TRIBAL working as one

Half Year Results

For the six months ended 30 June 2014

Our business

Tribal's business model

The key attributes of our business

Technology

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

People

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

Customers

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

Intellectual property

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

Financial stability

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

How we create value

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

- Software licence revenues
- Recurring maintenance and support income
- Implementation services
- Cloud-based Software-as-a-Service revenues
- Long-term contracts
- Repeatable and scalable programmes, with embedded software tools leading to annuity revenues

Outcomes

Market-leading positions

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

Our systems' world-class credentials have been confirmed through our successes in global procurements

Long-term relationships

Our solutions are embedded in the fabric of our customers' operations

We gain deep insight into our customers' evolving future needs

Innovative solutions

Strong customer insight, and confidence to invest, allow us to create new intellectual property to meet customer needs

New functionality is developed both within our existing systems, and in new solutions and applications to meet our customers' needs

International capacity

Financial confidence allows us to build our business infrastructure and capabilities in new international markets

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

Financial strength

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

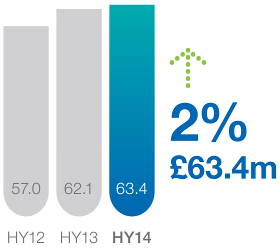
Our strategic objectives: 2012 – 2014

- Embed technology across all that we do for our customers
- Internationalise our customer base
- Enhance our sales and business development capability
- Maintain appropriate debt levels and create investment capacity through strong cash flow

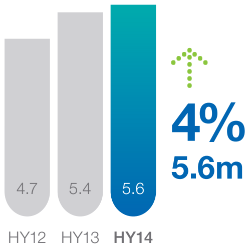
Key financial results

Six months ended 30 June 2014

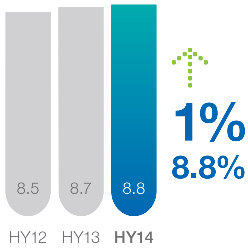
Revenue



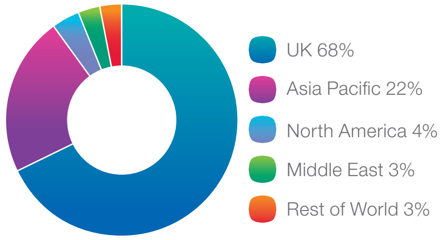
Adjusted operating profit[1]



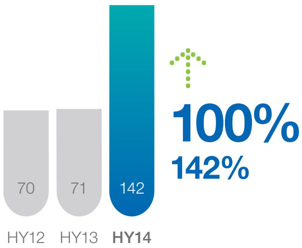
Adjusted operating margin[1]



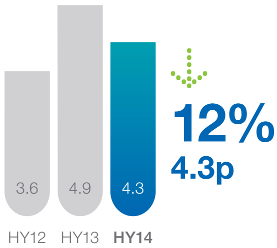
Group revenue by geographic market



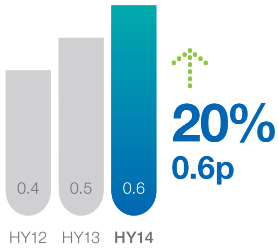
Cash conversion[2]



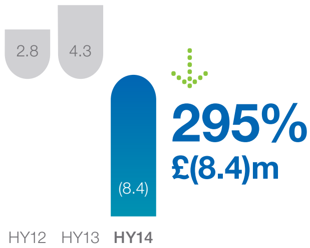
Adjusted earnings per share[1]



Dividend per share



Statutory (loss)/profit before tax



Operating highlights

Higher education

- Extending presence in Canada with pilot programme now underway with a further major Canadian university
- Market entry achieved in South Africa with University of South Africa, the largest university in Africa
- Appointed preferred supplier for two further large universities in Asia Pacific
- New transformation offering supporting change management at St Andrews University, University of Westminster and Anglia Ruskin University in the UK
- First contract to deploy university system under multi-tenanted cloud-based Software-as-a-Service model with a consortium of eight UK law schools

Vocational learning

- Important international contract win to provide a cloud-based student management system across 100 training centres in 59 countries for the British Council
- New South Wales Student Administration and Learning Management (SALM) college solution progressing well towards go-live
- Sky Software acquisition integrating well into our product portfolio

Schools / K-12

- Human Edge acquisition integrating well, and good synergies developing with our school management system portfolio
- Increasing clarity over future relationship with Ofsted in the UK quality assurance market
- Partnership with Outwood Grange Academy Trust developing well, and Synergy in Schools now being implemented for our largest FE college customer, Newcastle College Group, as part of its integration of school academies into its wider education delivery plans

1 Adjusted operating profit and adjusted EPS are in respect of continuing operations, excluding trading losses of closed businesses in 2013 of £0.1m and in 2012 of £1.3m, intangible asset amortisation and impairment of £11.9m (2013: £0.1m, 2012: £0.01m), net exceptional costs of £1m (2013 and 2012: £nil) and in the case of adjusted EPS unwinding of hedge accounting reserve in 2013 and 2012 of £0.2m, unwind of discount on deferred contingent consideration of £0.4m (2013: £0.1m, 2012: £nil) and the related tax credit of £0.7m (2013: £0.1m, 2012: £0.3m).

2 Cash conversion is calculated as net cash from operating activities before tax from continuing operations before exceptional cash flows less capital expenditure as a proportion of adjusted operating profit as adjusted for working capital movements arising directly from acquisitions.

Chief Executive's Statement

Building international momentum

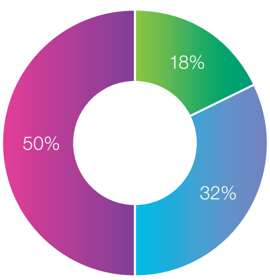
Keith Evans
Chief Executive

Introduction

Tribal has continued to realise the key elements of its strategic objectives. We remain focused on bringing technology to all that we do, helping our customers to manage and deliver excellent education and training.

