secured in Dubai and a strong pipeline of new work, QAS enters 2018 with confidence and optimism.

Revenues are expected to be broadly flat in 2018, which represents a small growth excluding the impact of the final year of Ofsted revenue in 2017.

I expect the operating margins to increase further, as the cost savings achieved in 2016 and 2017 continue to benefit 2018. We will continue to look for further efficiencies in 2018.

We will also continue to reshape our product development and customer-facing support businesses to provide a more agile and responsive customer-facing environment. As part of this change, we are transitioning our current hosted customers to a new data centre, in partnership with Rackspace. The investment in this migration will provide us with increased sales opportunities for hosting solutions to new and existing customers, as well as providing a resilient platform for our next generation, cloud-based Student Information System.

Although there remains much to do, I see the momentum continuing into 2018 and beyond, as the Group continues to drive cost efficiencies in the business and increasingly takes advantage of the international market for student information systems.

Employees

I would like to thank all our employees for their hard work and commitment. The Group has undergone significant continued change through 2017, and that inevitably brings uncertainty. The support of the employees has been invaluable in bringing the Group through this challenging period. Although there is much still to do in 2018, the overall business structural changes have largely been made, which should provide a more settled and certain environment for 2018. I should also like to thank my fellow directors for their hard work, determination and persistence in seeking to improve the efficiency of the Tribal business.

Dividends

The Board believes that the payment of dividends is important and has previously confirmed its intention to pursue a progressive dividend policy once the Group's financial performance supported the payment of a dividend.

Given the good overall performance of the business in 2017 and the strong closing cash position, the Group is now in a sustainable financial position. The Board has therefore decided to propose a dividend of 1p per share. This will be paid in May 2018, pending ratification at the Company's Annual General Meeting.

Outlook and Current Trading

We expect overall market conditions and demand for student management systems to remain stable in 2018. While the timing of deal closures and achievement of implementation milestones remains difficult to predict, we are well positioned to continue to benefit from the demand for student systems and upgrades. We have already secured several software and service contract wins in the early part of 2018.

With the introduction of IFRS15 in 2018, there will be some impact on revenues and operating profit as the Group will be required to spread the recognition of software revenues over the duration of the implementation period, rather than immediate recognition on installation. This is likely to cause a modest transitional dip in revenues and operating profit in 2018, as large contract wins in year are spread over the future implementation period.

Given the factors described above, and the strong platform around which to build sustainable shareholder value, I expect continued improvement in our profitability during the current year.

Approved by the Board of Directors on 22 March 2018

Richard Last
Chairman

Case Study

Tribal - the perfect fit for "Outstanding" Derwen College, UK

Derwen College is a vibrant and pioneering college committed to promoting the vocational, educational, personal and social development of young people with a wide range of learning difficulties and disabilities, through personalised learning.

Specialist provision comes with unique challenges and Derwen College needed a flexible student information system that could easily meet their exacting requirements. Derwen College chose ebs as the perfect fit.

Tribal developed a staff portal specifically for Derwen College that allows all members of staff to report on all aspects of student behaviour, be it praise or concern for a student, instantly through any device. ebs collates this information to give a single overview of students' progress.

"We selected ebs because the system could easily be tailored to our needs, allowing our staff to easily monitor our students' progress, and ultimately focus their valuable time on our learners' success" said Maggie Furmanek, Director Finance & Resources, Derwen College.

Strategic Report

Key strategic wins

Higher Education

- Callista group of Universities, Australia (extension)
- University of Sheffield, UK
- University of Malaya, Malaysia
- University of South Wales, UK
- Heriot-Watt University, UK
- Glasgow Caledonian University, UK

Employers and Training Providers

- Travis Perkins, UK
- Solvo Vir, UK
- Ioda, UK
- Utilities Academy, UK
- Boots Opticians, UK
- LMJ Training, UK
- EY (Ernst & Young), UK
- KPMG, UK
- Vista Training Solutions, UK
- TRS Training Ltd, UK
- Randstad, UK
- British Council (expansion), Worldwide
- University Hospitals Bristol NHS Foundation Trust, UK
- IBM, UK

Further/Vocational Education

- Nottingham College, UK
- National Business College, UK
- National College for High Speed Rail, UK
- Bridgend College, UK
- Met Film School, UK
- Hampshire County Council, UK

Schools and Government bodies

- Abu Dhabi Education Council (ADEC), UAE
- Ministry of Education (Dubai and Northern Emirates), UAE
- European Schools (on behalf of the UK DoE)
- New York State Education Dept., USA (extension)
- Alabama State Education Dept., USA
- NSW TAFE/Schools, Australia (expansion)

Tribal Edge

Tribal Edge is Tribal's new Student Information System. The initial modules were launched in the summer of 2017 and have sinced been in beta testing. We are now in a trial release with select customers from both Higher Education and Further Education. The first four modules are expected to be generally available later in 2018.

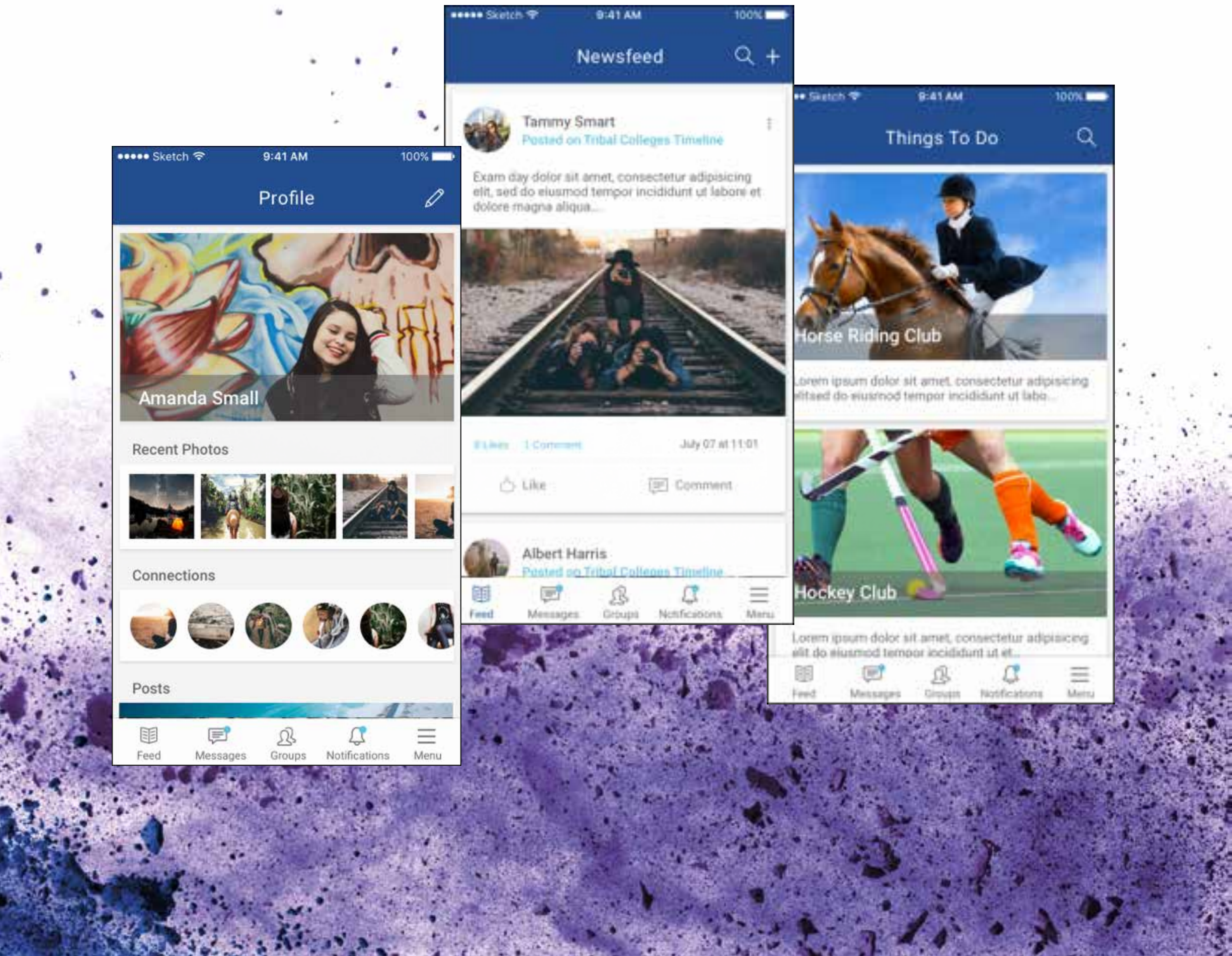
Tribal Edge Platform

Tribal Edge has been designed for the cloud, and following our recent collaboration agreement with Microsoft, will be made available on the Microsoft Azure cloud platform. The choice of Azure as a cloud technology has allowed us to take full advantage of the Microsoft development stack. We are using a Swagger framework to implement open APIs; and using authentication services provided by OpenId to create consistent and discoverable interfaces. This is enabling single-sign-on across modules and ensures new functionality can integrate with Tribal's existing student management solutions, as well as third -party applications.

Initial New Functionality

We have initially developed new, rather than replacement functionality, to enable us to add value to our existing customers and provide compelling reasons for our customers to start adopting Tribal Edge. Overall, we are focusing much more on the student experience and looking to bring student management, including self-service, into the hands of the students themselves.

The first four modules of Tribal Edge are shown over.



Student View

A mobile app giving students anytime, anywhere availability to see their day at a glance and enabling them to access all information they need at their fingertips, all personalised to their timetable, their lifestyle and where they are on their educational journey. Student Engage is included within Student View.

Student Support

Ensures students are supported through the complete education lifecycle. Institution support staff have a single view of all student performance issues and identify opportunities to deliver critical support to reduce drop-outs and maximise student successes, while students have easy access to support wherever they are.

Student Engage

A social collaboration app designed to operate like a social network but with added safeguarding features that keep staff's professional and personal lives separate. It enables staff and students to connect, communicate and collaborate with each other safely and securely.

Student Insight

A learning analytics solution that monitors and tracks student engagement, analysing student data from multiple sources, and flagging students at potential risk, thus enabling the targeting of students that need support. This timely intervention improves outcomes and reduces dropouts.

Software as a Service (SaaS)

Tribal Edge will be made available as a SaaS (cloud-based) solution. It will be able to integrate to on-premise systems as well as other cloud-based systems, making Tribal Edge easy to deploy. In general, modules will be available in both Further Education and Higher Education versions, adapted to meet the specific needs of these markets. Tribal Edge will also be available in time at three differing levels of functionality – Essential (the entry level solution); Enhanced (richer and more flexible); and Enterprise (the most complete solution).

Each module can be used standalone or combined to provide a truly mobile, engaging and supportive experience for students and staff that delivers deep insights to improve outcomes.

Our business model

We provide world-class student information software and services to customers in selected markets across the world, using our resources and expertise to create value that is shared with our stakeholders, and empowering educators to help produce the next generation of leaders.

Our Business Units

We operate three Business Units:

Student Management Systems
71% of sales
Student information systems and services tailored to different education segments.

i-graduate
8% of sales
Provision of comparative insight, helping educational institutions deliver a world-class student experience to enhance competitive advantage.

Quality Assurance Solutions
21% of sales
Inspection services, advice and related services to support customers' development.

Operations

Our development and support teams are in the UK and Australia, complemented with a development centre in the Philippines.

Our Resources

- **Leading market shares for Student Information Systems**
- **Trusted brand respected in education worldwide**
- **Education services capability complementing student management software**
- **Market insight from long standing customer relationships**
- **Fresh leadership bringing clear business focus**
- **Highly skilled people with deep domain expertise**
- **Culture that places customers at the heart of what we do**

Underpinning how we operate:

Our Values See page 32

How we maximise value creation

Our Software

Our cloud-based and on-premise Student Information Systems add value to education and business organisations throughout the student lifecycle.

Our modules span:

Marketing & Enquiries	Applications, Offers & Registration	Curriculum Management	Learning & Studying
Assessments & Examinations	Student Support	Learning Analytics	Graduation & Alumni Management

Customers pay through a licence, implementation and maintenance model.

Our Education Services

Our education services are offered internationally and cover institutions from Early Years through to Higher Education, all focused on improving learning and student outcomes.

Self-assessment & Review	Early Years & School Inspections	School Improvement	Professional Learning
Quality Mark	Student Experience Barometer	Destination of Leavers Surveys	Operational Benchmarking

Our Outputs

Generating returns and added value for all of our stakeholders:

Customers

Solutions to enable managers to enhance the quality of education and improve operational performance, to attract, engage and retain students throughout their learning journeys in a cost-effective and flexible manner.

Students

Supporting a student's life-long learning journey, through enhanced well-being, enriched experience beyond the academic curriculum, and seamless interaction with different learning channels (physical and virtual).

Shareholders

Shareholder value and returns from profitable, cash-generative growth with a high proportion of recurring revenue and progressive dividends.

Employees

Interesting and rewarding careers, with the opportunity to work with the leading educational institutes across the globe.

Government agencies/ education funders

Independent quality assurance services supporting the development of top class education provision.

Risk Management See page 30

Corporate Responsibility See page 32

Our strategy for profitable growth is outlined on page 14

Our strategy

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

Strategic Priorities

The strategic direction of the business was set after a detailed review early in 2016 and our strategic priorities remain unchanged.

Deliver Tribal Edge - the new Student Information Platform

Tribal Edge, is a cloud-based Student Information platform developed from a student centric perspective that will empower institutions to enhance the student experience and support the most appropriate outcome for each unique student. Tribal Edge will enable Tribal to offer a portfolio of applications and services to the education sector, developed by Tribal or by Tribal partners. The Student Information Platform will focus on creating the underlying interfaces, data structures and embedded analytics that enable these value-add solutions. Over time our current functionally rich applications will all reside within Tribal Edge.

Key measures: Revenue (sales of new modules to existing or new customers)

Progress in 2017: The first four Tribal Edge modules moved into beta at the end of 2017 and offer an enhanced student information mobile app; an integrated, social collaboration platform; full lifecycle student support; and outcomes-based learning analytics. All modules integrate with Tribal's existing student systems. Early adopters have been identified and the Tribal sales teams have been fully briefed, creating a solid foundation for sales growth in 2018.

Increase Annual Recurring Revenue

We will look to exploit the market direction of Software as a Service (SaaS) and cloud-based solutions, both with the introduction of new solutions and in the provision of SaaS and cloud for existing products. This will enable an on-going higher value service provision and a smoother income flow from those customers on SaaS. The move of existing systems into the cloud will also enable a more rapid adoption of modules in our new Student Information framework.

Key measures: Annually Recurring Revenue; percentage of Revenue annually recurring

Progress in 2017: We established a partnership with the world-wide, market leading managed cloud provider, Rackspace, to enable us to provide our customers with a rich set of cloud services. This partnership has enabled us to offer a flexible "Tribal cloud" covering a comprehensive private cloud solution, as well as managed public cloud services on AWS and Azure. The majority of new business sales are now on Tribal cloud; from 2017 cloud services revenue are incremental to the support and maintenance fees when calculating Annually Recurring Revenue.

Annually Recurring Revenue increased by 5.5% to £37.5m (2016: £35.5m), which included £4.0m for cloud services (2016: £3.3m), and represented 46% of revenue from continuing operations.

Strategic Priorities

Grow market share in established and new territories

A four-prong growth strategy:

- Product penetration – with cross-selling and upselling opportunities for our large installed base of customers across both systems and services;
- Market penetration – ensuring a pro-active approach to new business in existing territories, and selling add-on solutions to sites without a Tribal Student Management System;
- Geographical expansion – continuing our international sales development in regions such as the Middle East and US and reviewing target geographies including Canada, Singapore and Malaysia;
- Mergers and acquisitions – that broaden our applications or services portfolio, or increases our geographical footprint.

Key measures: Backlog

Progress in 2017: We continue to make progress with both product and market penetration with a rejuvenated sales effort in 2017. The acquisition of intellectual property accelerated our development of Tribal Edge modules as well as immediately giving additional functionality that we successfully sold to existing Tribal customers.

On geography, we have continued to expand student information system sales in Malaysia and continue to prospect in Singapore and Canada. Our education services business has won several school inspection contracts in the Middle East, has won another in Alabama, US, and renewed the New York state contract.

Backlog increased 5.8% to £120.4m (2016: £113.8m).

Drive improved margin

With a clear focus on operational efficiency and managing our overall cost base against the anticipated revenue, we will continue to improve upon our margins. A series of business process improvements have been established to improve our sales and delivery capability, standardising practices across the Group and ensuring faster time to revenue. Continued margin improvement will ultimately increase value to shareholders.

Key measures: Adjusted Operating Profit Margin

Progress in 2017: We continue to drive improved profitability achieving a margin of 10.1% (2016: 5.2%).

Chief Executive's report

Building our future

over
800
people serving customers in over
55
countries worldwide

£10.2m
Invested in product development

Building on the strong foundations of 2016 we have driven significant and sustainable improvements in profitability

Find out more

Read more about our financial performance in 2017 24

Understand more about the key performance indicators we use to track our progress 25

With significant improvement in profitability as a result of continued restructuring and efficiency drive, Tribal has maintained its market leadership, with strong sales momentum and new customers gained; ongoing investment in the development of a next generation, cloud-based platform for Student Information Systems[1] provides a roadmap for new and existing customers into the future.

In 2017, the Group has continued to build on the strong foundations built in 2016 and has driven a significant and sustainable improvement in profitability.

Revenues fell in 2017 to £84.9m (2016: £90.3m); however, 2016 revenue included £11.6m relating to the Ofsted contract which successfully concluded in March 2017 (2017 Ofsted revenue: £3.0m), and £1.7m from Synergy (disposed of in March 2016) and SLS (closed 2015). Excluding these items, revenue relating to continuing operations increased by 6.5%, to £81.9m (2016: £76.9m).

Annually Recurring Revenues, which from 2017 include cloud services, increased by 5.5% to £37.5m (2016: £35.5m).

We identified areas where we can more effectively align the Group's resources to deliver material cost efficiencies and improve margin without impacting the Group's ability to serve our customers or drive our business forward. Cumulative annualised cost savings achieved since the start of the cost efficiencies programme total £12.0m, of which £3.0 annualised savings were realised in 2017 (2016: £9.0m annualised, of which £5.8m in year).

The impact of these actions has grown through the year, and we can report a significantly improved trading performance for 2017, with the first full year statutory profit since 2013, and adjusted operating profit up 82% to £8.5m (2016: £4.7m). This, coupled with good cash generation, with net cash up 59% to £14.1m (2016: £8.8m), has left the Group in a stronger position at the end of the financial year.

2017 in summary

In our chosen regional markets and sectors, overall activity levels for the replacement or enhancement of student management systems have remained stable; we have seen significantly improved win rates in our UK Further Education and Work-based Learning businesses and we continue to win new customers in the Higher Education sector, reaffirming the strength of Tribal's software and services portfolio, and confirming that our international customer base and continued market leading position provide a strong platform around which to build long-term shareholder value.

The Group won significant new contracts in the Higher Education sector, including at the University of Sheffield, a major UK Russell Group University, as well as contracts with Glasgow Caledonian University, University of South Wales and Heriot-Watt University. We also secured our third Higher Education customer in Malaysia at the University of Malaya.

Our Callista business, which provides student information systems to 25% of Australian universities, performed well, and we finalised a AUD$27.5m (approx. £16.8m), four-year extension to our contract with the 11 Universities for the on-going development of the Callista product with seamless migration into the cloud-ready Tribal Edge product platform.

Quality Assurance Solutions (QAS) confirmed its position as a market-leading international school inspections business. QAS completed the first term as sole provider of school inspections for the Department of Education and Knowledge in Abu Dhabi. In Dubai, a contract with the Ministry of Education (MoE) for the review of public schools was won and delivered. In 2018, the MoE in Dubai also awarded us the contract for the review of private schools. In the US, evaluations of schools and districts in New York State continued under a new contract extension and similar review work was won with a new state, Alabama. The contract to provide the National Centre for Excellence in the Teaching of Mathematics for the UK Department for Education was expanded to include additional maths development in the North of England.

The Group's large customer base ensures it is well positioned to take advantage of the increasing market trend to improve student engagement, through our experience in data analytics and student barometers from the i-graduate line of business.

Shareholder returns & dividends

Given recent performance of the business, a strengthened balance sheet and confidence in the sustained profitability of the business, the Board has declared a full year dividend of 1p which will be paid in May 2018, pending approval at the AGM in April 2018. The Board of Directors believes that the payment of dividends is important, and will continue to pursue a progressive dividend policy.

1 Student Information System (SIS) is the general industry term for education management solutions that encompasses Management Information Systems (MIS), Customer (or Student) Relationship Management (CRM), business insight and data analytics products. Student Management System (SMS) is more specifically the administration aspect of Student Information Systems. We refer to our heritage products as SMS, our new offerings (aligned with their wider applicability) as SIS, and the general industry as student information.

Chief Executive's report continued

> **"Oxford chose to work with Tribal because its SITS product is the market leader, and there is a very strong user base and an active user group. We have found Tribal to be a high quality and responsive company to work with, with very good customer engagement from consultancy staff right up to Board level."**
>
> **Oxford University**
> UK

Product & Services Strategy

Tribal is a worldwide, software and services company focussed on the education market. At the core of our business, we have a portfolio of functionally rich student information systems and these are being expanded with the development of a next generation, cloud-based solution – Tribal Edge. Our new product investment will focus on Tribal Edge and delivering a solution that enables institutions to significantly enhance the student experience they are able to offer.