Our ambition to build a truly international business is becoming a reality as we grow through new customer relationships, complemented by carefully chosen acquisitions in our growing number of international markets.

We are also continuing investment to support our future organic development. Our product development programme is being sustained, and we are increasing the stature of our international infrastructure.



Our H1 2014 revenues derived from higher education, vocational learning and schools / K-12 markets

Financial performance

Revenue for the six months ended 30 June 2014 was £63.4m (2013: 62.1m), an increase of 2%. At a divisional level, our Systems revenues grew by 16% to £35.6m (2013: £30.6m), underpinned by another period of strong international expansion. As we continue to focus our activities in those areas where we can most successfully leverage our technology assets, our Solutions revenues decreased to £28.0m (2013: £31.7m).

Adjusted operating profit was £5.6m (2013: £5.4m), an increase of 4%, with adjusted operating margins of 9% (2013: 9%). Consistent with our long term vision, we are investing to ensure we have the right management capacity, skills, resources and business systems to support future revenue growth. Whilst our sustained investment programme affects short-term operating margins we anticipate enhanced growth potential and margin improvement in the medium-term.

Adjusted profit before tax was £4.9m (2013: £4.9m), and adjusted earnings per share were 4.3p (2013: 4.9p), a 12% decrease largely arising as a result of non-recurring tax credits which benefitted the prior year, and the write-off of bank facility fees associated with our refinancing at the start of the year.

Following Ofsted's announcement that it intends to take schools quality assurance activities in-house from September 2015, our assessment of the value of goodwill relating to our Solutions business has required an impairment charge of £9.2m. Additionally, following our acquisition of Sky Software and Human Edge during the period, we have determined that certain software products in our pre-existing portfolio have now been superseded by acquired technology, and a £1.8m impairment charge has accordingly been recognised in the period. As a result, our statutory loss before tax for the period was £8.4m (2013: profit of £4.3m).

Tribal generated excellent operating cash flow in the period. Cash conversion was 142% (2013: 71%), supporting our on-going investment in new software development (£2.4m) and our bolt-on acquisition programme (net cash consideration of £15.2m). Net debt at 30 June 2014 was £13.5m (30 June 2013: £9.3m; 31 December 2013: £4.6m), an increase arising primarily from these investment activities.

Strategic progress

Our international customer base is developing well. Approximately 32% (HY 2013: 24%; FY 2013: 26%) of our revenues were generated internationally in the period. At the same time, our focus on technology-based activities is reflected by an increasing emphasis on Systems revenues, which now represent 56% of our total revenue (FY 2013: 51%).

Asia Pacific

Our business in Asia Pacific has grown substantially since we entered the region in 2010. We have successfully delivered major software programmes for important institutions such as University of Sydney and the Department of Education in New South Wales, whilst also securing a range of new university and college customers for our systems in Australia and New Zealand.

Our regional credentials in colleges and schools have been reinforced through our recent acquisitions of Sky Software and Human Edge. The latter also brings an offshore software development centre in the Philippines, and early stage customer relationships elsewhere in South East Asia.

North America

We are gaining a demonstrable track-record in North America. Our quality assurance solutions have now been deployed in Tennessee, New York State and Massachusetts, and our performance improvement solutions have been used in more than 90 US and Canadian universities.

The scope of our student management system deployment for University of British Columbia (UBC) is expanding, and we are now piloting our system with a further major Canadian university.

Other international regions

Our work in the Middle East is progressing well, and our major £6.3m systems contract with the University of South Africa, the largest university in Africa with over 370,000 students, now takes us into a further English-speaking regional growth market.

United Kingdom

The UK education market is the foundation of our business, with strong market positions held by the majority of our management systems.

We are continuing to see good opportunities for our systems and performance improvement solutions in Higher Education in the UK, offset by lower activity levels in UK further education colleges and training providers.

Tribal's future position in the UK schools market is also now increasingly focussed on the provision of systems and performance improvement solutions for school managers. Our schools quality assurance work with Ofsted will expire towards the end of 2015, although our work with Ofsted at the "Early Years" level is expected to continue for the foreseeable future. As this area of work reduces over time, our "Synergy" range of children's services and school-level management systems is showing encouraging progress.

Market commentary

Higher Education

Governments in our regional markets consider higher education as a route to economic prosperity, but at the same time are facing fiscal challenges. This is leading to flat or reducing public funding for higher education, which is being offset by increasing student fee requirements.

Thus students are becoming more demanding, and the quality of the "student experience" becomes ever more important. Pursuit of international students, and the additional funds which flow from them, is intensifying. As a result of these drivers, we are continuing to see good activity levels as universities seek innovative ways to understand and organise their businesses, and to deliver high quality education.

United Kingdom

Within our established customer base, we are increasingly working with our customers to assist their adoption of best practice in student administration, refreshing their approach to using our software as their business requirements evolve. We are currently engaged on change programmes at St Andrews University, University of Westminster and Anglia Ruskin University in this way.

Institutions are also forming innovative collaborations, creating new opportunities for us. For example, our student management system is now being deployed to a consortium of eight law schools around the UK on a cloud-based Software as a Service model, streamlining adminstration and enhancing management information across an otherwise dispersed campus structure.

International

In Asia Pacific, our long term major implementation programme with the University of Sydney has successfully reached full go-live. We have also recently been appointed as preferred supplier to two significant universities in Asia Pacific.

Elsewhere, our university systems are gaining good momentum. As previously mentioned, we have now entered the South African market with the University of South Africa, and we are expanding our customer base in North America with a pilot programme underway with a second major Canadian university.

Vocational Learning

Skills development is a key issue for all established education systems. Key themes include enhancing the responsiveness of vocational learning to the needs of employers (including blended-environment learning on-the-job and in the classroom), and improving the overall employability of learners.

These trends continue to create demand for our systems and for our performance improvement solutions (particularly our analytics solutions for colleges).

United Kingdom

In the UK, we have secured a £6.1m contract to provide our cloud-based Sky Software student management system to the British Council to support its English language teaching programme across its 100 training centres around the world.

This programme will see our system operating in over 40 languages, and being deployed in 59 countries.

International

In Australia, our work for the SALM programme is advancing well, and the recently acquired Sky Software business is integrating well with the wider Tribal product portfolio.

Schools K-12

Across our regional markets, governments are active on school improvement programmes, typically emphasising delivery of a school education which produces a well-rounded, highly-skilled labour force.

Common themes include the introduction of market-based choice for parents' selection of schools for their children, an increasing use of analytic tools to drive up standards, a more personalised approach to learning and efforts to bring closer linkage between schools and vocational learning systems.

United Kingdom

In the UK, our schools activities will increasingly focus on the delivery of systems and performance improvement tools, particularly to groups of schools under academy chain frameworks.

Our partnership with the Outwood Grange Academy Trust (OGAT) is progressing well, and a number of OGAT's schools are now live on Synergy-in-Schools. Amongst other new customers for this system, we are collaborating with our largest Further Education college customer, Newcastle College Group (NCG), to provide Synergy-in-Schools to support the integration of school academies into NCG's education network.

International

In Australia, our schools student management system activities are now substantial.

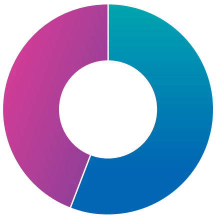
The SALM programme expects to deliver our systems to around 2,200 schools in New South Wales, and our recently acquired Human Edge business is supporting approximately 1,900 additional schools and education management organisations throughout Australia and South East Asia. We are already seeing good synergies developing between Human Edge and our existing schools system portfolio.

Chief Executive's Statement continued

Divisional performance

Systems

Revenues from international sources (H1 2014)



Revenues by product type (H1 2014)

Revenues by market (H1 2014)

Six months ended 30 June	2014 £m	2013 £m
Revenue		
Licence and development fees	**12.1**	8.6
Implementation	**10.0**	11.3
Maintenance	**11.1**	9.0
Other	**2.4**	1.7
	35.6	30.6
Of which:		
UK	**56%**	61%
International	**44%**	39%
	100%	100%
Adjusted segment operating profit (see note 4)	**7.5**	5.8
Adjusted operating profit margin	**21%**	19%
Systems product development investment	**£2.3m**	£2.9m

Our Systems business' revenue grew by 16% to £35.6m (2013: £30.6m). International revenues represented 44% (2013: 39%) of total income. Divisional adjusted operating profit was £7.5m (2013: £5.8m) including £1.9m from the recently acquired Sky Software business, supported by Tribal's international delivery capacity. The adjusted operating margin was 21% (2013: 19%).

We have seen good overall trading conditions in the UK in our Systems business during the period. Domestic revenues grew to £19.9m (2013: £18.7m), an increase of 6%. Additionally, we have continued to experience strong international growth. International revenues were £15.7m (2013: £11.9m), an increase of 32% driven through the contribution of acquired businesses in the period, new customer wins and the continued delivery of large projects such as the SALM programme.

Licence revenues and development fees increased significantly once again. Delivery of software for new customers such as the University of South Africa and British Council, supplemented by extension of existing large customer programmes such as those with University of British Columbia and University of Kent, has driven strong licence revenue growth. Complementing our new software sales, our development work on the SALM programme has continued during the period. This phase of activity is now approaching completion, having commenced in mid-2012. Licence and development revenues from the SALM programme were £3.3m (2013: £3.6m).

Implementation revenues increased significantly on the back of the SALM programme in 2013, and this stream of activity has remained strong in the period. SALM implementation revenues were £2.9m (2013: £4.9m). Outside the SALM programme, we have seen a number of our university customers extend timelines on their systems implementation programmes, resulting in deferral of some of our activities. As we move forward, we expect to see activity levels increasing in our major implementation projects.

Our annuity maintenance income base has continued to grow alongside our increasing installed customer base, with maintenance fees in the period of £11.1m (2013: £9.0m), an increase of 23%. Maintenance fees on the SALM programme were £1.6m (2013: £0.3m).

Adjusted operating margins increased to 21% (2013: 19%). As previously explained, our investment in our international management, business development and delivery capacity is progressing strongly, and is intentionally running ahead of anticipated revenue growth. Operating margin growth will continue to be constrained as we make this investment.

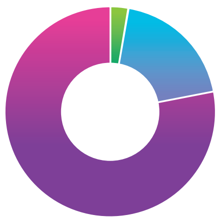
Our investment in new product development remains strong, although having undertaken a phase of significant investment to build platforms which will resonate in international markets our product investment levels are likely to now represent a smaller percentage of revenue over the coming years.

Solutions

Six months ended 30 June	2014 £m	2013 £m
Revenue		
Performance Improvement Solutions:		
Benchmarking and analytics	2.0	3.0
Professional development and training support	8.1	9.6
Learning and assessment	1.8	3.4
	11.9	16.0
Quality Assurance Solutions	16.1	15.7
	28.0	31.7
Of which:		
UK	85%	91%
International	15%	9%
	100%	100%
Adjusted segment operating profit (see note 4)	1.0	1.9
Adjusted operating profit margin	4%	6%
Solutions product development investment	£0.1m	£0.6m

Revenues from international sources (H1 2014)

Revenues by market (H1 2014)



Our Solutions business' revenue in the period was £28.0m (2013: £31.7m), a reduction of 12%. International revenues represented 15% (2013: 9%) of total income. Divisional adjusted operating profit was £1.0m (2013: £1.9m), and adjusted operating margins were 4% (2013: 6%).

The re-shaping of our Solutions business towards our long term vision of technology-based revenues across international markets is accelerating. Those aspects of our Solutions activities which fit less well with these key characteristics will progressively become a smaller part of our business over time.

Performance improvement solutions

Our benchmarking and analytics work is showing good underlying progress, although key customer programmes are expected to show an increased weighting towards the second half of the year.