The Group also continues to invest significantly in our existing products; in 2017, the Group spent £10.2m (2016: £10.3m) on product development, of which £2.1m (2016: £1.1m) was capitalised, and related to development of SchoolEdge and the new Tribal Edge solution. The remaining £8.1m (2016: £9.2m) was expensed in year and related to product development costs and related overheads for the existing SITS, ebs, and Maytas products.

Tribal Edge was successfully launched at our UK Higher Education conference in July. The launch was followed by a series of roadshows to all our UK customers. This has drawn high interest and secured commitments for beta sites and early adopters for the first Tribal Edge modules. The launch to our Asia Pacific customers has been equally well received, with those using Callista having agreed a four-year contract extension that includes the integration of Tribal Edge for their use in the near-term.

Our strategy for Tribal Edge has been to first develop a number of new modules that deliver additional functionality for our Higher and Further Education customers and that integrate to all our core student information systems. The initial modules are:

- **Student View** – a mobile app giving students anytime, anywhere availability to see their day at a glance and enabling them to access all information they need at their fingertips, all personalised to their timetable and their lifestyle. Student View incorporates Student Engage.
- **Student Engage** – a social collaboration app designed to operate like a social network but with added safeguarding features that keep staff's professional and personal lives separate. It enables staff and students to connect, communicate and collaborate with each other safely and securely.
- **Student Support** – ensures students are supported through the complete education lifecycle. Institution support staff have a single view of all student performance issues and identify opportunities to deliver critical support to reduce drop-outs and maximise student successes, while students have easy access to support wherever they are.
- **Student Insight** – a learning analytics solution that monitors and tracks student engagement, analysing student data from multiple sources, and flagging students at potential risk, thus enabling the targeting of students that need support. This timely intervention improves outcomes and reduces dropouts.

The Student Engage module was kick-started with the acquisition of intellectual property and exclusive distribution rights for an existing private social network solution in the education markets across the UK, Australia and New Zealand. This gave both an existing customer base and a solution that was actively used and could be developed upon, and is now available as Student Engage, fully integrated into a single mobile app, Student View.

A closed-beta (limited access) was completed at the end of 2017 and a full beta programme is now underway with both Higher Education and Further Education customers in the UK and in Australia. Several early adopters have also been identified and they will receive the roll-out of new modules in early 2018. The Student Insight module was also used as the enabling platform in the ongoing trial of student analytics and analysis with JISC.

Our progress with Tribal Edge has been further enhanced with a strategic partnership with Microsoft. Microsoft's Azure application development team will work with Tribal to accelerate the creation of new functionality, enabling the rapid development of an enhanced cloud-based platform and the conversion of the current functionally-rich applications of SITS:Vision and ebs to the Tribal Edge framework.

Outside of Higher and Further Education, we have continued the successful development of SchoolEdge, a new, web-based product for schools. Schools in Australia have adopted many of the new modules on offer and the development continues to offer a completely refreshed schools student information system.

We have also continued to invest in our market-leading employers and training providers solution, Maytas. This has seen particular growth in the UK where the Government's introduction of the Apprenticeship Levy has encouraged companies to explore and adopt apprentices. Maytas fully supports the management of apprenticeship programmes including the critical area of funding.

Tribal's organisational structure has been simplified to drive improved customer focus, more agile management, responsiveness to local needs and clear accountability across our business and is managed through three segments.

Within the Student Management Systems business, we have adopted a primarily regional structure, split between Europe, Middle East and Africa (EMEA), and Australia, New Zealand and Asia-Pacific (APAC). QAS and i-graduate operate as independent businesses and are managed globally.

Student Management Systems (SMS) focusses on the following market sectors: Higher Education, Further Education, Colleges and Employers (referred to in Australia as VET), and Schools, and across three main markets, UK, Australia and New Zealand. Product/Offerings are split between License & Development Services, Support & Maintenance, Implementation, and Cloud Operations; from 2017, SMS no longer includes K2 Asset Management (K2) or Software Solutions, as they are non-core businesses and are now included within the i-graduate line of business.

Quality Assurance Solutions covers inspection and review services which support the assessment of educational delivery including the Ofsted Early Years inspection contract. From 2017, it also includes Performance Benchmarking.

i-graduate covers i-graduate student surveys and data analytics as well as various non-core businesses, not forming part of Student Management Systems or QAS. These include K2 Asset Management, Software Solutions and Information Matters. It no longer includes Performance Benchmarking, which has moved to QAS in 2017.

Revenue and profit for each segment are restated for 2016 to reflect the above changes.

Product & Services revenues

The table below groups products and offerings, irrespective of the segment in which they fall. Most license and related services (Support & Maintenance, Implementation Services and Cloud Services) relate to the Group's Student Management Systems; however, there are businesses which are non-core, managed under the i-graduate line of business, which include license and related services. This includes K2 and Software Solutions where we continue to support and maintain the existing product; the Group also has a software product, developed and sold by QAS, to support Ofsted as they manage school inspections following the conclusion of our Ofsted contract at the end of March 2017. All revenue (which includes license, support & maintenance, and other services) relating to Synergy (disposed of) and SLS (closed) is shown separately.

	Revenue £'000		
Revenues by LoB	**2017**	**2016 (restated)**	**Change**
License & Development fees	**9,989**	10,973	**(9.0%)**
Support & Maintenance fees	**33,474**	32,211	**3.9%**
Implementation Services	**14,840**	12,411	**19.6%**
Cloud Services	**4,004**	3,322	**20.5%**
Software & Related Services	**62,307**	58,918	**5.8%**
School Inspections & related services (excl Ofsted)	**14,119**	10,925	**29.2%**
Survey & data analytics (i-graduate)	**3,031**	3,147	**(3.7%)**
Other Services	**2,441**	3,918	**(37.7%)**
Non-Software related services	**19,591**	17,989	**8.9%**
Continuing Operations	**81,898**	76,907	**6.5%**
Ofsted contract revenues (contract completed)	**3,020**	11,620	
Synergy/SLS (disposed of/ closed)	**-**	1,728	
Total Revenue	**84,918**	90,255	**(5.9%)**
Annually Recurring Revenue	**37,478**	35,533	**5.5%**

> **"We wanted a technology partner with the completeness of vision to help us with the radical transformation of post-16 education in Nottingham. Tribal's integrated technology suite will enable us to deliver the level of student experience, engagement and outcomes to achieve our ultimate ambition of creating one of the best colleges in the country."**
>
> **Nottingham College**
> UK

Chief Executive's report continued

Overall, the revenue from License & Development fees has fallen 9.0% to £10.0m (2016: £11.0m). This is due in part to contracts successfully moving from a software development phase further into the implementation phase. We have also seen some Higher Education institutions moving towards a bundled pricing model, where the contractual terms result in license revenue being phased over time rather than being recognised upfront, as previously. In 2017, the contract awarded by Glasgow Caledonian University was based on a bundled pricing model with contractual terms that resulted in the software license recognition being phased over the implementation period.

For 2018, this transition ends with the move to IFRS15 accounting, by which the Group's revised revenue recognition policy requires all significant license revenue to be spread over the implementation period (as detailed in the Financial Review section).

Support & Maintenance retention rates remain high, and as a result, our Annual Recurring Revenue base has continued to grow. Support & Maintenance fees in the period were £33.5m (2016: £32.2m), an increase of 3.9%.

Implementation services deliver the technical implementation of our software products at customer sites, typically working alongside customer teams. Implementation projects vary in length, and range from a small number of days, to more than two years for more complex projects. Revenues are typically based on day rate fees, although we sometimes operate under fixed fee contracts for defined implementation scopes. Overall growth of 19.6% was driven by the extensive implementation work at British Council, University of Waikato and Massey University.

Cloud services cover the provision of managed IT services and hosting services to customers to manage their Tribal products either on premise, in a private cloud, or in a public cloud. These services have grown by 20.5% in 2017, to £4.0m (2016: £3.3m) as customers increasingly migrate their IT systems into the cloud. These hosting services are recurring, and from 2017 the Group will include Cloud services revenue in the calculation of Annually Recurring Revenue.

School inspections & related services covers all products and services offered by the QAS line of business which do not relate to the sale of software licenses and related services.

Surveys & data analytics covers all products and services offered by the i-graduate line of business which do not relate to the sale of software licenses and related services.

Geographic revenues

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

	Revenue £'000	
	2017	**2016**
UK	**39,252**	46,469
Asia Pacific	**33,713**	31,819
North America and rest of the world	**11,953**	11,967
	84,918	90,255

Revenues in Asia Pacific have increased by 6%, mostly due to the QAS contracts secured in Abu Dhabi and Dubai.

Headcount

	Headcount As at 31 December	
	2017	**2016**
UK	**542**	741
Asia Pacific	**287**	323
North America and rest of the world	**21**	25
	850	1,089
Full Time Equivalent (FTE) headcount	**820**	1,041

Our overall workforce has reduced by 22% to a total headcount of 850, down from 1,089 at 31 December 2016. Full time equivalent headcount (FTE) has reduced by 221 FTEs in the year.

This follows an 18% headcount reduction in the previous year, a total reduction of 473 heads (36%) since 31 December 2015.

Of these reductions in 2017, approximately 100 FTE reductions were the result of specific actions taken as part of our cost reduction program to drive increased profitability. The other reductions were due to the winding down of the Ofsted contract, and were transferred back to Ofsted under TUPE regulations.

"I am more than happy to recommend Tribal and their SchoolEdge solution to any school considering a Timetabling solution."

The Australian International School
Singapore

Segmental Performance

Results for each business segment are shown in the table below. The Central and Group costs represent the aggregate of all costs which support the Lines of Business, and which are not directly and specifically attributable to each Line of Business. This provides greater transparency into the profitability of each business.

	Revenue £'000		Adjusted Operating Profit £'000	
	2017	2016 (restated)	**2017**	2016 (restated)
Student Management Systems	**60,026**	59,005	**17,613**	12,021
i-graduate	**7,101**	8,705	**1,064**	1,007
Quality Assurance Solutions	**17,791**	22,545	**4,408**	6,537
Total Lines of Business	**84,918**	90,255	**23,085**	19,565
Central / Group costs [1]			**(14,543)**	(14,877)
			8,542	4,688

1 Central/Group: these are costs described as Unallocated Corporate expenses and represent all costs which are not directly attributable or controllable by the Line of Business. Costs include Finance, HR, Legal, IT, General (non-Line of Business specific) Marketing costs, Corporate Services and Board of Director costs including all attributable office costs. It was detrmined the previous methodology allocated costs in a way that did not represent the level of resource utilised by that business, and accordingly did not provide sufficient insight into the underlying profitability of the Lines of Business.

Student Management Systems

Overall activity levels in our markets and sectors for the replacement or enhancement of student information systems remain stable and we continue to see a steady stream of new opportunities in all sectors.

In 2016, the Student Management System included combined revenue of £1.7m and profits of £1.0m, from Synergy (disposed of in March 2016) and SLS (closed in 2015).

Student Management Systems revenues increased by 1.7% to £60.0m (2016: £59.0m). Excluding Synergy/SLS, SMS revenue grew by 4.8%.

> **"We were really impressed with the level of integration and efficiency the combination of Maytas and e-track could bring to our learner management. The Tribal team suggested the best combination of systems and tools to address our specific business needs."**
>
> **Travis Perkins**
> UK

Adjusted operating profit was £17.6m (2016: £12.0m) and the adjusted operating margin was 29% (2016: 20%). Excluding Synergy/SLS, SMS profit grew by 60%.

The capitalised development cost was £2.1m in 2017 (2016: £1.1m). This relates to continued development of our SchoolEdge product and investment in our Tribal Edge next generation, cloud-based student management system.

	Year ended 31 December £'000	
	2017	2016
Total Revenue	**60,025**	59,005
Adjusted Operating Profit	**17,613**	12,021
Adjusted Operating Profit Margin	**29%**	20%
Capitalised Product Development Expenditure	**2,135**	1,098
Amortisation of Development costs	**(1,445)**	(1,411)

The Group won significant new contracts in the Higher Education sector, including a £4.3m contract for the implementation of the full student information system at the University of Sheffield, a major UK Russell Group University, as well as contracts with Glasgow Caledonian University, the University of South Wales and Heriot-Watt University. We secured our third Higher Education customer in Malaysia, at the University of Malaya, reaffirming Tribal as an international market leader in student information systems.

Chief Executive's report continued

Within the Higher Education sector, our Callista business, which was acquired in March 2015, and which provides student information systems to 25% of Australian universities, performed well, and we finalised a AUD27.5m (approx. £16.8m), four-year extension to our contract with the 11 Universities for the on-going development of the Callista product and seamless migration into the cloud-ready Tribal Edge platform.

We have successfully completed key implementation stages at Massey University and the University of Waikato in New Zealand, as well as commencing the implementation of recent wins at the University of the Arts London, the University of Malaya, and Sheffield University. Other key implementation contracts continue to proceed well, if slightly delayed, including Universiti Teknologi Petronas (UTP) and Institut Teknologi Petroleum Petronas (INSTEP) in Malaysia, and University of Bristol.

In the EMEA Further Education and Work-based Learning (WBL) business, we continued to make strong progress in 2017, with key wins at Nottingham College, Bridgend College and the Met Film School, and, following the introduction of the apprenticeship levy, secured new WBL Maytas customers, including Travis Perkins, Boots Opticians and EY (Ernst & Young).

In the APAC Further Education (referred to as VET in Australia/New Zealand) and Schools sectors, the New South Wales Student Administration and Learning Management (SALM) programme has continued to deploy our ebs Student Management System successfully; in 2017, we successfully concluded the roll-out to 2,200 schools in New South Wales (NSW). This is in addition to the 138 TAFE (Technical & Further Education) campuses, which continue to operate successfully – although, as previously noted, the NSW Government made a public announcement in June 2016 that they will be reviewing their TAFE student enrolment system and will look to implement a new, cloud-based solution. Tribal continues to discuss the future solution with TAFE NSW but, regardless, we expect TAFE NSW to be a customer into 2019, and the schools' element of SALM will continue as planned.

"We've used Tribal software to improve the experience for our applicants. The University absolutely pushes experience far more than it does the nuts and bolts of administration, which really should be as invisible, but as robust as possible."

The University of St Andrews
UK

Within our Campus business, the implementation at the British Council continues to proceed well, and we have now gone live in 119 locations in 34 countries worldwide.

Our other Student Information product for schools, SchoolEdge, has enjoyed good customer retention rates during the year. However, we have been informed that the dioceses representing around 800 of the 1800 schools have decided to move from Tribal to a student information system that they are building in collaboration with two providers; we have commenced discussions regarding transitional arrangement; however, we expect to continue to provide software and services to these schools into at least 2019.

i-graduate

	Year ended 31 December £'000	
	2017	**2016**
Student surveys & data analytics	**3,031**	3,147
Other	**4,070**	5,558
Total Revenue	**7,101**	8,705
Adjusted segment operating profit	**1,064**	1,007
Adjusted operating margin	**15%**	12%

The i-graduate division provides a range of services for managers of universities, colleges and schools, so they are able to assess and enhance the quality of the education they provide and improve their operational performance. Also included in this line of business are non-core services. Products/Offerings provided by this division include:

- i-graduate student surveys & data analytics
- K2 Asset Management
- Software Solutions
- Transformation and change advisory services
- Information Management Services

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

i-graduate line of business revenue in the period was £7.1m (2016: £8.7m), a reduction of 18%.

Revenue from the core i-graduate student survey and data analytics offerings fell 3.7% from £3.1m to £3.0m. In our i-graduate business there was a change of leadership in the first half of the year, and we successfully secured contracts in Australia, including for the Australian Universities International Student Barometer. We also extended the strategic partnership with Universities UK International, delivering underpinning research for the widely distributed UK's Competitive Advantage report. However, the overall participation by universities in the key International Student Barometer survey towards the end of 2017 was disappointing, as more universities than expected chose to skip a year. There were also costs of further investment in the business and management transition. These factors adversely impacted the segmental operating profit, which fell to £0.4m (2016: £1.1m).

The revenue from the non-core businesses fell by £1.5m, including £0.8m in K2 Asset Management and £0.4m in Information Matters as the businesses are transitioned to a maintenance mode. However, the focus on optimising margins improved the operating profit to £0.7m (2016: £(0.1)m).

Quality Assurance Solutions

	Year ended 31 December £'000	
	2017	**2016**
Education services	**14,772**	10,925
Ofsted contract revenues	**3,019**	11,620
Total Revenue	**17,791**	22,545
Adjusted segment operating profit	**4,408**	6,538
Adjusted operating margin	**25%**	29%

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

"The successful implementation of the single ebs can be largely attributed to the efforts of a highly skilled, highly capable and motivated project team who worked across sites to bring this project in on time, under budget and in scope. The expertise and commitment from the Tribal NZ consulting team must also be commended. This is the first merger project of this scale to be delivered and positions the organisation well to provide student support and services across our numerous delivery locations."

Toi Ohomai Institute of Technology
New Zealand

QAS revenue declined in the period by 21% to £17.8m. However, in March 2017, the final Ofsted contract ("Early Years") came to a successful conclusion, as previously announced, to be taken back in-house by Ofsted. Revenues relating to Ofsted contracts were £3.0m, down from £11.6m in 2016.

The remaining Quality Assurance Solutions business, which excludes the Ofsted contract, had a strong performance and grew by 35% in 2017, to £14.8m. QAS has secured significant contract wins at the Abu Dhabi Education Council, worth £8.4m over two years, where we are the sole supplier of school reviews in Abu Dhabi, and the Ministry of Education of Dubai & Northern Emirates. The first tranche of these contracts was successfully delivered in 2017. In the US, we signed an extension to our contract with the New York State Education Department, as well as gaining a new customer, the Alabama State Education Department. We also successfully retendered for the NCETM contract (National Centre for Excellence in the Teaching of Maths).

QAS adjusted operating profit was £4.4m (2016: £6.5m), and adjusted operating margins were 25% (2016: 29%).

Ian Bowles

Ian Bowles
Chief Executive Officer

CFO's report

For the year ended 31 December 2017, the Group's revenue from continuing operations was £84.9m (2016: £90.3m). Adjusted operating profit increased by 82% to £8.5m (2016: £4.7m) and adjusted operating profit margin improved to 10.1% (2016: 5.2%).

50% of the UK Russell Group use Tribal's Student Information Systems

£14.1m

Net Cash
2016: £8.8m

Adjusted operating profit increased by 82% to £8.5m

Revenue

£84.9m

2017	£84.9m
2016	£90.3m

down 6%

Adjusted operating profit

£8.5m

2017	£8.5m
2016	£4.7m

up 82%

Statutory operating profit

£3.7m

2017	£3.7m
2016	£0.1m

up 5,816%

Overview

For the year ended 31 December 2017, the Group's revenue from continuing operations was £84.9m (2016: £90.3m). Adjusted operating profit increased by 82% to £8.5m (2016: £4.7m) and adjusted operating profit margin improved to 10.1% (2016: 5.2%).

Adjusted profit before tax was £8.4m (2016: £4.2m) and adjusted diluted earnings per share were 3.2p (2016: 1.9p). The Group made a statutory profit after tax of £2.6m (2016: loss of £1.2m), and a statutory operating margin of 3.1% (2016: (1.3)%).

At the end of the year the Group had net cash of £14.1m (2016: net cash of £8.8m).

Results of Operations

Revenue

Revenue was lower by 6% at £84.9m in the year (2016: £90.3m). However, total revenue in 2016 included £11.6m (2017: £3.0m) from the expiry of contracted work for the Ofsted Early Years contract, which successfully concluded in March 2017, and £1.7m (2017: £nil) of combined revenue from Synergy (disposed of in March 2016), and the SLS business (closed in 2015). Excluding these amounts, revenue grew 6.5% to £81.9m in 2017 from £76.9m in 2016.

Across our university and college customer base, retention rates remained high, and as a result, our Support & Maintenance revenue is 3.9% to £33.5m (2016: £32.2m, excluding Synergy), representing 53% of the total revenue from our Student Management Systems business (2016: 55%).

Adjusted Operating Profit (EBITA)

The adjusted operating profit was £8.5m (2016: £4.7m). Higher margin recurring revenues and improved operational efficiencies drove an increase in Gross Profit Margin to 50% (2016: 43%). The ongoing cost reduction programme initiated in early 2016 has achieved cumulative annualised savings of £12.0m, of which £5.2m were in-year savings (£3.2m from 2016, and a further £2.0m in 2017), with an additional £1.0m of savings which will be realised in 2018. The impact of foreign exchange movement was £0.3m (2016: £0.7m).

There was a negative impact of £1.9m on earnings in 2017 compared to 2016, as a combined result of the expiry of the Ofsted Early Years contract, which contributed £1.0m less in 2017 (2017: £1.0m; 2016: £2.0m), and the disposal in March 2016 of the Synergy/SLS business (£0.9m in 2016).

The adjusted operating profit is after capitalised development costs of £2.1m (2016: £1.1m), reflecting the Group's revised product strategy focussing on development of the new Tribal Edge platform and continued development of the SchoolEdge product. Amortisation charges relating to capitalised development were £1.4m (2016: £1.4m).

All other development costs are expensed as incurred, and totalled £8.1m in 2017 (2016: £9.2m). This relates to development of the existing product portfolio, including SITS, ebs, K2 Asset Management and Maytas, and associated overhead and management cost.

Key Performance Indicators (KPIs)

Revenue **£84.9m** (2016: £90.3m)	Adjusted Operating Profit **£8.5m** (2016: £4.7m)
Adjusted Operating Margin **10.1%** (2016: 5.2%)	Annually Recurring Revenue **£37.5m** (2016: £35.5m)
Backlog **£120.4m** (2016: £113.8m)	Cash Conversion **130%** (2016: 115%)
Staff Retention **87%** (2016: 84%)	Revenue per Employee **£104k** (2016: £87k)

Alternative Performance Measures

The Group uses alternative performance measures, detailed below, to provide greater understanding of the underlying performance of the business. There have been no changes to the Group's Alternative Performance Measures since 2016, although the Annually Recurring Revenue now includes Cloud services as they are considered recurring revenues; the 2016 comparative has been restated accordingly.

Adjusted Operating Profit / Adjusted Operating Margin / Adjusted Earnings per Share

These measures are in respect of Operating Profit/(Loss) excluding certain items not directly related to the trading business or regarded as exceptional in nature. These items have been removed from the adjusted profit figure and disclosed as "Other Items" on the income statement. The main adjustments are as follows:

Share-based Payments

- In 2017, Share-based payment charges of £1.7m (2016: £1.0m) are excluded from the Adjusted Operating profit. The charges in the current year relate to the matching shares granted as part of the rights issue and share subscriptions in April 2016 (£0.5m) and the Long Term Incentive Plan options (LTIPs) which were granted to the Executive Directors in June 2016 and 2017 (£0.6m), and to the senior management team in June 2017 (£0.3m).

CFO's report continued

Amortisation of IFRS3 Intangibles

- The amortisation charge in relation to IFRS3 intangible assets of £2.0m (2016: £1.9m) arose from separately identifiable assets recognised as part of previous acquisitions. The assets principally relate to software and customer relationships and are amortised over their expected life which was determined in the year the acquisition took place.

Restructuring and associated costs

- Costs of £1.0m (2016: £1.9m) were incurred, which relate to redundancy costs for the restructuring of the Group's operations, initiated in 2016 and continued through 2017.

Sales Order Backlog

The sales order backlog relates to the total value of orders which have been signed on or before, but not fully delivered by, 31 December 2017. This represents the best estimate of business expected to be delivered and recognised in future periods, and is based on the Total Contract Value (TCV) signed between Tribal and the customer, even though customer contracts may contain clauses which, under certain circumstances, may permit customers to reduce their commitment at a future date. Software Support & Maintenance (S&M) revenues are typically subject to annual renewal; due to the high renewal rates, two years of S&M revenues are included in the backlog calculation.

The total sales order backlog of the Group as at 31 December 2017 was up 5.8% at £120.4m (2016: £113.8m).

Annually Recurring Revenue (ARR)

The annually recurring revenue relates to the amount of revenue in the year in respect of ongoing services, charged on a recurring basis, usually annually, and which the Group considers is likely to continue into the future. This includes the total annual Support & Maintenance (S&M) fees relating to Tribal's software products, and from 2017, includes Cloud revenues, which relate to the provision of ongoing, annually recurring hosting services provided to customers in either a public or a private cloud environment.

The total ARR for 2017 is £37.5m (S&M £33.5m; Cloud services £4.0m), which increased by 5.5% from £35.5m in 2016 (S&M £32.2m; Cloud services £3.3m).

Operating Cash Conversion

Operating cash conversion is calculated as net cash from operating activities before tax as a proportion of adjusted operating profit. In 2017, operating cash conversion was 130% (2016: 115%).

Free Cash Flow

Free cash flow is included as a key indicator of the cash that is generated by the Group and available for further investment or distribution. It is calculated as net cash from operating activities less capital expenditure and less capitalised development costs (excluding acquired intellectual property). In 2017, free cash flow was £8.0m (2016: £6.0m).

Development Costs

	2017 (£m)	2016 (£m)
SchoolEdge	**1.0**	1.1
Tribal Edge	**1.1**	–
Capitalised Development costs	**2.1**	1.1
Amortisation of Development costs	**(1.4)**	(1.4)

Net Finance Costs

Overall financing costs were £0.3m (2016: £1.0m). Financing costs on the Group's loan facility decreased to £0.2m (2016: £0.6m). Tribal streamlined its credit facilities with Lloyds Banking Group and Clydesdale Bank, committed until June 2018, to better match the Group's ongoing requirements, reducing its revolving credit facility from £25m at the beginning of 2017 to £15m from August 2017. From January 2018, the Group reduced the facilities further, to £11m including overdraft facilities and bank guarantee lines. Discussions are ongoing to renew facilities. Other financing costs reduced to £0.1m (2016: £0.4m) following reductions in the unwinding of discounts on deferred consideration.

Deferred Contingent Consideration

In March 2017, Tribal signed a variation to the Share Purchase Agreement with the vendors of Sky Software Pty ("Campus"), which amended the terms of the deferred contingent consideration payments. Under the variation, it was agreed that a combination of cash (AUD$980,325), 670,882 ordinary shares and 1,339,286 share options would be paid/issued in full and final settlement of all contingent obligations under the Agreement.

Going concern

Tribal had net cash of £14.1m at end of 2017, and a revolving credit facility of £15m, committed until June 2018, of which £6.5m was allocated to trading guarantees with customers at 31 December 2017.

> **"Without Tribal we would not be as accurate or as knowledgeable as we are. We would struggle to provide the best experience to apprentices."**
>
> **Leonardo,** UK

The Group's software products benefit from a significant installed customer base, whilst its other activities are typically delivered under the framework of long-term contracts. Collectively, the Group has a range of customers across different geographic areas, good levels of committed income and a pipeline of new opportunities. While the Group has a net current liability position, the Group's forecasts and projections, which allow for reasonable possible changes in trading performance, show that the Group will be cash generative across the forecast period.

The Directors have a reasonable expectation that the Group has sufficient financial resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Taxation

The corporation tax on continuing operations was £1.8m (2016: £0.9m) and the adjusted effective tax rate was 21% (2016: 21%). This includes the impact of higher rates of taxation arising in overseas jurisdictions.

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

Share Capital

On 24 April 2017, the Company issued 670,882 shares as part of the settlement of the deferred contingent consideration related to the acquisition of Sky Software Pty ("Campus").

As at 31 December 2017, there were 196,051,181 shares issued.

Related parties

Transactions with related parties during the period are set out in note 32.

Earnings per share

Adjusted diluted earnings per share from continuing operations before other costs, the results of businesses disposed of, and intangible asset impairment charges and amortisation, which reflects the Group's underlying trading performance, increased to 3.2p (2016: 1.9p).

Statutory earnings per share (diluted) increased to 1.3p (2016: loss of 0.7p).

"We chose Tribal because they understand how to balance our need for improved student results with customised instructional support. Tribal consultants challenge teachers and principals to rethink their assumptions and motivate them to take on high impact, strategic school and classroom reforms. Our students are the beneficiaries."

Kent School District
US

Shareholder returns & dividends

The Board has proposed a full year dividend of 1p per share, pending approval at the AGM on 24 April 2018. This will be paid in May 2018, with an associated record date of 4 May 2018, an ex-dividend date of 3 May 2018 and an anticipated payment date of 25 May 2018. The Board of Directors intend to continue to pursue a progressive dividend policy with a single dividend payment each year following annual results.

Impact of IFRS15

IFRS 15 'Revenue from Contracts with Customers' is effective for periods beginning on or after 1 January 2018 and introduces an amended framework for revenue recognition. The standard provides revised guidance on revenue accounting, matching the recognition of revenue to the delivery of performance obligations in contractual arrangements for the provision of products and services.

The Group has assessed the impact of adopting IFRS 15, and has concluded that software license revenue will be recognised over the duration of the project implementation period on a percentage complete basis. This will spread the recognition of license review over an extended period, rather than immediate, upfront recognition of license revenue.

In 2017, this is expected to increase the revenue by £0.4m to £85.3m and operating profit by £0.4m to £8.9m, a decrease of £0.2m to accrued income and a decrease £0.6m to deferred income.

The Group does not expect the capitalisation and amortisation of commissions payments related to software licence sales to have a material impact.

In 2018, the Group assessment is that there is likely to be a modest transitional dip in revenue and operating profit as large new contracts won in year are spread over the future implementation period, exceeding the restatement of prior year revenues.

CFO's report continued

> **"Using Stu-Talk to manage the two-way integration of data between the systems will ensure data consistency and allow us to maintain SITS as our single source of truth. We like the fact that all the interfaces will be maintained and tracked from within the SITS platform, this will undoubtedly save us time and effort on the support front."**
>
> **Arts University Bournemouth**
> UK

Net Cash and Cashflow

The Group strengthened its net cash position during the year with an end of year balance of £14.1m (2016: net cash £8.8m). The main movements in cashflow were as follows:

Net Cash generated from operating activities

- Operating cash inflow for the period was £11.1m (2016: £8.3m). Free cash flow is £8.0m (2016: £6.0m).

Capital Expenditure

- Capital expenditure totalled £4.4m (2016: £2.4m), comprising £2.1 (2016: £1.1m) on software product development, £1.5m (2016: £nil) on the acquisition of intellectual property from Wambiz and £0.8m (2016: £1.3m) on replacement of IT equipment and office premises.

Acquisitions & Deferred Considerations

- The Group made a total net payments £1.1m (2016: £3.0m) during the year in relation to the deferred consideration obligations of previous acquisitions being Campus £0.8m and Callista £0.3m.

Pension Obligations

As a consequence of certain contract awards, some employees participated in defined benefit pension schemes, the largest of which relates to the Ofsted Early Years inspection contract we entered during the year ended December 2010. Across these pensions schemes, the combined deficit calculated under IAS19 at the end of the year totalled £1.7m (2016: deficit of £1.7m), with gross assets of £11.0m and gross liabilities of £12.7m. Total actuarial gains recognised in the consolidated statement of comprehensive income are £0.1m (2016: loss of £1.7m). The Ofsted Early Years contract expired in March 2017, and those individuals working directly on the contract were transferred to Ofsted, under the Transfer of Undertakings (Protection of Employment) act (TUPE). Under the terms of the contract, they may elect to transfer their pension plan from Tribal to Ofsted. The Group is working with the Pension Ombudsman to finalise the scheme valuation and transitional arrangements which we hope to conclude in 2018.

Financial Risks

The main financial risks the Group faces relate to the continued sales of our software, where a trading downturn puts a strain on the operating cash flow, credit risk arising from contractual delays or scope changes, fluctuations in interest rates, and foreign exchange risk.

Funding arrangements

The Group finances its operations by a combination of cash reserves from equity capital, retained profits and bank borrowings. The Group Finance team leads treasury management and operates within policies reviewed and approved by the Board.

On 30 June 2016, the Group agreed amendments to the terms of its banking facilities which remain committed until June 2018. During 2017 the size of the overall credit facility has been voluntarily reduced from £25m to £15m, and reduced further in January 2018 to £11m. The maximum permissible leverage ratio (measured as the ratio of net debt to EBITDA) must not exceed 2x. The definition of EBITDA has also been defined to exclude certain non-cash and one-off trading impacts that have unfavourable impacts on the calculation. For the foreseeable future, the Group is forecast to operate within the bank covenant requirements set out in the facility agreements.

Credit Risk

The Group seeks to reduce the risk of bad debts arising from non-payment by our customers. This risk is closely monitored by the Credit & Collections team, which form part of Group Finance. Tribal incurred no material bad debts during 2017.

Interest Rate risk

At the end of 2017, Tribal had no bank loan indebtedness. However, the Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, and forward rate agreements and interest swaps may be used, where appropriate, to achieve the desired mix of fixed and floating rate debt. There are no open derivative financial instruments at the year end.

Foreign exchange risk

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

Tribal's principal currency exchange exposure is to the Australian dollar although as at 31 December 2017, the Group was also exposed to movements in the rates between Sterling and the US dollar, United Arab Emirates Dirhams, South African Rand, and New Zealand dollar. See note 32 for further details.

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

M Pickett

Mark Pickett
Chief Financial Officer

"Maytas offers an end-to-end solution from one system. The ability to easily access one, accurate view of learners and their progress stood out from the competition."

Boots Opticians
UK

Principal risks and uncertainties

The Group is exposed to a number of risks and uncertainties which could have a material impact on the future performance of the Group. The table below summarises the key risks that the Directors consider the business faces and how the Group seeks to mitigate them.

In addition to these, other risks of a financial nature are addressed in the CFO's report.

Risk area	Cause and Effect	Mitigation
Reputation	**Cause:** Failure to deliver contractual commitments. Failure to meet investor expectations. **Effect:** Adverse publicity relating to contract and solution delivery with associated reputational damage and financial risk.	The Group maintains strong controls to ensure successful project delivery. The Board engages with investors on a regular basis.
Contract tendering	**Cause:** Poor commercial negotiation and documentation on major contracts. Failure to adapt to local legal framework on international projects. Penetration in new markets increases risk of omissions and mistakes. **Effect:** Contract delivery failure, risk of legal claims or onerous financial contract terms.	The Group maintains a formal Delegation of Authority matrix to ensure appropriate visibility and approval of all potential contracts.
Project delivery	**Cause:** Failure to meet project milestones and other contractual requirements; customer subject to own internal pressures. **Effect:** Non-payment or application of contractual penalty clauses by customers.	The Group reviews project progress on a monthly basis at Executive Management level with Board oversight.
Innovation and technology	**Cause:** Increasing emergence and demand for cloud-architected solutions for some legacy technology platforms and core products. **Effect:** Technically obsolete platform and products.	The Group is investing in a new Student Information Systems product strategy with a Cloud Operations (hosting) focus. This is continuing to move functionality from existing platforms to newer cloud-based applications.
Information security	**Cause:** Data loss or system security breach. Increasing regulatory data protection and information security requirements including health related controls over student management data. **Effect:** Losses of reputation with customers and in market. Risk of regulatory penalty.	The Group operates a Secure Data Centre and continues to roll out ISO 27001 certification across the business, and invest in security software and training for all staff. In addition, the Group has reviewed its GDPR obligations in readiness for compliance in May 2018.
People	**Cause:** Key employees leave the Group. **Effect:** Detrimental effect on customer relationships and development pipeline.	The Group has incentive schemes designed to attract, motivate and retain key employees, whilst encouraging appropriate behaviours. We aim to provide competitive remuneration packages for all staff. No sole staff member is considered to be a single point of failure.

Case Study

Ulster University: uncovering challenges and opportunities with Financial Benchmarking

Based in Northern Ireland, Ulster University has a national and international reputation for excellence, innovation and regional engagement. The renowned institution aims to make a major contribution to the economic, social and cultural development of Ireland and as a university is always looking for improvements; their goal is to widen access to education, research and innovation and technology.

As part of achieving their goals, Ulster University looked to Tribal to help provide clarity and detailed analysis of their financial profile, in the form of a financial benchmarking review.

Financial Benchmarking provides reliable, objective and independently validated comparative data that helps managers see the financial performance of other universities, informing financial and strategic decision-making.

“I found that the process and methodology adopted was very robust and the findings clearly communicated at both summary and at a detailed level. The team were at all times professional and knowledgeable on all aspects of the key findings” said Peter Hope, Chief Financial Officer at Ulster University.

Corporate and social responsibility

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

Our values

Tribal brings together highly talented people in a creative and collaborative environment. In 2016, we revisited our values, ran over 25 workshops globally, and launched a new set of values. In 2017, we continued to embed this work, including launching on-the-spot awards to recognise those who "go the extra mile" and clearly demonstrate our values. Our role of honour for the year listed over 120 people from across the Company, in all areas of the business and from all regions.

We continue to embed our values and challenge ourselves asking "What have you done today which shows our values in action?"

Our values are:

Trustworthy We value honest discussion, we anticipate, listen and respond to requirements and we rely on each other

Pioneering We welcome change, we strive to innovate and we aim to meet the needs of the ever-evolving education market place

Accountable We take ownership, we keep our promises and are focused on delivering successful outcomes

Dedicated We are committed to our customers; work to secure long-term partnerships and we collaborate to deliver optimum solutions

Our people

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

Our success as a growing international business is a tribute to our people's energy, commitment and know-how. We invest in our people, providing them with the tools and training to support and enable them to realise their potential. We continue to build on our learning and development programmes. In 2017 we ran numerous courses, including business development programmes and the continuation of our Manager Academy which broadens the skills and commercial awareness of our leaders and future leaders. A highlight in 2017 was the successful piloting of e-learning as a part of our L&D strategy. This resulted in a significant investment to offer every Developer globally unlimited access to a leading-edge learning platform, Pluralsight. We also successfully piloted LinkedIn e-learning in several departments and have progressed a wider roll-out in 2018.

Engaging with people

Tribal operates from a range of offices in the UK and around the world. Communication among our people is crucial. We use a combination of Group-wide updates, including webinars, as well as running specific local communication sessions. We supplement these events by communicating on a number of channels (email, internal bulletin boards), our corporate social media and in our now established bi-monthly staff news update – Tribal Talk.

We continue to listen to our people and at the end of 2017 completed a detailed cross-Company engagement survey. The results of this will give us a baseline for planning further work in 2018 and ensuring we have an engaged and motivated team.

Gender Pay Equality

Tribal has published its first Gender Pay Gap statutory report for our UK employees, prepared as required under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 that came into effect in April 2017. Like the vast majority of UK companies, we do have a gender pay gap, primarily because there are more women than men in our lower paid roles, but fewer in higher paid ones.

We are encouraged to see that, as far as the data is concerned, we are in a better or comparable position to UK businesses in relation to the Gender Pay Gap. For example, Tribal's mean gender pay gap, at 14.5%, is below the UK national average of 17.4% as reported by The Office of National Statistics (ONS). Our median pay gap, at 18.8%, is only very slightly above the ONS national average of 18.4%.

This gives us reassurance that we are starting from a better position than some, and whilst we do not underestimate the challenge at hand and impact of wider societal norms, we look forward to continuing and reviewing our progress in years to come.

The Tribal Foundation

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

Tribal match every pound donated and the Foundation is also able to access additional funding from the EU and other sources including gift aid, which can make a huge impact on the quality of life of the people we support. Since its establishment, the Foundation has contributed around £0.6m to a variety of programmes.

Tribal Group Foundation is a registered charity no. 1099110.

The Strategic Report, comprising the 'Our business model', 'Our strategy', 'Principal risks and uncertainties', 'Chief Executive's report', 'CFO's report' and 'Corporate and social responsibility' sections, was approved by the Board of Directors on 22 March 2018 and signed on its behalf by:

Ian Bowles
Chief Executive Officer

Mark Pickett
Chief Financial Officer

Case Study

Engaging adult learning with Leeds City Council, UK

Leeds City Council had a vision to engage more new learners to get involved with adult learning, and to promote adult learning courses to a wider audience in Leeds. Tribal's leading learner management system, Maytas, has enabled them to make great steps towards achieving this vision. In September 2017 they launched the Leeds Adult Learning website, with Maytas being instrumental in enabling the effectiveness of this platform.

The council quickly realised a learning management solution would not only meet their data processing requirements but would also help existing learners to progress onto further courses. Starting an adult learning course can be a huge decision for an individual, and Leeds City Council understood that the right solution could simplify this process for the learners.

Leeds City Council engaged the Open Data Institute (ODI) and Innovation labs to create a searchable data driven website solution that integrated with Maytas. The result – Leeds Adult Learning – launched in September 2017. The website offers one platform for a range of adult learning courses across Leeds in a variety of different venues. The council also aims to expand the website to include data from the wider Leeds adult learning institutions as well as looking at options to utilise Maytas to support them as an apprenticeship employer-provider in 2018.

"Tribal consultants listened closely to our ambitions, aspirations and high expectations of a system that could capture and process data from 30 subcontracted providers. It's interesting seeing that become a reality, alongside being compliant with ESFA funding rules and data returns" said Keri Evans, Communities and Partnerships Senior Manager, Employment and Skills, at Leeds City Council.

CAUTIONARY STATEMENT

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

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

Case Study

Tertiary Education Commission New Zealand

The Tertiary Education Commission (TEC) is responsible for the New Zealand Government's $2.9 billion investment across over 700 tertiary education organisations in NZ. It leads the Government's relationship with the tertiary education sector which includes universities, polytechnics, private training establishments, industry training organisation and other providers of higher education and training.

On behalf of the TEC, Tribal has supplied for the last 10 years a performance benchmarking service to all Universities, Institutions of Technology & Polytechnics (ITPs) and Wānanga in NZ. This provides a comprehensive view of both financial and educational performance, looking at financial inputs and educational attainments, such as course completion rates, to provide a robust performance measurement and monitoring framework.

Tribal's benchmarking service, NZBT+, provides a holistic view of an institution's performance by linking financial data and key qualitative indicators, helping identify areas where investment may be required, as well as opportunities for greater cost efficiencies. It offers an independent measurement of financial and educational performance to support informed strategic decision making and forward planning.

"The biggest benefit of Tribal's NZBT+ is how it has enabled education organisations to have meaningful self-assessment and self-review, so that they can have confidence to make informed decisions that ultimately benefit the students. The Tribal team's flexibility and commitment to the partnership has allowed us to work together to support the success of our providers and help them deliver high-quality education for New Zealanders" said Julia Kennedy, Principal Advisor in the TEC's Monitoring and Crown Ownership Team.

Governance

Board of Directors

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

Richard Last

Chairman

Appointed November 2015

Richard joined the Board in November 2015. He is currently Chairman and Non-Executive Director of AIM listed Gamma Communications plc, British Smaller Companies VCT 2 plc, Arcontech Group plc, and Lighthouse Group plc. In addition, Richard is Non-Executive Director of Corero Network Security plc and ITE Group plc. Richard is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA).

Ian Bowles

Chief Executive Officer

Appointed February 2016

Ian joined Tribal in February 2016. He joined Tribal with a strong track record of driving financial and operational improvement and shareholder value creation, having held Board and other senior management positions across a number of leading IT companies. From 2007 to 2015, Ian was Chief Executive Officer of Allocate Software, an AIM listed leading international provider of specialist workforce management optimisation and corporate governance, risk & compliance software, where he oversaw strong organic and acquisitive growth in revenue and profits, and its sale to HgCapital in 2015. Ian is currently Non-Executive Director and investor in Locum's Nest Ltd.