Tribal's professional development and training support programmes will evolve over the course of the coming year. At the present time, our work includes the provision of careers advice solutions in the offender management market. We will be withdrawing from this market over the remainder of 2014, but will maintain our focus on the development of our software-based training support programmes such as those with the National Centre for Excellence in the Teaching of Mathematics.

Our learning and assessment solutions experienced slow market conditions in the first half of 2014. At the start of the year, Further Education colleges experienced difficulties securing clarity of Government funding commitments due to challenges with a new funding information system provided by the Skills and Funding Agency. At that time, many colleges adopted a cautious stance, and slowed their spending commitments. Following resolution of these problems, we have seen colleges' activity levels returning to normal levels in recent months.

Quality assurance solutions

Alongside our work for Ofsted in the UK, we have been diversifying and growing our customer base for our quality assurance solutions. Our future approach seeks to deliver our quality assurance activities through increasing use of technology; using this approach, our software and methodologies are now active in the Middle East in Abu Dhabi, Qatar, Bahrain and Saudi Arabia, and our work in the US is progressing well across New York State and Massachusetts.

Chief Executive's Statement continued

People

We are fortunate at Tribal in employing talented staff who are motivated by working with our customers to deliver systems and solutions which support the delivery of education, learning and training. As an increasingly international business, our development creates new opportunities and challenges for our people. We are very grateful for the continued support of our staff across Tribal, and their commitment to realising our strategic goals.

Risks and uncertainties

Our risk management policies and key risks are documented on pages 34–39 of the Group's report and accounts for the year ended 31 December 2013, which can be found at www.tribalgroup.com/investors. Our key risks remain materially unchanged since that report.

In summary, the key risk areas faced by the Group, and examples of the consequences of risks crystallising in these areas, are:

- Resource allocation – which may cause substandard delivery of key contracts, reputational damage, and excessive resource and management stretch;
- People – which may lead to inability to attract and retain staff, destabilise morale and create shortfalls in operational capabilities;
- Geographic distribution – which may cause over-stretch of management control, resource capacity challenges, foreign exchange currency risk and damage from unforeseen local market conditions;
- Competitive positioning – which may result in aggressive commercial action by competitors or inappropriate pricing strategies in new markets;
- Innovation and technology – which may render existing software products and solutions obsolete;
- Reputation – which may cause loss of key contracts, or loss of customer confidence and trust;
- Governance and controls – which may cause poor control particularly of international expansion;
- Customer demands – which may change unpredictably as a result of political, economic or policy change. Changing customer demands may impact existing contracted activity, and can create uncertainty in the timing of new business wins; and
- Intellectual property – which may result in loss of control over or infringement of key elements of our intellectual property.

Going concern

The Group has sufficient financial resources for its foreseeable requirements. Tribal maintains sizeable cash balances, and has a revolving credit facility of £40m which is committed until June 2018. A further £10m is available on a non-committed basis under an accordion arrangement.

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

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis in preparing the financial statements.

Foreign exchange

As Tribal grows in international markets, we are increasingly doing business in foreign currencies. Whilst we seek to hedge against foreign exchange risk where appropriate, fluctuations in foreign currencies affect our reported profits.

Our operating profit for the six months ended 30 June 2014 would have been approximately £0.7m higher if foreign currency denominated transactions in the period had been recorded at exchange rates consistent with those pertaining in the first half of 2013.

Taxation

Our increasing international activities mean that our operations are becoming subject to jurisdictions in which corporate tax rates are above those in the UK. As a result, our effective tax rate for ongoing activities is expected to rise progressively in the medium-term, although the majority of our profits will continue to be taxed in the UK.

Dividend

The Board has declared a dividend of 0.60p in respect of the six months ended 30 June 2014 (2013: 0.50p). This will be paid on 17 October 2014 to shareholders on the register on 19 September 2014. The ex-dividend date will be 17 September 2014.

Related parties

Transactions with related parties during the period are set out in note 22.

Outlook

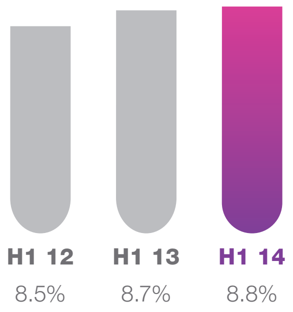
Tribal made solid progress in the first half, increasing revenues and adjusted profits while investing in the international infrastructure and products that will drive sustainable growth. Recent bolt-on acquisitions, which have also enhanced our technology and market reach, are integrating well. With a healthy pipeline of opportunities, our expectations for the full year to 31 December 2014 remain unchanged.

Looking forward into 2015 and beyond, our work with Ofsted will reduce and we will accelerate the repositioning of our Solutions business towards technology-based revenue streams. Whilst this may reduce short-term headline revenue growth rates in our Solutions Business, we anticipate stronger medium-term revenue growth and margin improvement.

Key performance indicators

Measuring our progress

Adjusted operating margin

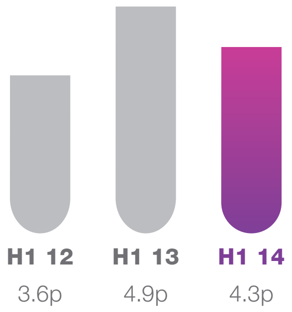


Objective: Maintain and enhance our operating margin.

Outlook: Our increasing focus on software-based activities is expected to support continued improvement in our operating margins, partly offset by our investment in our business' international capabilities in the near term.

Link to our strategic plan: Margin growth supports earnings growth, through which we are seeking to deliver shareholder value.

Adjusted earnings per share

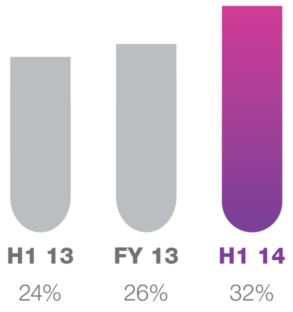


Objective: Long-term sustainable growth in EPS.