Key to Committee Membership:

- Nomination Committee
- Remuneration Committee
- Audit Committee

Mark Pickett

Chief Financial Officer

Appointed June 2016

Mark joined Tribal in July 2016 with many years' experience in the technology industry. Previously he was Chief Financial Officer and Finance Director, UK of Computer Sciences Corp ("CSC"), a US based global leader in technology enabled business solutions and services. Mark also spent 18 years in a variety of senior finance roles with Oracle across a number of geographies, primarily in its software businesses.

Roger McDowell

Senior Independent Director

Appointed November 2015

Roger joined the Board in November 2015. He is currently serving as Non-Executive Chairman of Avingtrans plc, Non-Executive Director of Premier Technical Services Group plc, Proteome Sciences plc, Swallowfield plc and D4t4 Solutions plc.

Executive Management Team

The Executive Management team has continued to evolve with the addition of Phil Sanders (Managing Director, i-graduate), Peter Croft (Managing Director, APAC) and Chloe Payne (Director of HR).

Ian Bowles

Chief Executive Officer

See biography on page 36

Mark Pickett

Chief Financial Officer

See biography on page 37

Jon Baldwin

Managing Director – Higher Education

Jon joined Tribal in May 2014 from Murdoch University. Jon has also held management, teaching and administration posts at University of Warwick, Queen Margaret College, Edinburgh and Lancashire Polytechnic, as well as teaching at the Open University and in Further Education and publishing papers and articles on a wide range of education-related topics.

Mark Wilson

Managing Director – EMEA Region

Mark joined Tribal in December 2016 as the Managing Director for the EMEA region. Mark is an experienced business leader having spent over 20 years in national and international roles in software and services businesses. In that time he has enjoyed great success driving transformation and helping his clients maximise the value to their organisations of deploying technology enabled solutions.

Phil Sanders

Managing Director – i-graduate

Phil joined Tribal in 2004 and having supported Tribal across many areas of our business, became Managing Director of i-graduate in March 2017. Phil is an accomplished and dedicated executive with over 20 years' experience, working within UK and international Education, and IT Product and Service companies. In that time, Phil has led several teams to grow existing business or establish new markets.

Peter Croft,

Managing Director – APAC Region

Peter joined Tribal in September 2017 to lead the Asia Pacific business with a focus on delivering growth and benefits-driven customer experiences. Peter has over 20 years' experience in successful leadership of IT enterprises in the APAC region, and has held directorships in Australian, UK, US and Malaysian technology companies.

Chloe Payne
Director of HR

Chloe joined Tribal's HR team in 2007 and has been part of many notable aspects in Tribal's evolution, including the early days of our internationalisation. Chloe was appointed to lead the function globally in April 2017. Prior to Tribal, Chloe worked in the Health sector, supporting a large social care organisation through a period of sustained growth, and at Cambridge Assessment where she managed their recruitment function internationally.

Chris Farnath
Managing Director – Cloud & Support Services

Chris joined Tribal in August 2016 to lead the Company's cloud and support services, with a mission to deliver a timely and consistent customer experience, whether that be with solutions in the cloud environment or deployed on premise. Chris is an internationally accomplished business leader with over 25 years' technology services experience in the business-to-business sector.

Barbara Staruk
Managing Director – Product and Development

Barbara joined Tribal in February 2015 and has 20 years of software industry experience. Barbara has led global market expansion, portfolio rationalisation and product transformation initiatives across multiple software product lines. Barbara has worked on large-scale government transformation programmes, such as the NHS' National Programme for IT.

Janet Tomlinson
Managing Director – Quality Assurance Solutions

Janet joined Tribal at the end of 2009. Prior to this, Janet was Director of Education and Children's Services in Oxfordshire. Janet has chaired a range of regional partnership boards, including Children's Trusts, Safeguarding Boards, Education Action Zones and Creative Partnerships. She has also advised the Government on the educational impact of migration and on school inspection policy.

Mike Beech
Marketing Director

Mike joined Tribal in March 2016 and heads up Tribal's global marketing team. Responsible for the strategic development of Tribal's marketing initiatives and driving awareness of the Group's portfolio of capabilities, Mike has the expertise, drive and enthusiasm needed to 'tell the Tribal story' world-wide.

Corporate Governance

Tribal is committed to high standards of corporate governance and maintaining sound business ethics.

The Directors acknowledge the importance of good corporate governance and although not compulsory for companies listed on AIM, have chosen to adopt the principles of the Quoted Companies Alliance Code ("QCA") to the extent they consider them appropriate for a company of the size and nature of Tribal Group plc.

The PLC Board applies the principles of good governance and supports a culture of open debate and constructive challenge to enable Tribal to meet its objectives. In fulfilling their responsibilities, the Directors govern the Group in the best interest of the Company and its shareholders whilst having due regard to the interests of other stakeholders including customers, employees, suppliers and regulators.

The PLC Board

The PLC Board ("the Board") is responsible for the Company's systems of corporate governance.

The Non-Executive Directors are Richard Last and Roger McDowell, both are considered to be independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement. The Non-Executive Directors meet at least once a year without the Executive Directors present.

All Directors are required to submit to re-election each year at the Annual General Meeting ("AGM") of the Company.

All the Directors have access to the advice and services of the Legal Counsel. Each Director is entitled, if necessary, to seek independent professional advice at the Company's expense.

The Board meets at least eight times each year with additional meetings when circumstances and urgent business dictate. At these meetings the Board reviews a schedule of reserved matters including trading performance, financial strength, strategy (including investment and acquisition opportunities), risk management, controls, compliance, reports to shareholders and succession management.

The Board plans to evaluate its performance and that of its Committees through a process of regular dialogue and periodic formal Board evaluations.

Delegated Authorities

All other matters not specifically reserved to the Board are delegated to management in accordance with a schedule of Delegated Authorities. These delegated authorities cover expenditure, agreements, financial matters, remuneration and agreements with third parties. Management is required to report to the Board concerning authority exercised and matters which come, or may come, within the scope of the Board.

Subsidiary Boards

The Group's subsidiary companies operate a Board of Directors that comprises at least one PLC Director and senior management of the subsidiary as appropriate.

Board Committees

The PLC Board has established three committees to assist in the effective operation of the Board: the Audit Committee, the Remuneration Committee and the Nominations Committee. Each Committee has responsibility to the Board which are outlined in formal Terms of Reference that have been approved by the Board. The Terms of Reference, which are available on the Group's website www.tribalgroup.com, are subject to annual review to ensure the Committees continue to follow best practice. The Chairman of each Committee reports to the PLC Board after each Committee meeting and minutes are tabled at the next PLC Board meeting.

Membership of Board Committees and attendance at Board and Committee meetings during the 12 month period under review was as follows:

	PLC Board	Audit Committee	Remuneration Committee	Nominations Committee
Number of meetings in period	11	3	1	1
Meetings attended by members:				
Richard Last	11	3	1	1
Roger McDowell	11	3	1	1
Ian Bowles	11	3*	–	–
Mark Pickett	11	3*	–	–

* By invitation

Audit Committee

The Audit Committee is chaired by Roger McDowell and comprises Richard Last. The Chief Executive Officer and representatives from finance and our external auditors participate in the meeting as non-voting observers. The Committee meets three times a year.

The Committee oversees the Group's financial reporting and internal controls, including their effectiveness and risk management processes, and the external audit process and has the following responsibilities:

- Considering reports from the auditors on the annual and half-yearly financial statements
- Monitoring the integrity of the Group's financial statements and formal announcements relating to the Group's financial performance
- Making recommendations to the Board on the appointment and remuneration of the external auditors
- Reviewing the independence and objectivity of the external auditors and the effectiveness of the audit process
- Considering reports on the effectiveness of the Group's risk-management procedures and internal controls.

The Committee advise the PLC Board on the appointment, independence and objectivity of the external auditors and on the remuneration for both audit and non-audit work. The Committee also discusses the nature, scope and results of the audit with the external auditors. The Audit Committee Chairman separately meets with the external auditors during the course of the year.

The auditors' report to the Audit Committee on matters including independence and non-audit fees on an annual basis. The specific audit partner changes every five years. The amount charged by the external auditors for the provision of services during the 12 month period under review is set out in Note 5 of the financial statements on page 75.

Corporate Governance continued

Remuneration Committee

The Remuneration Committee is chaired by Roger McDowell and includes Richard Last. The Committee meets at least once a year.

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

The Remuneration report which details the Directors' remuneration, pension entitlements and service contracts, including information on Directors' interests, is set out on pages 45 to 49.

Nominations Committee

The Nominations Committee is chaired by Richard Last and includes Roger McDowell and Ian Bowles, who provides Executive management insight. The Committee meets at least once a year.

The Committee deals with appointments to the PLC Board, monitors potential conflicts of interest and reviews the independence of the Non-Executive Directors.

The PLC Board also operates the following management Boards and committees:

Executive Board

The Executive Board is chaired by Ian Bowles. The members of the Executive Board are drawn from the heads of the business units and other operational areas. The Executive Board typically meets monthly but the members interact frequently in the normal course of their roles. The Executive Board oversees the Group's operational and financial performance and is responsible for day-to-day management decisions in line with the Group's strategy. It also considers succession planning and talent management. Further matters are outlined in the Delegated Authorities.

Integrated Governance Committee

The Integrated Governance Committee is chaired by the Chief Financial Officer and reports to the Chief Executive Officer. The Committee meets monthly and includes representatives from Finance, Information Services, Human Resources, Legal, Compliance, Property and Procurement. There are separate sub-committees for Health & Safety and Information Security which monitor relevant legislative and regulatory requirements.

Internal controls and risk management

The Board is responsible for establishing and monitoring internal control and risk management systems throughout the Group and assessing their effectiveness. The Board recognises that rigorous systems of internal control are critical to the Group's achievement of its business objectives and that those systems are designed to manage rather than eliminate risk of failure to achieve business objectives. The internal control and risk management systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

Tribal maintains a risk framework that contains the key risks faced by the Group. The framework includes the impact and likelihood of key risks and the controls and procedures implemented to mitigate them. Risk management is embedded within Tribal by:

- Setting strategic direction, including targets
- Maintaining a clear authorisation framework
- Reviewing and approving annual plans and budgets
- Maintaining documented policies and procedures
- Regularly reviewing and monitoring the Group's performance in relation to risk through monthly Board reports.

The Directors are also responsible for the Group's system of internal control and for reviewing its effectiveness.

The Audit Committee reviews the Group's internal financial controls and risk management systems and the Board reviews the effectiveness of all the Group's internal controls including operational and compliance controls and risk management systems in effect during the period.

To further manage risks faced by the Group, the Company attempts to ensure that employees fully understand the Group's business strategy and objectives. The Group's communication and consultation programme includes regular internal briefings by Directors to all employees throughout the year. Regular meetings are held with staff and managers, both to discuss specific issues and provide an exchange of information. Email and the Group's intranet site also provide information to employees.

The Group operates a comprehensive budgeting system whereby managers submit detailed budgets and forecasts, which are reviewed and, where appropriate, amended by Executive Directors prior to submission to the Board for approval. Each month, actual results are reported against budget and distributed to managers and are provided to the Board in advance of meetings.

Communication with shareholders

The Group reports formally to shareholders when its annual and half-yearly financial statements are published. At the same time, Executive Directors present the results to institutional investors, analysts and the media. Notification of the date of the AGM is sent to shareholders at least 21 working days in advance of the meeting. Details of the AGM are set out in the Notice of Meeting. The Directors are available at the AGM to answer questions, both during the course of the meeting, and informally afterwards. Contact with major shareholders is principally maintained by the Chief Executive Officer and the Chief Financial Officer, who ensure that their views are communicated to the Board as a whole. The Chairman is also available to discuss governance and other matters directly with major shareholders. At every Board meeting, the Board is provided with the latest brokers' reports and a summary of the contents of any meetings with shareholders. The Board considers that the provision of these documents is a practical and efficient way for both the Chairman and Senior Independent Director to be informed of major shareholders' opinions on governance and strategy and to understand any shareholder issues and concerns.

Approved by the Board of Directors on 22 March 2018.

Richard Last
Chairman

Audit Committee report

The Audit Committee report details the key activities undertaken during the year.

Activities of the Committee during the year

The Committee's activities have focused on the accuracy of financial reporting and the related statutory audit; and the assessment of internal controls. During the year the Committee was involved in the reviewing and approving of the annual report and accounts for 2017 and the half year report and accounts for 2017, overseeing the Group's readiness for General Data Protection Regulation (GDPR) compliance and reviewing the Group's banking arrangements. In addition, the Committee reviewed the position of the Group's independent external auditors and re-appointed PricewaterhouseCoopers LLP.

Financial reporting and statutory audit

The Committee has reviewed with both management and the external auditors the half year and annual financial statements, focusing on:

- the overall truth and fairness of the results and financial position, including the clarity of disclosures shown in the statements and their compliance with statutory and best practice requirements;
- the appropriateness of the accounting policies and practices used in arriving at those results;
- the resolution of management's significant accounting judgements or of matters raised by the external auditors during the course of their half year review and annual statutory audit; and
- the quality of the Annual Report taken as a whole, including disclosures on Governance, Strategy, Risks and Remuneration, and whether it gives a fair and balanced picture of the Group.

External audit

The Committee discussed, challenged and agreed with PricewaterhouseCoopers LLP their detailed audit plans prepared in advance of the audit, which set out their assessment of key audit risks and materiality. The approach to their work on the half year results was also discussed and agreed.

Accounting policies, practices and judgements

The selection of appropriate accounting policies and practices is the responsibility of management, and the Committee discussed these with both management and the external auditors. Significant areas considered by the Committee in relation to the 2017 financial statements are set out below.

Going concern

The Group is required to assess its ability to trade as a going concern for at least 12 months from the signing of the annual financial statements. The Committee reviewed management's assessment and concluded that it remained appropriate to continue to adopt the going concern basis in preparing the financial statements.

Revenue recognition

The Group's operations include complex software delivery programmes and service activities that can require judgements to be made in relation to the timing of revenue recognition. The Committee reviewed the revenue recognition judgements taken and it was concluded that the judgements were appropriate.

Goodwill

The Group is required to test annually whether goodwill has suffered any impairment and consider whether the fixed assets used in the business are carried at an appropriate amount. The Committee reviewed management's impairment testing and concluded that there was no impairment of goodwill or any of the fixed assets used in the business.

Capitalised product development costs

The Group's product development costs are capitalised where the expenditure meets the criteria of IAS38, and the recoverability assessed annually against expected future cashflows. The Committee reviewed management's capitalisation process and recoverability assessment and concluded the capitalisation was appropriate and there was no impairment.

Assessment of internal financial control

Management is responsible for putting in place internal financial controls over financial reporting and to protect the business from identified material risks. The Committee continues to monitor these closely and they are happy they are appropriate for the business.

New accounting standards

The Committee has continued to be kept appraised of progress of the Group's preparations for the implementation of IFRS 15 (Revenue from Contracts with Customers) and IFRS 9 (Financial Instruments) which the Group will implement in the year ending 31 December 2018.

Approved by the Audit Committee on 22 March 2018.

Roger McDowell
Chairman, Audit Committee

Remuneration report

The Remuneration report details the Group's remuneration policy and the arrangements currently in place for remuneration of both Executive and Non-Executive Directors

Remuneration policy

The full Directors' remuneration policy is shown below for ease of reference, updated with minor changes. A shareholder vote on the remuneration policy is not required except as set out below. The original version of the report is set out in the 2014 Annual Report, which is available on the Group's website (www.tribalgroup.com).

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

Element of Pay	Purpose and link to Strategy	Operation including maximum	Performance Criteria
Salary	To attract and retain high-quality individuals with the appropriate skills, experience, and knowledge, while also recognising their on-going performance.	Salaries are reviewed annually or when an individual changes position or responsibility. Salaries for the current year are set out on page 47.	Assessment of personal and corporate performance.
Benefits	To provide a range of cost-effective benefits which are typical market practice.	The main benefits provided include private medical insurance, a death in service benefit of four times salary and private fuel.	None.
Pension	To provide cost-effective long-term retirement benefits which are aligned with market practice.	Contributions of 10% 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.
Annual Bonus	To incentivise and reward for the achievement of in-year objectives, which are linked to the Group's Adjusted Operating Profit.	An annual cash bonus is payable up to a maximum of 100% of salary for the Chief Executive Officer and 70% for the Chief Financial Officer, subject to the achievement of performance targets. In all cases, bonus payments are subject to the overriding discretion of the Remuneration Committee.	The Remuneration Committee reviews the performance measures.
Long-term Incentives	To incentivise and reward for the achievement of long-term performance, which is aligned to the generation of shareholder value.	An annual grant of nil-cost options, which vest after three years subject to continued service and the achievement of performance conditions. The plan limit for an award in any year is 200% of base salary. The normal policy will be to grant 100% of base salary to the Chief Executive Officer and the Chief Financial Officer. Dividends which accrue on vested awards may be paid as cash, or treated as reinvested and paid in shares.	The Remuneration Committee reviews the performance measures and targets annually. The Remuneration Committee has determined that a share price growth target is an appropriate measure for awards granted in 2016 and 2017. No more than 33.3% of the award would pay out for threshold levels of performance.
All employee plans	To encourage broad-based employee shareholding in the Group.	The Share Incentive Plan (SIP) currently provides all employees with the opportunity to acquire shares in a tax-efficient manner up to £150 per month.	None.

The Remuneration Committee ("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.

Remuneration report continued

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 Adjusted Operating Profit.

Long-term incentive performance measures are chosen to be aligned to long-term shareholder value creation by using a share price growth measure.

Directors' service contracts

Details of service agreements and notice periods are as follows:

Name	Director status	Effective date of contract	Expiry	Notice period for both parties
Ian Bowles	Executive	17 February 2016	Ongoing	6 months
Mark Pickett	Executive	30 June 2016	Ongoing	6 months
Richard Last[1]	Non-Executive – Chairman	17 November 2015	2018 AGM	–
Roger McDowell	Non-Executive – Senior Independent Director	17 November 2015	2018 AGM	3 months

1 Richard Last has no notice period.

Copies of each Director's service agreement will be available for inspection at the AGM.

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.

Policy on payments for loss of office

The Committee aims to deal fairly with cases of termination, while attempting to limit compensation. Executives' service contracts provide the Committee with the discretion to make a payment in lieu of notice limited to base salary. The Committee also retains the discretion to pay an annual bonus on a departure in certain circumstances. The rules of the long-term incentive plan set out the treatment if a participant leaves employment prior to awards vesting. If the participant is considered a good leaver (through death, retirement, 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. 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.

Non-Executive Directors have a defined notice period and no compensation or other benefits are payable other than the potential share-based incentives in respect of Richard Last and Roger McDowell.

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.

Shareholder's Views

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.

External Board Appointments

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

Non-Executive Director Fees

The fees for the year ending 31 December 2018, which took effect from 1 January 2018 are as follows. These exclude any expenses which the Non-Executive Directors may incur in relation to their duties.

	From 1 January 2018	From 1 January 2017	Increase
Chairman	£110,000	£110,000	Nil
Basic Fee	£40,800	£40,800	Nil
Senior Independent Director Fee	£4,100	£4,100	Nil
Committee Chairman Fee*	£5,100	£5,100	Nil

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

INFORMATION SUBJECT TO AUDIT

Remuneration payable for the financial year ending 31 December 2017

Director	Salary	Benefits[1]	Bonus	LTIP[2]	Pension	Total 2017	Total 2016
Ian Bowles	£270,000	£2,293	£270,000	£304,416	£27,000	£873,709	£615,196
Mark Pickett	£200,000	£1,200	£140,000	£252,794	£20,000	£613,994	£433,492
Richard Last	£110,000	–	–	–	–	£110,000	£110,000
Roger McDowell	£55,100	–	–	–	–	£55,100	£50,850

1 Benefits include private medical insurance and private fuel.

2 The cost reported in remuneration is equivalent to the share-based payment accounting charge incurred in the year.

Long Term Incentives Plan (LTIP) awards

On 30 June 2017 the Remuneration Committee approved LTIP awards to Ian Bowles and Mark Pickett respectively.

	Type	Number of Shares	Face Value[1]	Performance Condition	Performance Period	% Vesting at threshold
Ian Bowles	Nil-Cost Option	348,387	£292,443[1] (100% of salary)	Share price[3]	Measured over 3 financial years to 30 June 2020	33.33%
Mark Pickett	Nil-Cost Option	247,678	£207,554[2] (100% of salary)	Share price[3]	Measured over 3 years to 30 June 2020	33.3%

1 Face value calculated based on share price on 17 February 2017 (77.5p).

2 Face value calculated based on share price on 31 March 2017 (80.75p).

3 Performance condition met prior to award being issued.

The share price performance condition is subject to the following targets:

Share price as at the third anniversary of the Grant Date	% of an Award that becomes capable of exercise
Less than 60p	0%
60p–69.99p	33.33%
70p–79.99p	66.66%
80p or more	100%

Remuneration report continued

Share Matching Plan

The Share Matching Plan was approved by shareholders in 2017. The terms of the Share Matching Plan proposed that, on the basis that Richard Last and Roger McDowell subscribed for their Non-Executive Director (NED) Subscription Shares, they were offered rights to acquire additional Share Matching Plan Shares on the terms of the Share Matching Plan.

On 3 May 2016, the date of the Group's listing on AIM, Richard Last and Roger McDowell each subscribed for 2,272,727 NED Subscription Shares at 22p each and each was granted nil cost share options over 1,702,999 Matching Plan Shares. The Matching Plan Shares are not subject to any performance conditions and will vest in three equal tranches on 1 January 2017, 2018 and 2019. The Matching Plan Shares will not vest unless the relevant Director remains a Director and has not given notice to terminate his Directorship on the applicable vesting date.