Outlook: Good opportunities in our existing and new markets, and a focus on enhancing the efficiency of our activities, support our pursuit of sustainable EPS growth.

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

Internationalisation

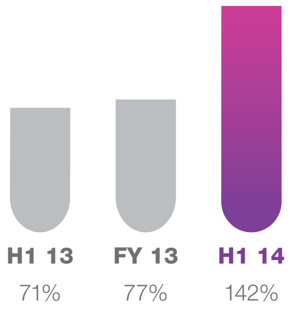


Objective: Increasing the proportion of overall revenue generated from international markets.

Outlook: We expect our revenues to continue to grow in our international markets during the remainder of 2014.

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

Cash conversion

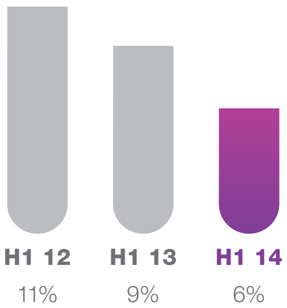


Objective: Generate strong operating cash flow.

Outlook: We have generated excellent operating cash flow during the first half of 2014, supporting our investment programme and funding of our bolt-on acquisitions.

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

Product development investment

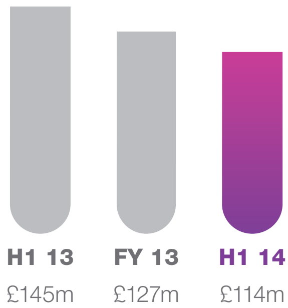


Objective: Sustained investment in development of existing and new products.

Outlook: We expect to maintain strong levels of investment in the medium-term, although after a period of investment in platforms for international markets, product investment is likely to represent a smaller percentage of revenue in the coming years.

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

Order book

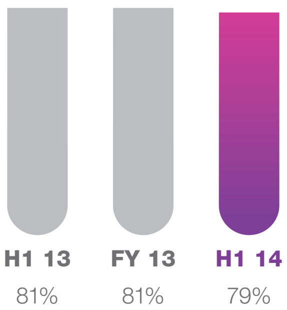


Objective: Strong order book supporting enhanced revenue visibility.

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

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

Staff retention



Objective: Optimise retention of skilled staff.

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

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

How we define our KPIs

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

Condensed consolidated income statement for the six months to 30 June 2014

	Note	Adjusted £'000	Other items (see note 5) £'000	Six months ended 30 June 2014 Total £'000	Adjusted £'000	Other items (see note 5) £'000	Six months ended 30 June 2013 Total £'000
Continuing operations							
Revenue	4	63,390	–	63,390	62,093	–	62,093
Cost of sales		(39,459)	–	(39,459)	(39,457)	–	(39,457)
Gross profit		23,931	–	23,931	22,636	–	22,636
Other administrative expenses		(18,288)	(12,018)	(30,306)	(17,247)	(45)	(17,292)
Amortisation of IFRS 3 intangibles		–	(906)	(906)	–	(115)	(115)
Total administrative expenses		(18,288)	(12,924)	(31,212)	(17,247)	(160)	(17,407)
Operating profit/(loss)	4	5,643	(12,924)	(7,281)	5,389	(160)	5,229
Investment income		2	–	2	16	–	16
Other gains and losses	6	–	–	–	–	(227)	(227)
Finance costs	7	(755)	(384)	(1,139)	(548)	(124)	(672)
Profit/(loss) before tax	5	4,890	(13,308)	(8,418)	4,857	(511)	4,346
Tax	8	(788)	699	(89)	(309)	80	(229)
Profit/(loss) for the period from continuing operations		4,102	(12,609)	(8,507)	4,548	(431)	4,117
Discontinued operations							
(Loss)/profit from discontinued operations	9	–	(124)	(124)	–	384	384
Profit/(loss) for the period		4,102	(12,733)	(8,631)	4,548	(47)	4,501
Earnings per share							
From continuing operations							
Basic and diluted	10	4.3p	(13.3)p	(9.0)p	4.9p	(0.5)p	4.4p
From continuing and discontinued operations							
Basic and diluted	10	4.3p	(13.0)p	(9.1)p	4.9p	(0.1)p	4.8p

Condensed consolidated income statement

	Note	Adjusted £'000	Other items (see note 5) £'000	Year ended 31 December 2013 Total £'000
Continuing operations				
Revenue	4	125,485	–	125,485
Cost of sales		(75,466)	–	(75,466)
Gross profit		50,019	–	50,019
Other administrative expenses:		(34,260)	(30)	(34,290)
Amortisation of IFRS 3 intangibles		–	(231)	(231)
Total administrative expenses		(34,260)	(261)	(34,521)
Operating profit	4	15,759	(261)	15,498
Investment income		37	–	37
Other gains and losses	6	–	(453)	(453)
Finance costs	7	(1,235)	(350)	(1,585)
Profit before tax		14,561	(1,064)	13,497
Tax	8	(2,889)	169	(2,720)
Profit for the year from continuing operations		11,672	(895)	10,777
Discontinued operations				
Profit from discontinued operations	9	–	788	788
Profit for the year		11,672	(107)	11,565
Earnings per share				
From continuing operations				
Basic and diluted	10	12.5p	(1.0)p	11.5p
From continuing and discontinued operations				
Basic and diluted	10	12.5p	(0.2)p	12.3p

Condensed consolidated statement of comprehensive income
for the six months to 30 June 2014

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
(Loss)/profit for the period	**(8,631)**	4,501	11,565
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit pension asset	**–**	230	1,412
Items that may be reclassified subsequently to profit or loss:			
Transfer from cash flow hedge reserve	**–**	226	453
Deferred tax	**73**	272	(82)
Exchange differences on translation of foreign operations	**(10)**	(40)	(581)
Total comprehensive (expense)/income for the period attributable to equity holders of the parent	**(8,568)**	5,189	12,767