No Matching Plan Shares have vested or been exercised in the year.

Share Award Interests

The interests of Directors in share options were as follows:

	At 1 January 2017	Granted	Lapsed	Exercised	At 31 December 2017	Exercise Price	Price on date of grant	Date from which exercisable	Expiry Date
Ian Bowles									
LTIP – 28 June 2016	2,454,546	–	–	–	2,454,546	Nil	22.0p	June 2019	June 2026
LTIP – 28 June 2017	–	–	–	–	348,977	Nil	83.8p	June 2020	June 2027
Mark Pickett									
LTIP – 30 June 2016	–	611,620	–	–	611,620	Nil	32.7p	June 2017	June 2026
LTIP – 30 June 2016	–	611,621	–	–	611,621	Nil	32.7p	June 2019	June 2026
LTIP – 28 June 2017	–	–	–	–	247,678	Nil	83.8p	June 2020	June 2027

The closing share price at 31 December 2017 was 81.0p and during the year ranged from 58.5p to 94.0p. There have been no variations to the terms and conditions or performance criteria for share awards during the financial year.

INFORMATION NOT AUDITED

Directors' Shareholdings

The table below sets out the Directors' current shareholdings as at 31 December 2017. The shareholding guideline for the Chief Executive and Chief Financial Officer is to hold shares to the value of their base salary within no more than five years of appointment.

Director	Beneficially Owned	% of Salary/ Fee held	LTIP Options	Share Matching Plan Option
Ian Bowles	1,336,363	401%	2,803,523	–
Mark Pickett	–	–	1,470,919	–
Richard Last	2,272,727	1,674%	–	1,702,999
Roger McDowell	2,272,727	3,341%	–	1,702,999

Note: % of salary/fees held is calculated by reference to the value of the individual's shareholding in Tribal valued at the share price on the close of business on 31 December 2017.

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 2017 was 6.2%.

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.

Approved by the Remuneration Committee on 22 March 2018.

Roger McDowell
Chairman, Remuneration Committee

Directors' report

The Directors present their report and audited consolidated financial statements for the year ended 31 December 2017.

Principal activities

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

The Company acts as a holding company with a number of trading subsidiaries that provide education related systems, solutions and consultancy services. There was no significant change in this activity during the year. The subsidiary undertakings of the Company are listed in note 33.

Results and dividends

The profit for the year, after taxation, amounted to £2,619,000 (2016: loss of £1,157,000). The Directors have declared a full year dividend of 1p per share for 2017 (2016: no dividend), pending approval at the AGM on 24 April 2018.

Long-term financing

The Group has a three year revolving credit facility committed until June 2018 totalling £15m including a £1m overdraft facility and £6.5m for trading guarantees with customers as at 31 December 2017. During the year the Group voluntarily reduced the facility from £25m and has further reduced it to £11m from January 2018. At the end of 2017 none of the overdraft facility was drawn down. Following a review of the Group's forecasts and projections, the Directors consider the Group is well placed to meet its funding requirements for the foreseeable future. Information about the use of financial instruments by the Group is given in note 31 of the financial statements.

Risks and uncertainties

The Group's principal risks and uncertainties are explained in the Strategic Report on page 30. Risks of a financial nature are addressed in the CFO's report on page 24 to 28, and note 31 of the financial statements.

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 and throughout the year. Directors' and officers' liability insurance is provided for all Directors of the Company.

Directors retiring

The names of the Directors who served during the year and up to the date of signing the financial statements are set out on page 41. All Directors are required to submit to re-election each year and will be proposed for re-election at the forthcoming AGM.

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 legislations. The Articles themselves may be amended by special resolution of the shareholders.

Directors' interests and share capitals information regarding Directors' interests in the Company, including share options, are detailed in the Remuneration report on page 45 and 49.

Political and Charitable contributions

During the year, the Group made charitable contributions totalling £8,000 (2016: £12,000). These contributions were made to a variety of causes and to both local and national charities. There were no political donations.

Share capital

Details of the authorised and issued share capital are shown in note 24 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. During the year, the Company issued 670,882 ordinary shares of 1p (2016: 100,531,058).

Branches

The Group has overseas branches in Australia, New Zealand, South Africa, Abu Dhabi, Botswana, Saudi Arabia and Hungary.

Employees

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 page 32.

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

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

Research and development

The Group continues to invest in research and development of software products, as set out in notes 5 and 15 of the financial statements. This has resulted in a number of new modules to existing software products in our APAC region which we expect to contribute to the growth of our business and the development of the Group's next generation cloud-based Student information System, TribalEdge. Total research and development expenditure moved to £4.7m (2016: £3.2m) of which £2.1m (2016: £1.1m) was capitalised.

Post balance sheet events

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

Future development

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

Annual General Meeting

The Company's AGM will be held on 24 April 2018. The notice convening the AGM and an explanation of the business to be put to the meeting are contained in a separate circular to shareholders.

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be put to the AGM.

Directors' responsibility statement

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Gompany and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

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

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Directors' responsibility statement confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

Corporate Governance

The Company's statement on corporate governance compliance can be found in the corporate governance report on pages 40 to 43 of the Annual Report and Accounts. The corporate governance report forms part of this Directors' report and is incorporated by reference.

Statement of disclosure of information to auditors

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

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

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

Ian Bowles
Chief Executive

Mark Pickett
Chief Financial Officer

Kings Orchard
1 Queen Street
Bristol
BS2 0HQ

Registered number 4128850

22 March 2018

Financial Statements

Independent Auditors' Report to the Members of Tribal Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Tribal Group plc's Group financial statements and parent company financial statements (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 2017 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with 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 (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2017 (the "Annual Report"), which comprise: the consolidated and Company only balance sheets as at 31 December 2017; the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and Company only statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

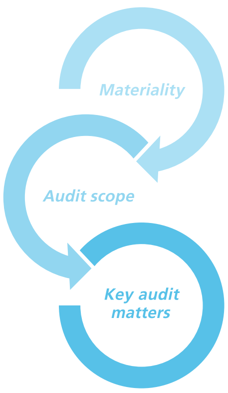
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall group materiality: £845,000 (2016: £900,000), based on 1% of Total revenue.
- Overall parent company materiality: £438,000 (2016: £360,000), based on 0.6% of Total Assets.

- We focused our group audit scope primarily on the operations of the main UK trading entity and the Australian sub group.
- The UK branch of Tribal Education Limited and Australian sub group, were subject to full scope audit.
- These operations represent the principal business units and account for 85% (2016: 91%) of the Group's revenue.

- Revenue recognition.
- Impairment of indefinite life intangibles.

The scope of the audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition The Group has recognised £85 million (2016: £90 million) of revenue in the year. The Group's key revenue recognition policies are set out in note 1 to the financial statements. The risk relates to the key judgements required in applying these policies. The accounting judgements can be complex when associated with recognition of invoiced and accrued income for contracts where there are specific ongoing delivery challenges, history of slow or non-payment, ongoing commercial negotiations, contract claims or contract losses. There is also a risk that invoiced and accrued revenue on such contracts may not be recoverable. The timing of when delivery has occurred for software/ licences can also be complex (as no physical delivery usually occurs with software and encryption keys being sent electronically). Given the material nature of the Group's licence contracts there is a risk that licence revenues are recorded in the wrong period.	We sought to identify those contracts where management may have encountered unexpected complexities in delivering the project. We made inquiries of operational management to identify contract claims or potential losses, reviewed project financial information and sought evidence of payment against milestones. We evaluated recoverability of invoiced and accrued income by selecting a risk-based sample of projects and obtaining evidence to support recoverability, including subsequent payments, explanations from operational teams, customer correspondence, and history of customer payments. We obtained customer acceptance of licences near the year end to ensure management have followed the documented policies and procedures prior to recognising licence revenue.
Impairment of indefinite life intangibles The carrying value of goodwill as at 31 December 2017 was £21.1million allocated to three cash generating units (CGUs) related to the Group's three business segments. No impairment has been recognised in the current year. Further detail is included in note 13 to the financial statements ("Goodwill") and notes 1 and 2 which set out the Group's accounting policy and critical judgements in relation to the impairment of goodwill. The standard for impairment of assets, IAS 36, states that all indefinite lived intangible assets (those not subject to amortisation), including goodwill, should be tested for impairment annually. Management have identified the cash generating units (CGUs) for the impairment as being; Student Management Systems, i-graduate and Quality Assurance Services. The impairment assessment has been performed against the assets and liabilities allocated to these segments. Estimation of the recoverable amount requires management to make assumptions in respect of forecast operating cash flows, long-term growth rates and discount rates. The assumptions and judgements in assessing the carrying value of the intangibles are judgemental, giving rise to risk in respect of valuation.	We evaluated the appropriateness of the key assumptions driving the cash flow forecasts including forecast future performance, discount rates and short and long-term growth rates. We considered the accuracy of prior year forecasts and performed sensitivities across the reporting segments. We concluded that the assumptions used by management were reasonable. We also ensured that the disclosures in relation to the assumptions and sensitivities, particularly in relation to the i-graduate CGU where the headroom was lowest and therefore most sensitive to changes in assumptions were appropriate. Given this management has disclosed relevant sensitivities (see note 13).

We determined that there were no key audit matters applicable to the parent company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

The Group principally operates from the UK and Australia, accounting for 85% of total revenues, and across 3 business segments, SMS, i-graduate and QAS. All Group entities moved onto a common general ledger platform from 1 January 2017 giving improved reporting capability of the Group's results, while the Australian finance function moved into the UK during the year.

Independent Auditors' Report to the Members of Tribal Group plc continued

The UK and Australian operations were scoped for full audit procedures, along with specific line items in other territories where they contributed between 5–15% of a specific line item. Across the components subject to audit the population covered by our audit sample is 97% (2016: 76%) of the Group's consolidated revenue. The lowest level of coverage we obtained for any financial statement line item was 59%.

At the parent entity level we also tested the consolidation process, including testing of consolidation journals, and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to full scope audit.

The UK firm performed all audit work except the audit of Australian tax balances where we determined the Australian firm had the better expertise and knowledge.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Overall materiality	£845,000 (2016: £900,000).	£438,000 (2016: £360,000).
How we determined it	1% of Total revenue.	0.6% of Total Assets.
Rationale for benchmark applied	The business has experienced significant volatility in recent years and the Group has gone under a significant restructure, following a significant divestment in the prior year, new management team and strategy. Accordingly revenue is deemed to be the most appropriate benchmark, we also note that it is a key metric that the Company's analysts use to track and measure the Group's performance.	The parent company is a holding company and does not trade. Total assets reflecting primarily the investment in the trading companies best represents the nature and purpose of the entity.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The materiality allocated was £739,000 for both significant components.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £42,000 (Group audit) (2016: £27,000) and £21,900 (Parent company audit) (2016: £18,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Directors' Responsibility Statement set out on page 51, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of Directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Sam Taylor (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
22 March 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Note	Adjusted £'000	Other items (see note 6) £'000	Year ended 31 December 2017 Total £'000	Adjusted £'000	Other items (see note 6) £'000	Year ended 31 December 2016 Total £'000
Continuing operations							
Revenue	3	84,918	–	84,918	90,255	–	90,255
Cost of sales		(42,401)	–	(42,401)	(51,408)	–	(51,408)
Gross profit		42,517	–	42,517	38,847	–	38,847
Total administrative expenses		(33,975)	(4,815)	(38,790)	(34,159)	(4,625)	(38,784)
Operating profit/(loss)	4, 5	8,542	(4,815)	3,727	4,688	(4,625)	63
Investment income	8	20	–	20	66	–	66
Finance costs	6, 9	(179)	(128)	(307)	(595)	(398)	(993)
Profit/(loss) before tax		8,383	(4,943)	3,440	4,159	(5,023)	(864)
Tax (charge)/credit	10	(1,757)	936	(821)	(889)	596	(293)
Profit/(loss) for the year		6,626	(4,007)	2,619	3,270	(4,427)	(1,157)
Earnings per share							
Basic	12	3.4p		1.3p	1.9p		(0.7)p
Diluted	12	3.2p		1.3p	1.9p		(0.7)p

All activities are from continuing operations

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Profit/(loss) for the year		2,619	(1,157)
Other comprehensive (expense)/income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension schemes	27	55	(1,706)
Deferred tax on measurement of defined benefit pension schemes	22	(9)	290
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(436)	3,070
Other comprehensive (expense)/income for the year net of tax		(390)	1,654
Total comprehensive income for the year attributable to equity holders of the parent		2,229	497

Consolidated Balance Sheet

As at 31 December 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Goodwill	13	21,113	21,316
Other intangible assets	14	13,863	14,214
Property, plant and equipment	15	1,577	1,981
Deferred tax assets	22	4,275	3,881
Accrued income		150	169
		40,978	41,561
Current assets			
Inventories		–	83
Trade and other receivables	16	13,625	15,810
Accrued income		4,851	3,605
Current tax assets		106	84
Cash and cash equivalents (excluding bank overdrafts)	18	14,082	10,260
		32,664	29,842
Total assets		73,642	71,403
Current liabilities			
Trade and other payables	19	(6,888)	(7,066)
Accruals		(8,593)	(8,204)
Deferred income		(17,934)	(19,352)
Current tax liabilities		(2,573)	(1,266)
Borrowings	20	–	(1,427)
Provisions	21	(1,250)	(941)
		(37,238)	(38,256)
Net current liabilities		(4,574)	(8,414)
Non-current liabilities			
Other payables	19	(551)	(1,026)
Deferred tax liabilities	22	(1,276)	(1,877)
Deferred income		(113)	(818)
Retirement benefit obligations	27	(1,718)	(1,725)
Provisions	21	(194)	(211)
		(3,852)	(5,657)
Total liabilities		(41,090)	(43,913)
Net assets		32,552	27,490
Equity			
Share capital	24	9,803	9,769
Share premium		15,539	14,989
Other reserves	25	22,783	20,879
Accumulated losses		(15,573)	(18,147)
Total equity attributable to equity holders of the parent		32,552	27,490

Notes 1 to 33 form part of these financial statements. The Company's registered number is 4128850.

The financial statements on pages 58 to 100 were approved by the Board of Directors and authorised for issue on 22 March 2018 and were signed on its behalf by:

Ian Bowles

Ian Bowles
Director

M Pickett.

Mark Pickett
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2016		4,743	21	20,503	(19,107)	6,160
Loss for the year		–	–	–	(1,157)	(1,157)
Other comprehensive income for the year		–	–	–	1,654	1,654
Acquisition of own shares		–	–	(91)	–	(91)
Issue of equity share capital		5,026	17,091	–	–	22,117
Costs associated with issue of share capital		–	(2,123)	–	–	(2,123)
Charge to equity for share-based payments	23	–	–	876	–	876
Tax credit on charge to equity for share-based payments	10	–	–	–	54	54
Transfer from merger reserve		–	–	(409)	409	–
At 31 December 2016 and 1 January 2017		9,769	14,989	20,879	(18,147)	27,490
Profit for the year		–	–	–	2,619	2,619
Other comprehensive expense for the year		–	–	–	(390)	(390)
Issue of equity share capital		34	550	–	–	584
Charge to equity for share-based payments	23	–	–	1,393	–	1,393
Tax credit on charge to equity for share-based payments	10	–	–	–	345	345
Transfer from other payables for share-based payments	19	–	–	511	–	511
At 31 December 2017		9,803	15,539	22,783	(15,573)	32,552

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Net cash from operating activities	28	11,117	8,274
Investing activities			
Interest received		20	66
Gross proceeds from disposal of Synergy		–	19,421
Costs associated with disposal of Synergy		–	(872)
Purchases of property, plant and equipment	15	(803)	(443)
Expenditure on intangible assets	14	(3,559)	(1,932)
Payment of deferred consideration for acquisitions		(1,157)	(3,374)
Repayment of Escrow (in respect of Human Edge)		–	357
Net cash (outflow)/inflow from investing activities		(5,499)	13,223
Financing activities			
Interest paid		(101)	(460)
Purchase of own shares		–	(91)
Gross proceeds on issue of shares		–	22,117
Costs associated with issue of shares		–	(2,123)
Repayment of borrowings and loan arrangement fees		(25)	(34,500)
Net cash used in financing activities		(126)	(15,057)
Net increase in cash and cash equivalents		5,492	6,440
Cash and cash equivalents at beginning of year		8,833	1,736
Effect of foreign exchange rate changes		(243)	657
Cash and cash equivalents at end of year	18	14,082	8,833

Notes to the Financial Statements

1. Accounting policies

General information

Tribal Group plc (the Company) is a company incorporated and domiciled in the United Kingdom under the Companies Act. The Company is a public limited company which is listed on the Alternative Investment Market (AIM). The address of the registered office is given on page 108. The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in note 4 and in the strategic report on pages 7 to 33. The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out below. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements on pages 58 to 100 have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretation Committee (IFRS IC) as adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation and the Companies Act 2006 applicable to Companies reporting under IFRS.

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

The preparation of financial statements in conforming with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degreee of judgement or complexity, or ares where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Adoption of new and revised standards

In the current financial year, the Group has applied a number of amendments to IFRSs and new interpretations by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2017 including amendments to IAS 7 Statement of cashflow disclosure, IAS 12 Recognition of deferred tax assets for unrealised losses, and Annual Improvements to IFRS Standards 2014–2016 Cycle. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

IFRS 2 (amendments)	Share based payments
IFRS 9	Financial Instruments
IFRS 15 (amendments)	Revenue from contracts with customers
IFRS 16	Leases
IFRS 17	Insurance contracts
IFRS 4 (amendments)	'Insurance contracts' regarding the implementation of IFRS 9 'Financial Instruments'
IFRIC 22	Foreign currency transactions and advance consideration
IFRIC 23	Uncertainty over income tax treatments
Annual Improvements 2015-2017 Cycles	

The Group has assessed the impact of adopting IFRS 15, and has concluded that software License revenue will be recognised over the duration of the project Implementation period on a percentage complete basis. This will spread the recognition of License revenue over an extended period, rather than immediate, upfront recognition. There will be no changes to the timing of the recognition of Implementation or Support & Maintenance revenue. In 2017, this is expected to increase the revenue by £0.4m to £85.3m and operating profit by £0.4m to £8.9m, a decrease of £0.2m to accrued income and a decrease of £0.6m to deferred income.

The Group is currently assessing the impact of adopting IFRS 9 however it is not anticipated that the new standard will have a material impact on the Group.

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

Notes to the Financial Statements continued

1. Accounting policies continued

Basis of consolidation

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

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

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

Adoption of the going concern basis

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

Revenue recognition

Revenue is measured at the fair value of the consideration receivable from the provision of goods and services to third party customers in the normal course of business. Revenue is stated excluding sales tax and trade discounts. The particular recognition policies applied in respect of the various potential elements of short-term or repeat service contracts are as set out below. Analysis has been provided by revenue stream:

Student Management Systems:

- Revenue on perpetual software licences is recognised on transfer to the customer of the risks and rewards of ownership providing there are no unfulfilled obligations that are essential to the functionality of the product. If such obligations exist, revenue is recognised as they are fulfilled. The transfer of the risks and rewards takes place when the customer has the opportunity to access the software. Depending on the specific nature of the product in question and whether they are a new site, or an existing customer purchasing new modules, the customer has the opportunity to access the software when links are provided, licence keys issued, or installation completed.
- Revenue from term software licences is spread over the period of the licence.
- Revenue from contracts for software maintenance and support is recognised on a pro rata basis over the contract period, reflecting the Group's obligation to support the relevant software products and update their content over the contract period.
- Other services that are purchased for a specific term are recognised on a pro rata basis over the contract period. This includes services such as hosting and managed IT services.
- Revenue from software implementation, consultancy and other services that involve the purchase of a number of days is recognised as the service is provided.

Quality Assurance Services and i-graduate:

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

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

For multi-element contracts that include more than one revenue stream, the fair value of the component parts is established and revenue recognised for each element in line with the relevant policy above. Where separate contracts are entered into at or near the same time, with the same entity and were negotiated as a package, they are treated as a single arrangement.

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 within administrative expenses immediately.

1. Accounting policies continued

Deferred contingent consideration

The Group has a number of deferred consideration obligations arising from previous acquisitions which are subject to both contingent and non-contingent performance criteria. All acquisitions are now outside of the measurement period for fair value acquisition accounting.

The accounting for changes in the fair value of deferred contingent consideration, and non-contingent consideration if applicable, that do not qualify as measurement period adjustments, and for which consideration is classified as an asset or liability is remeasured at subsequent reporting dates at fair value with the corresponding gain or loss being recognised in profit or loss.

Any equity based consideration is recognised in equity at the date it is agreed and would not be remeasured at subsequent reporting dates, with subsequent settlement accounted for within equity.

Goodwill

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

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

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

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

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). Tangible and Intangible assets are amortised over their estimated useful lives (see notes 14 and 15).

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

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

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

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 economic lives of 2 to 7 years. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Acquired Intangibles

Acquired intangibles are stated at cost, net of amortisation and any recognised impairment loss. These assets are amortised on a straight line basis over their useful economic lives of 5 years.

Property, plant and equipment

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

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

Leases

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

Other items

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

The Company has adopted a policy of disclosing separately on the face of its Group income statement the effect of any components of financial performance considered by the Directors to be not directly related to the trading business or regarded as exceptional, or for which separate disclosure would assist in a better understanding of the financial performance achieved.