Condensed consolidated balance sheet
at 30 June 2014

	Note	**30 June 2014 £'000**	30 June 2013 £'000	31 December 2013 £'000
Non-current assets				
Goodwill	12	**79,695**	77,550	78,652
Other intangible assets	13	**24,638**	14,845	16,732
Property, plant and equipment		**2,763**	3,041	3,085
Investments		**1**	1	1
Retirement benefit surplus	18	**778**	–	778
Deferred tax assets		**2,898**	2,198	2,209
		110,773	97,635	101,457
Current assets				
Inventories		**918**	999	714
Trade and other receivables	14	**32,561**	26,944	28,915
Cash and cash equivalents	20	**15,885**	8,094	7,555
		49,364	36,037	37,184
Total assets		**160,137**	133,672	138,641
Current liabilities				
Trade and other payables	15	**(19,221)**	(11,002)	(12,438)
Accruals		**(13,713)**	(11,587)	(12,871)
Deferred income		**(27,100)**	(25,837)	(24,575)
Tax liabilities		**(2,248)**	(2,691)	(3,197)
Provisions	16	**(8,527)**	(2,193)	(3,296)
		(70,809)	(53,310)	(56,377)
Net current liabilities		**(21,445)**	(17,273)	(19,193)
Non-current liabilities				
Bank loans	20	**(29,338)**	(17,432)	(12,114)
Retirement benefit obligations	18	**–**	(313)	–
Deferred tax liabilities		**(2,188)**	(5)	(389)
Provisions	16	**(1,504)**	(1,633)	(1,531)
		(33,030)	(19,383)	(14,034)
Total liabilities		**(103,839)**	(72,693)	(70,411)
Net assets		**56,298**	60,979	68,230
Equity				
Share capital		**4,743**	4,685	4,685
Share premium		**20**	–	–
Other reserves		**25,826**	27,728	28,042
Retained earnings		**25,709**	28,566	35,503
Total equity attributable to equity holders of the parent		**56,298**	60,979	68,230

Condensed consolidated statement of changes in equity
for the six months to 30 June 2014

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2014	**4,685**	**–**	**28,042**	**35,503**	**68,230**
Total comprehensive expense for the period	**–**	**–**	**–**	**(8,568)**	**(8,568)**
Movement in own shares	**–**	**–**	**(1,967)**	**–**	**(1,967)**
Issue of share capital	**58**	**20**	**–**	**–**	**78**
Dividends	**–**	**–**	**–**	**(1,031)**	**(1,031)**
Charge to equity for share-based payments	**–**	**–**	**(249)**	**(195)**	**(444)**
Balance at 30 June 2014	**4,743**	**20**	**25,826**	**25,709**	**56,298**

For the six months to 30 June 2013

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2013	4,685	–	26,913	24,345	55,943
Total comprehensive income for the period	–	–	174	5,015	5,189
Dividends	–	–	–	(794)	(794)
Credit to equity for share-based payments	–	–	641	–	641
Balance at 30 June 2013	4,685	–	27,728	28,566	60,979

For the year ended 31 December 2013

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

Condensed consolidated cash flow statement
for the six months to 30 June 2014

	Note	**Six months ended 30 June 2014 £'000**	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Net cash from operating activities	19	**12,528**	7,403	18,646
Investing activities				
Interest received		**2**	16	37
Proceeds on disposal of discontinued operations		**321**	338	638
Purchases of property, plant and equipment		**(560)**	(658)	(1,552)
Expenditure on product development and business systems		**(2,509)**	(3,490)	(6,994)
Acquisition of investments in subsidiaries		**(15,160)**	(2,521)	(2,521)
Net cash outflow from investing activities		**(17,906)**	(6,315)	(10,392)
Financing activities				
Interest paid		**(280)**	(309)	(670)
Purchase of own shares		**(2,792)**	–	–
Proceeds on issue of shares		**78**	–	–
Equity dividend paid		**–**	–	(1,260)
Draw down/(repayment) of borrowings and loan arrangement fees		**16,747**	(1,081)	(6,647)
Net cash from/(used in) financing activities		**13,753**	(1,390)	(8,577)
Net increase/(decrease) in cash and cash equivalents		**8,375**	(302)	(323)
Cash and cash equivalents at beginning of period		**7,555**	8,424	8,424
Effect of foreign exchange rate changes		**(45)**	(28)	(546)
Cash and cash equivalents at end of period	20	**15,885**	8,094	7,555

Notes to the condensed consolidated financial information
for the six months to 30 June 2014

1. General information

The condensed consolidated financial information for the six months ended 30 June 2014 was approved by the Board of Directors on 12 August 2014.

The information for the year ended 31 December 2013 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor reported on those accounts: its report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

The annual financial statements of Tribal Group plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

In the current financial year, the Group has applied for the first time IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Separate Financial Statements', IAS 28 (2011) 'Investments in Associates and Joint Ventures' including the amendments to the transitional guidance and the amendments to IFRS10, IFRS 12 and IAS 27 'Investment Entities'. The adoption of these standards has had no material impact. Otherwise, the same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

3. Going concern

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

4. Segmental analysis

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.

Geographical information: revenue from external customers	**Six months ended 30 June 2014 £'000**	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
UK	**43,385**	47,364	92,709
Asia Pacific	**13,715**	11,675	25,584
North America and rest of the world	**6,290**	3,054	7,192
	63,390	62,093	125,485

The principal activities are as follows:

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

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

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Revenue			
Systems	**35,579**	30,586	64,206
Solutions	**28,030**	31,657	61,570
Intersegment	**(219)**	(150)	(291)
Continuing operations	**63,390**	62,093	125,485
Segment adjusted operating profit			
Systems	**7,527**	5,776	14,826
Solutions	**1,049**	1,943	6,066
Unallocated corporate expenses	**(2,933)**	(2,330)	(5,133)
Segment adjusted operating profit	**5,643**	5,389	15,759
Amortisation of IFRS 3 intangibles	**(906)**	(115)	(231)
Impairment of goodwill	**(9,232)**	–	–
Other costs	**(2,786)**	(45)	(30)
Operating (loss)/profit	**(7,281)**	5,229	15,498

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment, without the 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.

Of the total Group revenues of approximately 20% (December 2013: 21%) have arisen within our Solutions division from the Group's largest customer and revenues of approximately 13% (December 2013: 15%) have arisen within our Systems division from the Group's second largest customer.

Of the total "Amortisation of IFRS 3 intangibles", £0.8m arose in relation to the Systems segment and £0.1m in relation to the Solutions segment. Impairment of goodwill arises entirely in relation to the Solutions segment. Of the total "Other costs", £2.1m arose in relation to the Systems segment and £0.7m in relation to the Solutions segment.

Notes to the condensed consolidated financial information continued

5. Other items (including closed businesses and exceptional costs)

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Closed businesses:			
Other restructuring costs – closed businesses	**–**	(65)	(93)
Operating loss from closed business	**–**	(65)	(93)
Other items:			
– Acquisition costs	**(345)**	(62)	(54)
– Property related	**(630)**	82	117
– Unwinding of discount on deferred contingent consideration	**(384)**	(124)	(350)
– Impairment of goodwill	**(9,232)**	–	–
– Impairment of development costs	**(1,811)**	–	–
– Amortisation of IFRS 3 intangibles	**(906)**	(115)	(231)
– Unwinding of hedge accounting reserve	**–**	(227)	(453)
	(13,308)	(511)	(1,064)

Property related costs in 2014 relate primarily to the relocation of the Group's Head Office. An onerous lease charge arises on the exit of our previous property. The new property benefits from a significant lease incentive with the effect that the overall relocation programme is cash neutral.

6. Other gains and losses

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Unwinding of hedge accounting reserve	**–**	227	453

7. Finance costs

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Interest on bank overdrafts and loans	**378**	469	979
Write off of loan arrangement fees	**338**	–	–
Unwinding of discount on deferred contingent consideration	**384**	124	350
Other interest payable	**39**	79	256
	1,139	672	1,585

8. Tax

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Continuing operations			
Current tax			
UK corporation tax	**(36)**	990	3,096
Overseas tax	**958**	30	343
Adjustments in respect of prior periods	**(9)**	(609)	(551)
	913	411	2,888
Deferred tax			
Current period	**(833)**	(175)	(258)
Adjustments in respect of prior periods	**9**	(7)	90
	(824)	(182)	(168)
Tax charge on result	**89**	229	2,720
Discontinued operations			
Current tax	**36**	117	54
Deferred tax	**–**	–	–
Total			
Current tax			
UK corporation tax	**–**	1,107	3,150
Overseas tax	**958**	30	343
Adjustments in respect of prior periods	**(9)**	(609)	(551)
	949	528	2,942
Deferred tax			
Current period	**(833)**	(175)	(258)
Adjustments in respect of prior periods	**9**	(7)	90
	(824)	(182)	(168)
Tax charge	**125**	346	2,774

In addition to the amount charged to the income statement, a deferred tax credit of £73,000 (2013: £272,000) has been taken directly to equity.

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.

Notes to the condensed consolidated financial information continued

9. Discontinued operations

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

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Operating profit before exceptional credits	**18**	13	13
Exceptional credits	**46**	345	712
Operating profit	**64**	358	725
Attributable tax charge	**(36)**	(117)	(54)
(Loss)/profit on disposal of discontinued operations	**(152)**	143	117
Net (loss)/profit attributable to discontinued operations	**(124)**	384	788
Operating cash flows for discontinued operations	**36**	94	446
Investing cash flows for discontinued operations	**321**	337	638
Total cash flows for discontinued operations	**357**	431	1,084

10. 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:

	Six months ended 30 June 2014 thousands	Six months ended 30 June 2013 thousands	Year ended 31 December 2013 thousands
Basic weighted average number of shares in issue	**94,769**	93,696	93,696
Employee share options	**–**	–	–
Weighted average number of shares for the purpose of calculating diluted earnings per share	**94,769**	93,696	93,696

Diluted earnings per share only reflects the dilutive effect of share options for which performance criteria have been met at the reporting date.

The maximum number of potentially dilutive shares, based on options that have been granted but have not yet met vesting criteria is 4,046,135 (December 2013: 3,521,109).

The adjusted earnings per share figures shown on the condensed consolidated income statement 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.

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Earnings			
From continuing operations			
Net (loss)/profit from continuing operations attributable to equity holders of the parent	**(8,507)**	4,117	10,777
Earnings per share			
Basic and diluted	**(9.0)p**	4.4p	11.5p
From continuing and discontinued operations			
Net (loss)/profit from continuing and discontinued operations attributable to equity holders of the parent	**(8,631)**	4,501	11,565
Earnings per share			
Basic and diluted	**(9.1)p**	4.8p	12.3p

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Adjusted earnings			
From continuing operations			
Net (loss)/profit from continuing operations attributable to equity holders of the parent	**(8,507)**	4,117	10,777
Amortisation of IFRS 3 intangibles (net of tax)	**698**	88	177
Impairment of goodwill	**9,232**	–	–
Impairment of development costs (net of tax)	**1,422**	–	–
Unwinding of discount on deferred consideration	**384**	124	350
Exceptional costs (net of tax)	**873**	45	20
Financial instrument charge (net of tax)	**–**	174	348
Adjusted earnings from continuing operations	**4,102**	4,548	11,672
Adjusted earnings per share from continuing operations			
Basic and diluted	**4.3p**	4.9p	12.5p
From continuing and discontinued operations			
Net (loss)/profit from continuing and discontinued operations attributable to the equity holder	**(8,631)**	4,501	11,565
Amortisation of IFRS 3 intangibles (net of tax)	**698**	88	177
Impairment of goodwill	**9,232**	–	–
Impairment of development costs (net of tax)	**1,422**	–	–
Unwinding of discount on deferred consideration	**384**	124	350
Exceptional costs/(credits) (net of tax)	**836**	(220)	(638)
Discontinued operations and associated tax adjustments	**161**	(119)	(130)
Financial instrument charge (net of tax)	–	174	348
Adjusted earnings from continuing and discontinued operations	**4,102**	4,548	11,672
Adjusted earnings per share from continuing and discontinued operations			
Basic and diluted	**4.3p**	4.9p	12.5p