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

1. Accounting policies continued

Retirement benefit costs

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

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

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

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

Provisions

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

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

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

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

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

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

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 within other comprehensive income. 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 the particular vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Fair value is measured by use of an adjusted Black-Scholes model for the LTIPs awarded pre 2016, 2016 matching shares, 2017 LTIPs (including the CSOP) , and a Monte-Carlo model for the LTIPS awarded in 2016, as these will vest dependent on market 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. The Group does not currently hold any held-to-maturity investments or 'available for sale' financial assets.

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 and cash equivalents

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

Derecognition of financial assets

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

Financial liabilities and equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

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

Derecognition of financial liabilities

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

Notes to the Financial Statements continued

1. Accounting policies continued

Borrowing costs

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

2. Critical accounting judgements and sources of estimation uncertainty

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

Goodwill and other intangible assets

The carrying value of goodwill at the year-end is £21.1m (2016: £21.3m). 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. Further details of the other assumptions used are given in note 13.

The carrying value of other intangible assets is £13.9m (2016: £14.2m). Judgement is required to assess whether costs meet the criteria for capitalisation set out in IAS 38, the useful life of those assets, and subsequently the consideration of the potential need for impairment of these assets, in particular in relation to their expected ability to generate future revenue.

Revenue recognition

The Group's revenue recognition policies are disclosed in note 1. In some cases, particularly in relation to significant software delivery programmes on which we are engaged in a number of international settings, judgement is required to determine the most appropriate measure of the fair value and the timing of revenue and profit recognition related to the services and products that have been delivered to customers at the balance sheet date. In particular before any licence revenue can be recognised, the licence must have been delivered and installed at the customers premises and be available to use by the customer in the environment on which installation will take place. Judgement is also required in the assessment of the risk of recoverability of any associated receivables and accrued income where invoicing and/or payment is subject to certain future milestones. Programme delivery requirements, software specification and customer expectations may evolve during the course of these major projects. This may result in developments to ongoing commercial arrangements that could materially impact the basis of financial judgements made at a period end. Therefore the potential impact of these evolving obligations and the overall customer project status must be considered carefully and where appropriate reflected in accounting judgements.

3. Revenue

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

	2017 £'000	2016 £'000
Continuing operations		
Sales of services	84,918	90,255
Total revenue	84,918	90,255

Sales of services are defined as education related systems or solutions and consultancy services. Further details of the nature of the services provided are disclosed in note 4.

Sales of goods are not material and are therefore not shown separately. Included in sales of services is £0.4m (2016: £0.5m) related to software licence revenues recognised as a result of a periodic review of our licence entitlement resulting from changes in our customers' enrolled student numbers.

There is no revenue in respect of discontinued operations.

4. Business segments

Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance is focused on the nature of each type of activity. The Group's reportable segments and principal activities under IFRS 8 are detailed below:

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

i-graduate, represents a portfolio of performance improvement tools and services, including analytics, software solutions, facilities and asset management; and

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

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.

	Revenue		Adjusted Segment Operating Profit		
	Year ended 31 December 2017 £'000	Restated Year ended 31 December 2016 £'000	Year ended 31 December 2017 £'000	Restated Year ended 31 December 2016 £'000	As previously reported Year ended 31 December 2016 £'000
Student Management Systems	60,026	59,005	17,613	12,021	4,724
i-graduate	7,101	8,705	1,064	1,007	901
Quality Assurance Solutions	17,791	22,545	4,408	6,537	2,532
Total	84,918	90,255	23,085	19,565	8,157
Unallocated corporate expenses			(14,543)	(14,877)	(3,469)
Adjusted operating profit			8,542	4,688	4,688
Amortisation of IFRS 3 intangibles			(2,034)	(1,912)	(1,912)
Other items			(2,781)	(2,713)	(2,713)
Operating profit			3,727	63	63
Investment income			20	66	66
Finance costs			(307)	(993)	(993)
Profit/(loss) before tax			3,440	(864)	(864)
Tax charge			(821)	(293)	(293)
Profit/(loss) after tax			2,619	(1,157)	(1,157)

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.

From the beginning of 2017, the basis of cost allocation for each of the Lines of Business has changed. It was determined that the previous methodology allocated central costs (which include Finance, HR, Legal, IT, Corporate services., Marketing and Office costs) in a way that did not represent the level of resource utilised by that business, and accordingly did not provide sufficient insight into the underlying profitability of the Line of Business. The segmental analysis of Adjusted Operating profit now allocates all directly attributable and controllable direct and overhead costs to its business segment. The central and group costs now represent the aggregate of all costs which support the Lines of Business, and which are not directly and specifically attributable to each Line of Business.

Within QAS revenues of approximately 4% (2016: 13%) have arisen from the Segments largest customer; within SMS revenues of approximately 8% (2016: 7%) have arisen from the Segments largest customer.

Notes to the Financial Statements continued

4. Business segments continued

Geographical information

Revenue from external customers, based on location of the customer, are shown below:

	2017 £'000	2016 £'000
UK	39,252	46,469
Asia Pacific	33,713	31,819
North America and rest of the world	11,953	11,967
	84,918	90,255

Non-current assets

	2017 £'000	2016 £'000
UK	19,636	19,171
Asia Pacific	21,336	22,376
North America and rest of the world	6	14
	40,978	41,561

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

Continuing operations

	2017 £'000	Restated 2016 £'000
Licence and development fees	9,989	11,284
Implementation services	14,840	13,342
Support & Maintenance	33,474	32,422
Cloud services	4,004	3,357
Other services	2,441	4,159
School inspections & other related services (QAS)	17,139	22,545
i-graduate survey & data analytics	3,031	3,147
	84,918	90,255

2016 is restated to identify cloud services separately and reallocate Performance Benchmarking to "School inspections & other related services (QAS)" from "i-graduate surveys & data analytics".

5. Operating profit for the year

	Note	2017 £'000	2016 £'000
Operating profit/(loss) for the year is stated after charging/(crediting):			
Staff costs (excluding amounts capitalised)	7	49,527	56,829
Depreciation and other amounts written off property, plant and equipment	15	1,190	1,506
Amortisation of acquired IFRS 3 intangible assets	14	2,034	1,912
Amortisation of software licences	14	134	166
Amortisation of business systems	14	642	162
Amortisation of development costs and acquired Intellectual Property	14	1,632	1,411
Profit on sale of Synergy		–	(301)
Net impairment loss on trade receivables	16	820	864
Research and development expenditure (includes staff costs noted above)		4,678	3,213
Net foreign exchange gains/(losses)		331	(115)

The analysis of auditors' remuneration is as follows:

	2017 £'000	2016 £'000
Fees payable to the Company's previous auditors for other services		
– other assurance	–	481
Fees payable to the Company's current auditors for the audit of the Company's annual report	110	107
Fees payable to the Company's current auditors and its associates for other services to the Group:		
– the audit of the Company's subsidiaries pursuant to legislation	159	153
Total audit fees	269	260
– audit related assurance services	40	33
Total non-audit fees	40	514
Total auditor's remuneration	309	774

Non-audit fees in 2017 arose as a result of the half year review and technical workshops.

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

Non-audit fees in 2016 have been split between those payable to the Group's previous auditors in respect of the Rights Issue and disposal of Synergy (£481,000), and those payable to the current auditors in 2016 (£33,000).

Notes to the Financial Statements continued

6. Other items

	2017 £'000	2016 £'000
Profit on sale of Synergy	–	(301)
– Repayment of Escrow (in respect of the acquisition of Human Edge)	–	357
– Movement in deferred contingent consideration	(29)	(607)
Acquisition related costs	(29)	(250)
Share based payments (including employer related taxes)	(1,732)	(1,036)
– Onerous contracts	–	115
– Costs on closure of SLS business	–	(33)
– Property related	–	136
– Restructuring and associated costs	(1,020)	(1,946)
Other exceptional items	(1,020)	(1,728)
Other Administrative costs	(2,781)	(2,713)
– Amortisation of IFRS 3 intangibles	(2,034)	(1,912)
Total administrative expenses	(4,815)	(4,625)
– Unwinding of discount on deferred consideration	(128)	(205)
– Bank arrangement fees written off	–	(244)
– Fees associated with waiver of loan covenant	–	51
Other financing items	(128)	(398)
	(4,943)	(5,023)
Tax on other items	936	596
	(4,007)	(4,427)

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

Acquisition costs: during the period, a final payment was made in respect of deferred consideration payable on acquisition of Callista, which resulted in a true up of the amounts provided (2017: £29,000: 2016 £250,000).

Other exceptional items: amounts principally reflect the costs arising in respect of the restructuring of the Group's operations. The restructuring program was executed in the first half of 2017 and associated costs provided for. Amounts relate mainly to provision for redundancy costs. (2017: £1,020,000: 2016: £1,946,000).

Share based payments (see note 23): The numbers above include the movement in associated employers taxes accrual (2017: £339,000: 2016: £160,000).

Amortisation of IFRS3 intangibles: amortisation arising on the fair value of intangible assets acquired is separately disclosed as other items. (2017: £2,034,000: 2016: £1,912,000).

Financing charges: consistent with the treatment of movements in deferred consideration, the unwind of the discount on deferred consideration is separately presented as other financing costs in the income statement (2017: £128,000: 2016: £398,000).

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

7. Staff numbers and costs

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

	2017 number	2016 number
Selling, operations and marketing	802	972
Finance and administration	123	189
	925	1,161

The aggregate payroll costs of these persons were as follows:

	2017 £'000	2016 £'000
Wages and salaries	43,303	47,962
Social security costs	3,720	3,869
Other pension costs	2,228	2,988
Restructuring costs	996	2,232
Share option charge	1,393	876
	51,640	57,927

The total payroll costs above include £2,135,000 (2016: £1,098,000) capitalised as development costs (see note 14).

Net interest expense relating to pension schemes of £42,000 (2016: credit of £12,000) and administrative expenses of £21,000 (2016: £21,000) are reported elsewhere and are therefore excluded from the figures above.

8. Investment income

	2017 £'000	2016 £'000
Net interest receivable on retirement benefit obligations	–	12
Other interest receivable	20	54
	20	66

Notes to the Financial Statements continued

9. Finance costs

	2017 £'000	2016 £'000
Interest on bank overdrafts and loans	51	310
Amortisation and write off of loan arrangement fees	36	60
Net interest payable on retirement benefit obligations	42	–
Other interest payable	50	225
Adjusted Finance costs	179	595
Unwinding of discounts	128	205
Bank arrangement fees written off	–	244
Fees associated with waiver of loan covenants	–	(51)
Other finance costs	128	398
Total finance costs	307	993

10. Tax

	2017 £'000	2016 £'000
Current tax		
UK corporation tax	100	116
Overseas tax	1,529	690
Adjustments in respect of prior years	(165)	309
	1,464	1,115
Deferred tax		
Current year	(641)	(816)
Adjustments in respect of prior years	(2)	(6)
	(643)	(822)
Tax charge on profits	821	293

See note 22 for further analysis of movements in the deferred tax position. The continuing tax charge can be reconciled to the profit from continuing operations per the income statement as follows:

10. Tax continued

	2017 £'000	2016 £'000
Profit/(loss) before tax on continuing operations	3,440	(864)
Tax credit at standard rate of 19.25% (2016: 20%)	662	(173)
Effects of:		
Overseas tax rates	180	140
Expenses not deductible for tax purposes	64	180
Adjustments in respect of prior years	(167)	272
Additional deduction for R&D expenditure	(7)	(87)
Movement in tax provision	–	116
Utilisation of unrecognised tax losses	(125)	(358)
Effect of changes in tax rates	214	203
Tax expense for the year	821	293

In addition to the amount charged to the income statement a current tax credit of £nil (2016: £nil) and a deferred tax credit of £345,000 (2016: credit of £54,000) has been recognised directly in equity during the year in relation to share schemes. A deferred tax charge of £9,000 (2016: credit of £290,000) has been recognised in the Consolidated Statement of Comprehensive Income in relation to Defined Benefit pension schemes.

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

The income tax expense for the year is based on the UK statutory rate of corporation tax for the period of 19.25% (2016: 20%). This rate reflects the reduction of the UK corporation tax rate from 20% to 19% from 1 April 2017. Tax for other jurisdictions is calculated at the prevailing rates prevailing in the respective jurisdictions.

A further reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future tax charge accordingly. The deferred tax balances at 31 December 2017 have been calculated based on these rates.

11. Dividends

	2017 £'000	2016 £'000
Proposed final dividend for the year ended 31 December 2017 of 1.0 pence (year ended 31 December 2016: nil pence) per share	1,961	–

12. 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:

	2017 thousands	2016 thousands
Weighted average number of shares outstanding:		
Basic weighted average number of shares in issue	195,011	168,755
Weighted average number of employee share options	10,729	–
Weighted average number of shares outstanding for dilution calculations	205,740	168,755

Notes to the Financial Statements continued

12. Earnings per share continued

Diluted earnings per share only reflects the dilutive effect of share options for which performance criteria have been met. Previous 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 2017. None of the 552,928 remaining share options that were issued in 2015 met the performance criteria.

In regards the diluted loss per share in 2016, all potentially dilutive ordinary shares, including options and deferred shares, are anti-dilutive as they would decrease the loss per share.

The maximum number of potentially dilutive shares, based on options that have been granted but have not yet met vesting criteria, is 10,084,612 (2016: 5,367,189). In addition there are a further 3,405,996 (2016: 3,405,996) potentially dilutive matching share options that have been granted but have not yet met vesting criteria as at 31 December 2017.

The adjusted basic and diluted earnings per share figures shown on the consolidated income statement on page 58 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:

	2017 £'000	2016 £'000
Net Profit/(loss)	2,619	(1,157)
Earnings per share		
Basic	1.3p	(0.7)p
Diluted	1.3p	(0.7)p
Adjusted earnings per share		
Basic	3.4p	1.9p
Diluted	3.2p	1.9p

	Profit/(loss) for the year		Earnings per share	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Profit/(loss) for the year attributable to equity shareholders	2,619	(1,157)	1.3p	(0.7)p
Add back:				
Amortisation of IFRS intangibles (net of tax)	1,444	1,354		
Disposal of Synergy	–	(301)		
Repayment of Escrow	–	(357)		
Bank arrangement fees written off	–	244		
Share based payments	1,393	876		
Unwinding of discounts	128	205		
Other items (net of tax)	1,013	1,799		
Movement in deferred contingent consideration	29	607		
Total adjusting items (net of tax)	4,007	4,427	2.1p	2.6p
Adjusted earnings	6,626	3,270	3.4p	1.9p

13. Goodwill

	2017 £'000	2016 £'000
Cost		
At beginning of year	102,547	119,542
Disposals	(10)	–
Allocation of goodwill to disposal of Synergy business	–	(19,107)
Exchange differences	(193)	2,112
At end of year	102,344	102,547
Accumulated impairment losses		
At beginning of year	81,231	81,231
At end of year	81,231	81,231
Net book value		
At end of year	21,113	21,316
At beginning of year	21,316	38,311

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

	2017 £'000	2016 £'000
Student Management Systems	17,579	17,782
i-graduate	3,534	3,534
	21,113	21,316

Goodwill is reviewed at least annually for impairment by comparing the recoverable amount of each cash generating unit (CGU) with the goodwill, intangible assets and property, plant and equipment allocated to that CGU.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use risk adjusted cash flow projections based on the financial budget approved by management for the period to 31 December 2018. The budget was prepared based on past experience, strategic plans and management's expectation for the markets in which they operate including adjustments for known contract ends, contract related inflationary increases and planned cost savings. The budget was extrapolated over an eight-year period with a growth assumption of 2% per annum. Cash flows beyond the budget and extrapolation period were calculated into perpetuity using a growth rate of 2%. This growth rate is in line with the expected average UK economy long-term growth rate.

The cash flows projections are discounted at a post-tax discount rate of 11.27% (2016: 12%). The single discount rate, which is consistently applied for all CGUs, is determined with reference to internal measures and available industry information and reflects specific risks relevant to the Group.

Impairment testing inherently involves a number of judgemental areas, including the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the Group and the estimation of the future revenue and expenditure of each CGU. Accordingly, management undertook stress testing to understand the key sensitivities and concluded as follows:

SMS is the largest segment and has significant impairment headroom as such no reasonable sensitivities would cause an impairment.

i-graduate is the smallest segment and the impairment headroom is the most sensitive. The discount rate for 2017 would need to increase to 11.8% for an impairment to occur or the growth rate reduce to 1.4% per annum. For example, if the growth rate decreased to 1.0% and the discount rate was 11.0% it would result in an impairment of approximately £54,000. One of the significant assumptions in i-graduate is the increase of profits in the budget for the period to 31 December 2018. It should be noted that the i-graduate budget was prepared on a bottom-up basis which the Directors consider to be a prudent, low case position with known potential upside, albeit with some risk attached. The Directors do not feel these sensitivity scenarios or a combination of the two are likely to occur. Additionally, the annually recurring nature of the surveys and data analytics i-graduate undertakes give further comfort. The Directors will however continue to closely monitor the position given the sensitivity of the segment.

Further to the impairment review, the Directors concluded that no impairment has arisen during the year.

Notes to the Financial Statements continued

14. Other intangible assets

	Software £'000	Customer contracts & relationships £'000	Acquired Intellectual Property £'000	Development costs £'000	Business systems £'000	Software licences £'000	Total £'000
Cost							
At 31 January 2016	6,634	6,613	–	30,015	5,688	–	48,950
Transfers	–	–	–	–	–	1,369	1,369
Additions	–	–	–	1,098	764	70	1,932
Disposals	–	–	–	(6,994)	–	(35)	(7,029)
Exchange differences	1,242	529	–	360	18	–	2,149
At 31 December 2016 and 1 January 2017	7,876	7,142	–	24,479	6,470	1,404	47,371
Additions	–	–	1,873	2,135	97	77	4,182
Disposals	–	–	–	–	(191)	(12)	(203)
Exchange differences	(109)	(46)	–	(79)	(2)	–	(236)
At 31 December 2017	7,767	7,096	1,873	26,535	6,374	1,469	51,114
Amortisation							
At 1 January 2016	2,128	3,800	–	23,831	4,407	–	34,166
Transfers	–	–	–	–	–	1,084	1,084
Charge for the year	1,422	490	–	1,411	162	166	3,651
Disposals	–	–	–	(6,504)	–	(25)	(6,529)
Exchange differences	489	168	–	122	6	–	785
At 31 December 2016 and 1 January 2017	4,039	4,458	–	18,860	4,575	1,225	33,157
Charge for the year	1,529	505	187	1,445	642	134	4,442
Disposals	–	–	–	–	(191)	(12)	(203)
Exchange differences	(93)	(27)	–	(24)	(1)	–	(145)
At 31 December 2017	5,475	4,936	187	20,281	5,025	1,347	37,251
Carrying amount							
At 31 December 2017	2,292	2,160	1,686	6,254	1,349	122	13,863
At 31 December 2016	3,837	2,684	–	5,619	1,895	179	14,214

Software and customer contracts and relationships have arisen from acquisitions and are amortised over their estimated useful lives, which are 3–6 years and 3–12 years respectively. The amortisation period for development costs incurred on the Group's product development is 3 to 7 years, based on the expected life-cycle of the product. Amortisation of development costs is included within cost of sales; the amortisation for software, customer contracts and relationships, business systems and software licences is included within administrative expenses.

Included within Business Systems are finance systems with a carrying value of £1.3m (2016: £1.6m). Each system is being amortised over a period of three to five years and have an average of three years left.

On 5 June 2017, the Group acquired Intellectual property from Wambiz Limited. The initial cash consideration was £1,250,000, with further consideration of £289,000 amd £485,000 payable at the end of years 1 and 2 respectively. An intangible asset of £1,873,000 has been recorded under Acquired intellectual property, discounted for deferred payments which have been recorded as a deferred consideration liability in Trade and other payables. This asset is being amortised over a period of 5 years.

15. Property, plant and equipment

	Leasehold improvements £'000	Fixtures, fittings and other equipment £'000	Total £'000
Cost			
At 1 January 2016	3,035	5,392	8,427
Additions	63	380	443
Transfers	–	(1,369)	(1,369)
Disposals	(430)	(424)	(854)
Exchange differences	114	268	382
At 31 December 2016 and 1 January 2017	2,782	4,247	7,029
Additions	49	754	803
Disposals	(12)	(125)	(137)
Exchange differences	(19)	(46)	(65)
At 31 December 2017	2,800	4,830	7,630
Accumulated depreciation and impairment			
At 1 January 2016	1,758	3,238	4,996
Charge for the year	513	993	1,506
Transfers	–	(1,084)	(1,084)
Disposals	(252)	(391)	(643)
Exchange differences	96	177	273
At 31 December 2016 and 1 January 2017	2,115	2,933	5,048
Charge for the year	287	903	1,190
Disposals	(12)	(125)	(137)
Exchange differences	(6)	(42)	(48)
At 31 December 2017	2,384	3,669	6,053
Net book value			
At 31 December 2017	416	1,161	1,577
At 31 December 2016	667	1,314	1,981

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

There are £4.5m (2016 revised: £2.9m) worth of assets that are fully depreciated within property, plant and equipment.

Notes to the Financial Statements continued

16. Trade and other receivables

	2017 £'000	2016 £'000
Amounts receivable for the sale of services	12,202	14,373
Allowance for doubtful debts	(1,713)	(1,578)
	10,489	12,795
Other receivables	516	209
Prepayments	2,620	2,806
	13,625	15,810

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 is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

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

Trade receivables

Trade receivables are measured at amortised cost. The average credit terms on sales is 30 days (2016: 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 £4.1m (2016: £5.5m), 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, four customers (2016: three) held balances outstanding of more than 5%, being £1.1m, £1.0m, £0.7m and £0.6m (2016: £1.1m, £0.7m and £0.6m). The average age of receivables is 47 days (2016: 44 days).

Ageing of past due but not impaired trade receivables:

	2017 £'000	2016 £'000
30–60 days	2,086	2,661
60–90 days	769	1,567
90–120 days	734	391
120+ days	517	849
Total	4,106	5,468

Movement in the allowance for doubtful debts:

	2017 £'000	2016 £'000
Balance at the beginning of the year	1,578	655
Provision for receivables impaired	1,073	1,020
Amounts written off during the year	(685)	(13)
Unused amounts reversed	(253)	(156)
Transferred from accrued income	–	72
Balance at the end of the year	1,713	1,578

16. 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:

	2017 £'000	2016 £'000
30–60 days	15	603
60–90 days	4	3
90–120 days	616	43
120+ days	1,078	929
Total	1,713	1,578

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

Accrued income

Accrued income is measured at amortised cost. Accrued income inherently has some contractual risk associated with it related to the specific and ongoing risks in each individual contract with a customer.

Impairments recognised in the income statement in respect of accrued income amount to £0.1m (2016: £0.3m).

17. Long-term contracts

At the end of 2017, trade and other receivables included amounts due from contract customers (included within accrued income) of £0.1m (2016: £0.2m) and trade and other payables included amounts due to contract customers (included within deferred income) of £nil (2016: £0.5m).

	2017 £'000	2016 £'000
Contract costs incurred plus recognised profits less recognised losses to date	1,295	1,321
Less: progress billings	(688)	(1,236)
	607	85

At 31 December 2017, retentions held by customers for contract work amounted to £nil (2016: £0.2m).

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

£1.3m (2016: £1.3m) of contract revenue has been recognised.

18. Cash and cash equivalents

Cash and cash equivalents of £14.1m (2016: £10.3m) comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Of the above balance, £nil (2016: £0.2m) represents funds restricted in use by the relevant commercial terms of certain trading contracts. These terms have been complied with.

The credit quality of cash at bank can be assessed by reference to external credit ratings. The Group has not changed it's risk appetite during the year, however one of the Group's main banks has been downgraded in the period. The following table has been sourced from Moodys credit ratings.

Notes to the Financial Statements continued

18. Cash and cash equivalents continued

	2017 £'000	2016 £'000
Aa1	–	573
Aa2	–	4,020
Aa3	3,836	–
A1	6,970	5,260
A2	3,021	209
Baa1	39	25
Baa2	216	141
Baa3	–	32
	14,082	10,260

Cash and cash equivalents include the following for the purposes of the statement of cashflows:

	2017 £'000	2016 £'000
Cash and cash equivalents	14,082	10,260
Bank overdrafts (note 20)	–	(1,427)
	14,082	8,833

19. Trade and other payables

	2017 £'000	2016 £'000
Current		
Trade payables	429	677
Other taxation and social security	2,596	3,309
Other payables	3,038	1,453
Deferred consideration	825	1,627
	6,888	7,066
Non-current		
Other payables	153	–
Deferred consideration	398	1,026
	551	1,026
Total	7,439	8,092

The average credit period taken for trade purchases is 5 days (2016: 7 days). For most suppliers, no interest is charged on the trade payables for the first 30 days from the date of invoice. Thereafter, in some cases, interest may be charged on the outstanding balances due to certain suppliers at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within a reasonable timeframe. The Directors consider that the carrying amount of trade and other payables approximates their fair value.

19. Trade and other payables continued

Deferred consideration reflects amounts in respect of the Campus and Wambiz acquisitions. During 2016 all deferred consideration became non-contingent, and hence transferred from Provisons into other payables. In March 2017, a variation to the Share Purchase Agreement was signed with the vendors of Tribal Campus Pty Limited (previously Sky Software Pty), which amended the terms of the deferred contingent consideration payments. Under the variation, it was agreed that a combination of cash, shares and share options would be paid/issued in full and final settlement of all contingent obligations under the Agreement. As a result an amount of £511,000, representing the fair value of the share options, was transferred from other payables to the share based payment reserve.

Other payables are split as follows:

	2017 £'000	**2016 £'000**
Goods received not invoiced	1,650	246
Funds restricted in use	39	212
Other creditors	1,349	995
	3,038	1,453

20. Borrowings

The Group has a borrowings facility under a £15m revolving credit facility which includes a £1m committed overdraft facility, and a £6.5m committed guarantee facility. The total facility is committed until June 2018, subject to compliance with covenants and was agreed in August 2017. As at 31 December 2017, the Group had net cash of £14.1m (2016: of £8.8m), reflecting gross cash balances of £14.1m (2016: £10.3m) offset by nil outstanding on the overdraft facility (2016: £1.4m). The Directors estimate that the book values of the Group's borrowings reflect the fair values thereof. The bank loans are all denominated in UK sterling at floating rates. At 31 December 2017, the weighted average interest rate paid was 2.0% (2016: 3.0%). The interest rate is reset for a period of one, three or six months at LIBOR plus a variable margin determined by covenant calculations.

There was £7.5m (2016: £13.5m) available but undrawn of the revolving credit facility at 31 December 2017. In addition, at the year-end there was £1.0m available but undrawn in respect of the overdraft facility, and £5.0m available but undrawn in respect of the Guarantee facilty, giving total underlying headroom of £13.5m (2016: £19.4m). £1.5m is currently allocated to the Guarantee facility.

The revolving credit facility was voluntarily reduced to £11m in January 2018.

21. Provisions

	Property related £'000	**Onerous contracts £'000**	**Legal claims £'000**	**Restructuring £'000**	**Total £'000**
At 1 January 2017	531	232	379	10	1,152
Increase/(release) in provision	427	(156)	–	91	362
Utilisation of provision	(51)	(1)	(37)	(95)	(184)
Exchange rate movement	(5)	(2)	–	–	(7)
Transfer from accruals	24	97	–	–	121
At 31 December 2017	926	170	342	6	1,444

Notes to the Financial Statements continued

21. Provisions continued

The provisions are split as follows:

	Property related £'000	Onerous contracts £'000	Legal claims £'000	Restructuring £'000	Total £'000
2017					
Within one year	732	170	342	6	1,250
After more than one year	194	–	–	–	194
Total	926	170	342	6	1,444
2016					
Within one year	453	232	246	10	941
After more than one year	78	–	133	–	211
Total	531	232	379	10	1,152

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

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

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

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

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

22. Deferred tax

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

	2017 £'000	2016 £'000
Deferred tax assets		
Depreciation in excess of capital allowances	661	1,096
Other timing differences	920	354
Share-based payments	771	199
Tax losses	1,631	1,939
Retirement benefit schemes	292	293
	4,275	3,881
Deferred tax liabilities		
Intangible assets	(1,276)	(1,877)
	(1,276)	(1,877)
	2,999	2,004

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

The Group has recognised a deferred tax asset of £1,631,000 (2016: £1,939,000) on tax losses carried forward in the UK of £9,596,000 (2016: £10,206,000).

The Group has an unrecognised deferred tax asset of £nil (2016: £218,000) in relation to further tax losses carried forward in the UK of £nil (2016: £1,148,000) and Australia of £nil (2016: £nil).

22. Deferred tax continued

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

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

	Temporary differences on non-current assets £'000	Retirement benefit schemes £'000	Other temporary differences £'000	Total £'000
At 1 January 2016	1,148	(16)	(38)	1,094
Foreign exchange differences	–	–	(256)	(256)
(Charge)/credit to income statement	(52)	19	855	822
Items taken directly to equity	–	–	54	54
Credit recognised in consolidated statement of comprehensive income	–	290	–	290
At 31 December 2016 and 1 January 2017	1,096	293	615	2,004
Adjustments to opening balances	(364)	–	364	–
Foreign exchange differences	–	–	16	16
(Charge)/credit to income statement	(71)	8	706	643
Items taken directly to equity	–	–	345	345
Credit recognised in consolidated statement of comprehensive income	–	(9)	–	(9)
At 31 December 2017	661	292	2,046	2,999

Included in other temporary differences are deferred tax assets of £1,631,000 (2016: £1,939,000) relating to tax losses carried forward and other timing differences of £1,691,000 (2016: £553,000). The balance also includes a deferred tax liability, in relation to intangible assets of £1,276,000 (2016: £1,877,000).

There are no unrecognised deferred tax liabilities.

The deferred tax assets are expected to be settled as follows: £271,000 less than 12 months from 31 December 2017 and £4,003,000 greater than 12 months from 31 December 2017.

The impact of changes in tax rates on deferred tax balances of £214,000 (2016: £203,000) has been charged to the income statement and is included within the total credit to the income statement of £643,000 (2016: £822,000) disclosed above.

23. Share-based payments

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

	2017 £'000	2016 £'000
LTIPs (incorporating the CSOP) awarded in 2017	317	–
LTIPs awarded in 2016	567	378
Matching	509	509
SAYE	–	(11)
Total	1,393	876

Notes to the Financial Statements continued

23. Share-based payments continued

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

LTIPs awarded in 2016

Awards in 2016, to eligible employees, vest according to a target share price on the third anniversary of the date of grant. The amount of awards that will vest will range between 0% and 100% of those granted based on a target share price between 60p and 80p.

Matching shares

The matching shares are only subject to a time-limit conditions. The matching share options will vest equally over three years and may be exercised at any time during the period of two years from the applicable vesting dates (1 January 2017, 1 January 2018 and 1 January 2019), but not sold during that period. One third of these options have now vested.

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. All options have now lapsed and the Scheme has finished.

LTIPs awarded in 2017 (includig the CSOP)

New awards in 2017 to Ian Bowles (348,387) and Mark Pickett (247,678) will vest on 29 June 2020 and are subject to a time-limit condition and continued employment.

During 2017 a new CSOP scheme was introduced as part of the 2010 LTIP Plan. Eligible employees received awards under this scheme. Options can only be exercised after a three year period if the share price is above 80p.

Options outstanding during the year are as follows:

	Matching		LTIP- nil cost		LTIP (inc CSOP)	
	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 2017	3,406	£nil	5,367	£nil	–	–
Exercised during the year	–	–	–	–	–	–
Granted during the year	–	–	1,935	£nil	3,535	£0.80
Lapsed during the year	–	–	(753)	£nil	–	–
Outstanding at 31 December 2017	3,406	£nil	6,549	£nil	3,535	£0.80
Exercisable at 31 December 2017	1,135	–	611	£nil	–	–
Weighted average remaining contractual life (years)	3.0	–	8.4	–	9.5	£0.80
Weighted average share price at date of exercise	–	–	–	–	–	–

Share options outstanding at the year-end have the following exercise prices: LTIP: £nil, Matching shares £nil and CSOP £0.80.

23. Share-based payments continued

The Group has used a Monte-Carlo valuation model for the LTIPs awarded in 2016 and an adjusted Black-Scholes valuation model for the pre 2016 LTIP awards, Matching shares, 2017 LTIP awards(including the new CSOP plan) in order to incorporate a discount factors into the fair value to reflect the performance conditions of the LTIP grants and Matching shares. The following table sets out the information about how the fair value of the grants are calculated:

Date of grant	19 April 2016	28 June 2016	30 June 2016	30 June 2016*	30 June 2017*	2 July 2017
Type of grant	Matching	LTIPs	LTIPs	LTIPs	LTIPs	LTIPs (inc CSOP)
Share price	£0.44875	£0.505	£0.505	£0.5075	£0.838	£0.78
Exercise price	£nil	£nil	£nil	£nil	£nil	£0.80
Expected dividend yield	0%	0%	0%	0%	0%	0%
Risk-free interest rate	1.17%	0.14%	0.14%	0.14%	0.14%	0.14%
Expected volatility	75%	68.04%	68.04%	68.04%	61%	61%
Term (years)	3.0	3.0	3.0	3.0	3.0	5.0
Option fair value	£0.449	£0.316	£0.318	£0.508	£0.79	£0.407
Expiry date	01 January 2021	27 June 2026	29 June 2026	29 June 2026	30 June 2027	2 July 2027
No of options issued	3,405,996	3,591,020	611,621	611,620	1,935,351	3,535,000
No of options outstanding	3,405,996	3,391,020	611,621	611,620	1,935,351	3,535,000

*These awards have no market based performance conditions.

The expected life used in the models have 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.

There have been 1,339,286 options over shares that have not been recognised in accordance with IFRS 2. These options were issued to the vendors of Sky Software Pty as part of the deferred consideration payable. These options are subject to a performance condition measured over a maximum 3 year period ending 30 June 2020.

24. Share capital

	2017 number	2017 £'000	2016 number	2016 £'000
Allotted, called up and fully paid				
At beginning of the year	195,380,299	9,769	94,849,241	4,743
Issued during the year	670,882	34	100,531,058	5,026
At end of the year	196,051,181	9,803	195,380,299	9,769

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

On 24 April 2017, 670,882 shares were issued as part of the settlement of the Campus acquisition.

Notes to the Financial Statements continued

25. Other reserves

	Capital reserve £'000	Merger reserve £'000	Own share reserve £'000	Share-based payment reserve £'000	Total £'000
At 31 December 2015	9,545	11,713	(765)	10	20,503
Acquisition of own shares	–	–	(91)	–	(91)
Movement in relation to share-based payment (net)	–	–	–	876	876
Transfer from merger reserve	–	(409)	–	–	(409)
At 31 December 2016 and 1 January 2017	9,545	11,304	(856)	886	20,879
Movement in relation to share-based payment (net)	–	–	–	1,904	1,904
At 31 December 2017	9,545	11,304	(856)	2,790	22,783

The capital reserve of £9.5m (2016: £9.5m) resulted from a share exchange when Tribal Group plc was listed in February 2001.

The merger reserve of £11.3m (2016: £11.3m) relates to the premium arising on shares issued subject to the provisions of section 612 of the Companies Act 2006 (previously section 131 of the Companies Act 1985), net of cumulative goodwill impairment of £58.7m (2016: £58.7m) in respect of related acquisitions deemed to be impaired.

The own share reserve of £(0.9)m (2016: £(0.9)m) represents the cost of 827,692 shares (2016: 827,692) in Tribal Group plc held by the Employee Share Ownership Trust to satisfy certain options under the Group's share option schemes.

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

26. Lease commitments

	2017 £'000	2016 £'000
The Group as lessee		
Minimum lease payments under operating leases recognised as an expense in the year	1,529	1,551

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:

	2017 £'000	2016 £'000
Within one year	895	1,735
In the second to fifth years inclusive	1,402	2,447
After five years	426	380
	2,723	4,562

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

During the year the Group signed a five year commitment with Rackspace to provide Cloud hosting services for Tribal and its customers, rising to an annual commitment of £1.75m.

27. 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 2017 was £2.2m (2016: £3.0m), of which £2.0m (2016: £2.4m) related to defined contribution schemes and £0.2m (2016: £0.6m) to defined benefit schemes.

Contributions amounting to £0.2m (2016: £0.2m) were payable to the funds at the year end and are included in current liabilities.

Defined benefit schemes

At 31 December 2017, the Group operated two defined benefit pension schemes for the benefit of certain deferred employees of its subsidiaries in the UK. These schemes are administered by separate funds that are legally separated from the Company. The trustees of the pension funds are required by law to act in the interest of the funds and of all relevant stakeholders in the schemes. The trustees of the pension funds are responsible for the investment policy with regard to the assets of the funds.

Scheme 1– the Prudential Platinum Pension Fund

Tribal Education Limited, a Group subsidiary, participates in the Prudential Platinum Pension Fund ("PPP"), 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 2015.

The Tribal Education section of the Prudential Platinum Pension Fund had 36 deferred members at the year-end. Employer contributions amounting to £21,000 were paid in the year ended 31 December 2017 (2016: £21,000). The accounting figures have been calculated using the valuation as at 31 December 2015, updated on an approximate basis to 31 December 2017 by a qualified independent actuary.

Scheme 2 – the Federated Pension Plan

Tribal Education Limited, a Group subsidiary, participates in the Federated Pension Plan ("FPP"), which is a defined benefit arrangement. The Ofsted employees were transferred back to Ofsted in March 2017 and the plan closed to future accrual. All of the active members at 31 March 2017 were transferred to the deferred section of the plan. The treatment of the defined benefit scheme is currently being discussed with Ofsted. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 5 April 2015.

The Tribal Education section of the Federated Pension Plan had 210 deferred members at the year-end. Employer contributions amounting to £185,000 were paid in the year ended 31 December 2017 (2016: £427,000). The accounting figures have been calculated using the valuation as at 5 April 2015, updated on an approximate basis to 31 December 2017 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' for both schemes are:

	2017 % per annum	2016 % per annum
Inflation	2.40–3.40	2.50–3.50
Salary increases	nil	nil
Rate of discount	2.4	2.6
Pension in payment increases	2.40–3.40	2.50–3.50

The salary increase assumption is nil as the FPP members have transferred to Ofsted in March 2017, leaving only deferred members. In addition the PPP only has deferred members.

The mortality assumptions adopted at 31 December 2017 imply the following life expectations:

	Males	Females
Aged 60 in 2017	27.7	29.9
Aged 60 in 2037	30.0	32.3

Notes to the Financial Statements continued

27. Retirement benefit schemes continued

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

	2017 £'000	2016 £'000
Equities	7,101	6,568
Corporate Bonds	3,677	3,403
Gilts	127	122
Cash	108	99
Total fair value of scheme assets	11,013	10,192

All equities and corporate bonds are quoted on active markets.

The sensitivities regarding the principal assumptions used to measure the schemes' liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0.5%	Decrease by 11%
Rate of inflation	Increase by 0.5%	Increase by 13%
Rate of mortality	Increase by one year	Increase by 3%

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

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

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

	2017 £'000	2016 £'000
Present value of defined benefit obligations	(12,731)	(11,917)
Fair value of scheme assets	11,013	10,192
Deficit in schemes	(1,718)	(1,725)
Liability recognised in the balance sheet	(1,718)	(1,725)

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

	2017 £'000	2016 £'000
Fair value of scheme assets at beginning of year	10,192	8,692
Expected return on assets	265	334
Actuarial gains/(losses) due to investment returns different from the return implied by the discount rate	484	863
Contributions by employer	206	448
Contributions by scheme participants	23	64
Benefits paid	(136)	(188)
Administration expenses	(21)	(21)
Fair value of scheme assets at end of year	11,013	10,192

27. Retirement benefit schemes continued

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

	2017 £'000	2016 £'000
Defined benefit obligation at beginning of year	11,917	8,604
Current service cost	191	546
Interest cost	307	322
Contributions by scheme participants	23	64
Actuarial loss/(gain) – experience	68	(763)
Actuarial loss/(gain) – demographic assumptions	50	(26)
Actuarial loss – financial assumptions	311	3,551
Benefits paid	(136)	(188)
Change in irrecoverable surplus in year	–	(193)
Defined benefit obligation at end of year	12,731	11,917

The Group's contribution rate for 2017 was 0% (2016: 0%) for the Prudential Platinum Fund and 43.8% (2016: 43.8%) for the Federated Pension Plan.

The Group expects to make contributions of £52,000 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:

	2017 £'000	2016 £'000
Current service cost	191	546
Administration expenses	21	21
Recognised in arriving at operating profit	212	567
Other finance costs		
Interest on pension scheme liabilities	307	322
Expected return on pension scheme assets	(265)	(334)
Net finance expense/(credit)	42	(12)
Total charge to income statement	254	555

Analysis of actuarial loss in the consolidated statement of comprehensive income:

	2017 £'000	2016 £'000
Actual return less expected return on pension scheme assets	484	863
Experience gains and losses arising on the scheme liabilities	(118)	789
Changes in assumptions underlying the present value of scheme liabilities	(311)	(3,551)
Change in irrecoverable surplus	–	193
Total actuarial gains and losses recognised in the consolidated statement of comprehensive income	55	(1,706)

Notes to the Financial Statements continued

27. Retirement benefit schemes continued

Cumulative actuarial losses recognised in the consolidated statement of comprehensive income since 1 April 2004 are £1,375,000 (2016: profits of £1,430,000).

The history of experience adjustments is as follows:

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Present value of defined benefit obligations	(12,731)	(11,917)	(8,604)	(8,149)	(6,158)
Fair value of scheme assets	11,013	10,192	8,692	8,270	6,936
(Deficit)/surplus in the scheme	(1,718)	(1,725)	88	121	778
Experience adjustments arising on scheme assets:					
Amount	484	863	(166)	267	383
Percentage of the scheme assets	4%	8%	(2%)	3%	6%
Experience adjustments arising on scheme liabilities:					
Amount	118	789	77	(64)	1,391
Percentage of the present value of the scheme liabilities	1%	7%	1%	(1%)	23%

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

28. Notes to the cash flow statement

	2017 £'000	2016 £'000
Operating profit from continuing operations	3,727	63
Gain on disposal of Synergy	–	(301)
Depreciation of property, plant and equipment	1,190	1,506
Amortisation and impairment of other intangible assets	4,442	3,651
Share based payments	1,393	876
Movement in deferred consideration	29	566
Other non-cash items	69	(486)
Operating cash flows before movements in working capital	10,850	5,875
Decrease in inventories	83	50
Decrease in receivables	1,044	4,139
Decreases in payables	(931)	(2,295)
Net cash from operating activities before tax	11,047	7,769
Tax received	70	505
Net cash from operating activities	11,117	8,274

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

	2017 £'000	2016 £'000
Continuing operations (excluding restricted cash)	11,220	7,819
Decrease in restricted cash	(173)	(50)
	11,047	7,769

29. Analysis of net cash

	2017 £'000	2016 £'000
Cash and cash equivalents (note 18)	14,082	10,260
Overdrafts (note 20)	–	(1,427)
Net cash	14,082	8,833

Analysis of changes in net cash	2017 £'000	2016 £'000
Opening net cash/(debt)	8,833	(32,471)
Net increase/(decrease) in cash and cash equivalents	5,492	6,440
Effect of foreign exchange rate changes	(243)	657
Decrease in bank loans and overdrafts	–	34,500
Amortisation of loan arrangement fees and similar charges	–	(293)
Closing net cash	14,082	8,833

30. Contingent liabilities

From time to time the Group is subject to potential litigation claims. On the basis of legal advice, claims are being robustly contested as to both liability and quantum. A provision of £0.4m (2016: £0.4m) has been made for defending these claims, where appropriate (see note 21).

At any time, the Group is overseeing a portfolio of customer implementation projects. Such projects may be complex, multi-phase projects giving rise to significant operational risks which the Group must manage. Such risks may, in certain instances, lead to potential negotiations or disputes with customers which may give rise to consequential financial or commercial obligations or liabilities arising.

The Company and its subsidiaries have provided performance guarantees issued by its banks on its behalf, in the ordinary course of business, totalling £1.5m (2016: £4.2m). These are not expected to result in any material financial loss.

As disclosed in note 33, Tribal Holdings Limited and International Graduate Insight Group Limited have taken advantage of the exemption available under Section 394A/ 479A of the Companies Act 2006 in respect of the requirements for audit. As a condition of the exemption, the Company has guaranteed the year-end liabilities of these subsidiaries until they are settled in full. The liabilities of the subsidiaries at the year-end was £21,145,000 (2016: £15,236,000). These are inclusive of intercompany liabilities.

31. 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 20, cash and cash equivalents (see note 18) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Consolidated Statement of Changes in Equity and notes 24 and 25.

Gearing ratio

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

	2017 £'000	2016 £'000
Net cash	14,082	8,833
Equity	32,552	27,490
Net cash to equity ratio	43.3%	32.1%

Notes to the Financial Statements continued

31. Financial instruments continued

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Categories of financial instruments

The Directors consider that the book value of the financial assets and liabilities is equal to their fair value.

31 December 2017	Loans and receivables £'000	Financial Liabilities measured at amortised cost £'000	Total £'000
Financial assets			
Cash and cash equivalents	14,082	–	14,082
Trade receivables and other receivables*	11,005	–	11,005
Accrued income	5,001	–	5,001
	30,088	–	30,088
Financial liabilities			
Trade payables and other payables**	–	3,620	3,620
Accruals	–	8,593	8,593
Deferred non-contingent consideration	–	1,223	1,223
	–	13,436	13,436

31 December 2016	Loans and receivables £'000	Financial Liabilities measured at amortised cost £'000	Total £'000
Financial assets			
Cash and cash equivalents (excluding bank overdrafts)	10,260	–	10,260
Trade receivables and other receivables*	13,004	–	13,004
Accrued income	3,774	–	3,774
	27,038	–	27,038
Financial liabilities			
Trade payables and other payables**	–	2,130	2,130
Borrowings	–	1,427	1,427
Accruals	–	8,204	8,204
Deferred non-contingent consideration	–	2,653	2,653
	–	14,414	14,414

* Excluding amounts that relate to non-financial instruments of tax and prepayments

** Excluding amounts that relate to non-financial instruments of tax

31. Financial instruments continued

The above tables have been stated at undiscounted values with the exception of deferred consideration. The undiscounted value of the deferred consideration is £1,341,000 (2016: £2,755,000), versus a discounted value of £1,223,000 as at 31 December 2017 (2016: £2,653,000).

There are no financial instruments held at fair value (2016 : £nil).

Financial risk management objectives

Treasury management is led by the Group finance team, which is responsible for managing the Group's exposure to financial risk. It operates within a defined set of policies and procedures reviewed and approved by the Board. This includes both foreign exchange risk and interest rate risk. The Group's exposure to interest rate fluctuations on its interest-bearing assets and liabilities is selectively managed, using interest rate swaps where appropriate. This is an ongoing risk and the Board will continue with this policy. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

As the Group's international activities grow, its exposure to overseas markets also increases in non-core territories outside of the UK and 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 2017 £'000	31 December 2016 £'000	31 December 2017 £'000	31 December 2016 £'000
Euros	815	448	22	–
Australian Dollar	5,847	4,236	–	–
United States Dollar	1,130	363	23	44
Saudi Arabian Riyal	89	491	–	–
South African Rand	1,032	629	–	–
New Zealand Dollar	2,660	2,213	–	–
Canadian Dollar	247	82	–	–
Philippine Peso	206	172	–	–
United Arab Emirates Dirham	3,836	1,079	–	–
Malaysian Ringgit	1,037	227	7	–
Bahraini Dinar	57	709	–	–
Other	6	34	–	–
	16,962	10,683	52	44

Foreign currency sensitivity analysis

The Group is primarily exposed to the following currencies: US Dollar, Euro, Australian Dollar, New Zealand Dollar, South African Rand, Canadian Dollar, United Arab Emirates Dirham, Saudi Arabia Riyal, Philippine Peso, Bahraini Dinar and Malaysian Ringgit.

If Sterling were to strengthen or weaken by 10% against the relevant foreign currencies, the balances in the table above would give rise to an increase/reduction in profit of £1,695,000 (2016: £990,000). This sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period-end for a 10% change in foreign currency rates.

10% represents management's assessment of the reasonably possible change in foreign exchange rates.

Notes to the Financial Statements continued

31. Financial instruments continued

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied. There are no hedges in place as at 31 December 2017 (2016: nil).

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 2017 would decrease/increase by £nil (2016: decrease/increase by £27,000) This is due to a net cash position for the year.

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, £3.4m is due from four customers (2016: £2.4m from three customers).

Contract risk management

Accrued income inherently has some contractual risk associated with it related to the specific and ongoing risks in each individual contract with a customer.

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 £7.5m at the balance sheet date (2016: £13.5m). In addition, at the year-end, there was a £1.0m (2016: £3.6m) undrawn overdraft facility and a £5.0m undrawn guarantee facility The Group expects to meet its obligations from operating cash flows. The Group also had cash balances at 31 December 2017 of £14.1m (2016: £10.3m) as detailed in note 18. Net cash at the year-end was £14.1m (2016: £8.8m), giving underlying headroom at the balance sheet date of £13.5m (2016: £19.4m). £1.5m is currently allocated to the Guarantee facility.

32. 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.

On 3 July 2017, Tribal Group plc ("the Company") granted company share options over a total of 2,110,000 ordinary shares (representing approximately 1.08% of the Company's issued shares) to members of the senior management team under the Company share option plan. The options were granted with an option price of 80p.

On 30 June 2017 Tribal Group plc ("the Company") granted nil-cost options over a total of 1,339,286 ordinary shared (representing approximately 0.68% of the Company's issued shares) to the vendors of Sky Software pty as part of the deferred consideration payable. On the same day a further 596,065 nil cost options (representing approximately 0.3% of the Company's issued shares were granted to Mark Pickett, the Group's Chief Financial Officer and Ian Bowles the Group's Chief Executive Officer, under the terms of its 2010 Long Term Incentive Plan. All of the awards are subject to a performance condition measured over a maximum of a 3 year period ending 30 June 2020.

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. The members of the Group Board and the Group's Executive Board are considered to be the key management personnel of the Group.

32. Related party disclosures continued

Remuneration of key management personnel

The remuneration of the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2017 £'000	2016 £'000
Salaries and short-term employee benefits	3,824	3,458
Termination benefits	–	454
Share-based payments	1,277	874
	5,101	4,786

Included within Directors' emoluments are pension costs of £74,000 (2016: £52,000) in respect of accruals and payments made to two (2016: three) 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 on pages 45 to 49 and form part of these audited financial statements. Arrangements with the Group's pension schemes are set out in note 27.

33. Subsidiaries

The Group consists of a parent company (limited by shares) Tribal Group plc, incorporated and domiciled in England and Wales and a number of subsidiaries held directly and indirectly by Tribal Group plc, which operate and are incorporated around the world. Tribal Education Limited also operates branches in New Zealand, South Africa, Hungary, Botswana and Abu Dhabi.

Tribal Group plc has guaranteed the liabilities of Tribal Holdings Limited and International Graduate Insight Group Limited in order that they qualify for the exemption from audit under Section 394A/479 of the Companies Act 2006 in respect of the year ended 31 December 2017.

Information about the composition of the Group at the end of the reporting period is as follows:

Name of Entity	Address of the registered office	Nature of Business	Proportion of ordinary shares held directly by parent (%)	Proportion of ordinary shares held by the Group (%)
Tribal Education Limited	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Education related systems and solutions	100%	100%
Tribal Holdings Limited	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Holding Company	100%	100%
International Graduate Insight Group Limited	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Educational consultancy services	–	100%
Human Edge Software Corporation PTY Limited	Level 1, 17 Madden Grove, Richmond, VIC 3121. Australia	Education related systems and solutions	–	100%
Tribal Campus PTY Limited	Level 7, 50 Pitt Street, Sydney, NSW. 2000. Australia	Education related systems and solutions	–	100%
Tribal Group PTY Limited	Level 7, 50 Pitt Street, Sydney, NSW. 2000. Australia	Education related systems and solutions	–	100%
Callista Software Services PTY Limited	Level 7, 50 Pitt Street, Sydney, NSW. 2000. Australia	Education related systems and solutions	–	100%
Tribal Technology Limited	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Non-Trading Company*	100%	100%
Tribal Middle East SPC Limited	81, 1901 Road 1704, Manama, Alhoora, Kingdom of Bahrain	Education related systems and solutions	100%	100%
Tribal Resourcing Limited	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Non-Trading Company*	100%	100%
Tribal Group (Malaysia) SDN	Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia	Education related systems and solutions	–	100%

Notes to the Financial Statements continued

33. Subsidiaries continued

Name of Entity	Address of the registered office	Nature of Business	Proportion of ordinary shares held directly by parent (%)	Proportion of ordinary shares held by the Group (%)
Tribal Group South Africa (PTY) Limited	2 Alexandra Avenue, Unit 8, Craighall. Gauteng, 2196, South Africa	Education related systems and solutions	–	100%
Tribal Systems Canada Limited	1100 One Bentall Centre, 505 Burrard Street, Box 11, Vancouver, BC V7X 1M5, Canada	Education related systems and solutions	–	100%
Tribal Education INC	4015 Hillsboro Pike, Suite 210, Nashville, TN 37215, USA	Education related systems and solutions	–	100%
Human Edge Software Philippines	12th Floor, West Trade Centre, 132 West Avenue, Quezon City, Philippines 1104	Education related systems and solutions	–	100%
i-graduate USA LLC	1007 N Orange Street, 9th Floor, Wilmington, Delaware, 19801, USA	Educational consultancy services	–	100%
Class Measures INC	100 Tower Park Drive, Suite A, Woburn MA 01801, USA	Education related systems and solutions	–	100%
Class Measures Limited	Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ, UK	Dormant Company	–	100%
Tribal GEC Limited	6th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong	Dormant Company*	–	100%
Cambridge Early Years Training and Education Company Limited	6th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong	Dormant Company*	–	100%
Tribal Group Asset Company Limited	Level 7, 50 Pitt Street, Sydney, NSW. 2000. Australia	Dormant Company	–	100%

* These four companies are in the process of being struck off.

In addition Tribal Group Foundation, registered office Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ is a registered Company and charity, but not a subsidiary for the purposes of these financial statements.

Company only Balance Sheet

As at 31 December 2017

	Note	2017 £'000	2016 £'000
Investments	36	65,993	63,464
Current assets			
Debtors	37	2,561	2,825
Deferred tax assets	38	949	190
Cash at bank and in hand		1	1
Total current assets		3,511	3,016
Total assets		69,504	66,480
Creditors: amounts falling due within one year	39	(26,262)	(26,413)
Net current liabilities		(22,751)	(23,397)
Total assets less current liabilities		43,242	40,067
Net assets		43,242	40,067
Capital and reserves			
Called up share capital	40	9,803	9,769
Share premium		15,539	14,989
Merger reserve		11,304	11,304
Own share reserve		(856)	(856)
Share-based payment reserve		2,790	886
Retained earnings:			
At 1 January		3,975	4,403
Profit/(loss) for the year attributable to the owners		394	(886)
Other changes in retained earnings		293	458
At 31 December		4,662	3,975
Equity shareholders' funds		43,242	40,067

Notes 34 to 44 form part of these financial statements.

The financial statements on pages 101 to 107 of Tribal Group plc (registered number 4128850) were approved by the Board of Directors and authorised for issue on 22 March 2018. They were signed on its behalf by:

Ian Bowles

Ian Bowles
Director

M Pickett

Mark Pickett
Director

Company only Statement of Changes in Equity

For the year ended 31 December 2017

	Note	Called up Share capital £'000	Share premium £'000	Merger reserve £'000	Own share reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016		4,743	21	11,713	(765)	10	4,403	20,125
Loss and total comprehensive loss for the year		–	–	–	–	–	(886)	(886)
Issue of share capital		5,026	17,091	–	–	–	–	22,117
Costs associated with issue of share capital		–	(2,123)	–	–	–	–	(2,123)
Charge to equity for share-based payments		–	–	–	–	876	–	876
Own shares acquired in period		–	–	–	(91)	–	–	(91)
Tax credit on charge to equity for share-based payments		–	–	–	–	–	49	49
Transfer from merger reserve		–	–	(409)	–	–	409	–
At 31 December 2016 and 1 January 2017		9,769	14,989	11,304	(856)	886	3,975	40,067
Profit and total comprehensive profit for the year		–	–	–	–	–	394	394
Issue of share capital		34	550	–	–	–	–	584
Charge to equity for share-based payments		–	–	–	–	1,904	–	1,904
Tax credit on charge to equity for share-based payments		–	–	–	–	–	293	293
At 31 December 2017		9,803	15,539	11,304	(856)	2,790	4,662	43,242

Notes to the Company Balance Sheet

34. Significant accounting policies

Tribal Group plc is a public limited company incorporated and domiciled in England and Wales.

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial information has been prepared on the going concern and historical cost basis. The principal accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

35. Profit for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The profit for the Company amounted to £0.4m (2016: loss of £0.9m). The independent auditors' remuneration for audit services to the Company was £110,000 (2016: £107,000).

36. Investments

	Shares in subsidiary undertakings £'000	Long-term loans £'000	Total £'000
Cost			
At 1 January 2016	14,595	42,861	57,456
Capital contribution relating to share-based payments	51	–	51
Movement in long-term loans	–	5,957	5,957
At 1 January 2017	14,646	48,818	63,464
Capital contribution relating to share-based payments	834	–	834
Movement in long-term loans	–	5,430	5,430
Impairments	(3,735)	–	(3,735)
At 31 December 2017	11,745	54,248	65,993

Long-term loans are treated as investments as they are non repayable.

The Directors have considered the value of the above investments and are satisfied that the aggregate value of each investment is not less than its carrying value. The investments in subsidiaries are all stated at cost less provision.

Details of the Companies subsidiaries are given in note 33 to the consolidated financial statements.

37. Debtors

	2017 £'000	2016 £'000
Amounts owed by group undertakings	2,425	2,795
Other debtors	136	30
	2,561	2,825

All amounts owed by group undertakings are unsecured, have no fixed repayment date, no interest is charged and amounts are repayable on demand. All debtors fall due within one year.

Notes to the Company Balance Sheet continued

38. Deferred tax asset

	2017 £'000	2016 £'000
Deferred taxation		
At start of year	190	28
Credit to income statement	466	113
Items taken directly to equity	293	49
At end of year	949	190

The deferred tax asset is analysed as follows:

	2017 £'000	2016 £'000
Share schemes	665	190
Other timing differences	284	–
	949	190

Deferred tax assets are all non-current assets.

The Company has an unrecognised deferred tax asset of £nil (2016: £195,000) in relation to tax losses carried forward of £nil (2016: £1,148,000).

39. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Amounts owed to group undertakings	24,810	25,556
Trade and other creditors	505	206
Accruals	947	651
	26,262	26,413

All amounts owed to group undertakings are unsecured, have no fixed repayment date, no interest is charged and amounts are repayable on demand. All creditors fall due within one year.

40. Called up share capital

	2017 number	2017 £'000	2016 number	2016 £'000
Allotted, called up and fully paid				
At beginning of the year	195,380,299	9,769	94,849,241	4,743
Issued during the year	670,882	34	100,531,058	5,026
At end of the year	196,051,181	9,803	195,380,299	9,769

On 24 April 2017 670,882 shares were issued as part of the settlement of the Campus acquisition.

Details of options in respect of shares outstanding at 31 December 2017 are as follows:

40. Called up share capital continued

Employee share option schemes:	Number outstanding '000	Price payable	Date from which exercisable
2015 LTIP	–	£nil	March 2018
2016 LTIP	4,003	£nil	June 2019
2016 LTIP	611	£nil	June 2017
2017 LTIP	1,935	£nil	June 2020
	6,549		
2016 Matching	3,406	£nil	January 2017, 2018, 2019
2017 LTIP (inc CSOP)	3,535	£0.80	July 2020
Total Tribal Group plc share option schemes	13,490		

Details of share-based payments are given in note 23 to the consolidated financial statements.

41. Share premium and other reserves

	Merger reserve £'000	Share premium reserve £'000	Own share reserve £'000	Share-based payment reserve £'000	Retained earnings £'000
At 1 January 2016	11,713	21	(765)	10	4,403
Loss for the year	–	–	–	–	(886)
Issue of share capital	–	17,091	–	–	–
Costs associated with issue of share capital	–	(2,123)	–	–	–
Own shares acquired in period	–	–	(91)	–	–
Charge to equity for share-based payments	–	–	–	876	–
Tax on charge to equity for share-based payments	–	–	–	–	49
Transfer from merger reserve	(409)	–	–	–	409
At 31 December 2016 and 1 January 2017	11,304	14,989	(856)	886	3,975
Profit for the year	–	–	–	–	394
Issue of share capital	–	550	–	–	–
Charge to equity for share-based payments	–	–	–	1,904	–
Tax on charge to equity for share-based payments	–	–	–	–	293
At 31 December 2017	11,304	15,539	(856)	2,790	4,662

The merger reserve of £11.3m (2016: £11.3m) 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 £(0.9)m (2016: £(0.9)m) represents the cost of 827,692 (2016: 872,692) 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 23 of the consolidated accounts for details of the Group's share options schemes.

The retained earnings reserve is distributable.

Notes to the Company Balance Sheet continued

42. Contingent liabilities

A cross-guarantee exists between Group companies in respect of bank facilities which was £nil as at 31 December 2017 (2016: £nil).

In addition the Company and its subsidiaries have provided performance guarantees issued by its bank on its behalf in the ordinary course of business, totalling £1.5m (2016: £4.2m). They are not expected to result in any material financial loss.

As disclosed in Note 33, Tribal Holdings Limited and International Graduate Insight Group Limited have taken advantage of the exemption available under Section 394A/ 479A of the Companies Act 2006 in respect of the requirements for audit. As a condition of the exemption, the Company has guaranteed the year-end liabilities of these subsidiaries until they are settled in full. The liabilities of the subsidiaries at the year-end was £21,145,000 (2016: £15,236,000). These are inclusive of intercompany liabilities.

43. Financial Instruments

All Company risks are aligned to those of the Group. Details of the risks relating to the Group are given in note 31 to the consolidated financial statements.

31 December 2017	Loans and receivables £'000	Financial Liabilities measured at amortised cost £'000	Financial liabilities at fair value through profit and loss £'000	Total £'000
Financial assets				
Cash	1	–	–	1
Debtors*	2,425	–	–	2,425
	2,426	–	–	2,426
Financial liabilities				
Creditors	–	26,262	–	26,262
	–	26,262	–	26,262

31 December 2016	Loans and receivables £'000	Financial Liabilities measured at amortised cost £'000	Financial liabilities at fair value through profit and loss £'000	Total £'000
Financial assets				
Cash	1	–	–	1
Debtors*	2,795	–	–	2,795
	2,796	–	–	2,796
Financial liabilities				
Creditors	–	26,413	–	26,413
	–	26,413	–	26,413

* Excluding amounts that relate to non-financial instruments of prepayments.

44. Staff numbers and costs

The average monthly number of persons employed under contracts of service by the Company during the year was as follows:

	2017 number	2016 number
	5	8

The aggregate payroll costs of these persons were as follows:

	2017 £'000	2016 £'000
Wages and salaries	1,026	1,655
Social security costs	454	157
Other pension costs	34	65
Restructuring costs	–	454
Share option charge	1,070	835
	2,584	3,166

Cost of Directors' emoluments were incurred by the Company and are included in the Remuneration Report on pages 45 to 49.

Company Information

Tribal Group plc

Registered in England and Wales
Company number: 4128850

Registered office

Kings Orchard
1 Queen Street
Bristol
BS2 0HQ

T: 0845 123 6001
E: info@tribalgroup.com
www.tribalgroup.com

Company secretary

Mark Pickett

Stockbrokers

Investec Bank plc	N+1 Singer Capital Markets Limited
2 Gresham Street	1 Bartholomew Lane
London	London
EC2V 7QP	EC2N 2AX

Financial adviser

Investec Bank plc
2 Gresham Street
London
EC2V 7QP

Principal bankers

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

Independent auditors

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

Solicitors

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

Registrars

Link Asset Services (formerly Capita Registrars Limited)
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

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, Link Asset Services, on 0871 664 0300, and ask for your accounts to be amalgamated.

(Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

Financial calendar

Annual General Meeting	24 April 2018

Designed and produced by emperor
Visit us at emperor.works

Tribal Group plc

Registered in England and Wales
Company number: 4128850

Registered office

Kings Orchard
1 Queen Street
Bristol
BS2 0HQ

T: 0845 123 6001
E: info@tribalgroup.com
www.tribalgroup.com