Notes to the condensed consolidated financial information continued

11. Dividends

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Amounts recognised as distributions to equity holders in the period:			
Interim dividend for the year ended 31 December 2013 of 0.50 pence per share	**–**	–	466
Final dividend for the year ended 31 December 2013 of 1.10 pence per share (2012: 0.85 pence per share)	**1,031**	794	794
	1,031	794	1,260

The Board has declared an interim dividend of 0.60 pence per share (2013: 0.50 pence per share), which will result in a cash outflow of £0.6m (2013: £0.5m). The interim dividend was approved by the Board on 12 August 2014 and has not been included as a liability as at 30 June 2014.

The dividend is payable on 17 October 2014 to ordinary shareholders who are on the register on 19 September 2014. The shares will be quoted ex-dividend on 17 September 2014.

12. Goodwill

	£'000
Cost	
At 1 January 2014	108,232
Additions	10,200
Exchange differences	75
At 30 June 2014	**118,507**
Accumulated impairment losses	
At 1 January 2014	29,580
Impairment	9,232
At 30 June 2014	**38,812**
Net book value	
At 30 June 2014	**79,695**
At 31 December 2013	78,652

The Group tests annually for impairment or more frequently if there are indications that goodwill might be impaired. During the period, Ofsted announced its intention to in-source one of the two inspections contracts held by the Group at the end of the current contract term in August 2015. As a result we have reassessed the goodwill relating to the Solutions business, which holds these contracts, for potential impairment. The recoverable amount of the Solutions CGU group was determined from a value in use calculation. The key assumptions for this are those regarding discount rates, short to medium term trading performance, longer term growth rates and expected changes to selling prices, sales volumes and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices, sales volumes and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial projections approved by the Board up to the end of 2015 and has extrapolated cash flows in perpetuity based on an estimated growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets and reflects the ongoing caution in the market. The discount rate applied was 14% (2013: 14%) which is based on the WACC for the business with an appropriate risk adjustment.

This assessment indicates that based on our current projections for that business, an impairment of £9.2m is required. If the profitability over the forecast period were to fall below expectations there would be a requirement for a further impairment of goodwill. For example if profitability were 10% below expectations across the forecast period, a further impairment of £3.1m would be required. We will continue to conduct regular reviews to monitor this.

The additions to goodwill in the period arise entirely in relation to the Systems segment (£5.9m in relation to the acquisition of Sky Software and £4.3m in relation to the acquisition of Human Edge). The impairment arises entirely in relation to the Solutions segment.

13. Other intangible assets

	Software £'000	Customer contracts & relationships £'000	Development costs £'000	Business systems £'000	Total £'000
Cost					
At 1 January 2014	–	3,785	24,874	4,440	33,099
Additions	7,035	2,947	2,349	160	12,491
Exchange differences	50	9	–	–	59
At 30 June 2014	**7,085**	**6,741**	**27,223**	**4,600**	**45,649**
Amortisation					
At 1 January 2014	–	2,618	10,220	3,529	16,367
Charge for the period	312	594	1,700	232	2,838
Impairment loss	–	–	1,811	–	1,811
Exchange differences	–	–	(5)	–	(5)
At 30 June 2014	**312**	**3,212**	**13,726**	**3,761**	**21,011**
Carrying amount					
At 30 June 2014	**6,773**	**3,529**	**13,497**	**839**	**24,638**
At 31 December 2013	–	1,167	14,654	911	16,732

Software and customer contract and relationships have arisen from acquisitions, and are amortised over their estimated useful lives, which is over 5–12 years. The amortisation period for development costs incurred on the Group's software development and product development is three to five years based on the expected life-cycle of the product. The Group' corporate business systems software is amortised over an average of five years from the date it first comes into use. Certain historical development costs have been impaired following a review of the Group's product portfolio after the acquisitions of Sky Software and Human Edge.

14. Trade and other receivables

	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000
Trade receivables	**17,937**	15,018	18,276
Amounts recoverable on contracts	**106**	362	270
Other receivables	**550**	650	283
Prepayments	**3,482**	3,143	2,705
Accrued income	**10,486**	7,771	7,381
	32,561	26,944	28,915

Notes to the condensed consolidated financial information continued

15. Trade and other payables

	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000
Trade payables	**3,849**	4,682	3,000
Other taxation and social security	**6,557**	3,872	4,558
Other payables	**8,815**	2,448	4,880
	19,221	11,002	12,438

16. Provisions

	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000
At beginning of period	**4,827**	1,682	1,682
Increase/(reduction) in provision in period	**271**	(421)	(828)
On acquisition of subsidiary	**7,312**	2,860	3,962
Exchange rate movement	**101**	–	–
Unwinding of discount on deferred consideration	**384**	124	350
Utilisation of provision	**(2,864)**	(419)	(339)
At end of period	**10,031**	3,826	4,827

The provisions are split as follows:

Less than one year:	**30 June 2014 £'000**	30 June 2013 £'000	31 December 2013 £'000
Future lease costs	**–**	235	6
Deferred contingent consideration	**7,760**	1,450	2,782
Potential litigation claims	**767**	508	508
	8,527	2,193	3,296

More than one year:	**30 June 2014 £'000**	30 June 2013 £'000	31 December 2013 £'000
Future lease costs	**–**	98	–
Deferred contingent consideration	**1,504**	1,535	1,531
	1,504	1,633	1,531

The potential litigation claims are expected to be resolved within one year and are therefore shown within current liabilities. However, it is possible that these claims may take longer to resolve, or the Group may not be promptly notified that the claim has been dropped. The claim may be settled at amounts higher or lower than that provided, depending on the outcome of the commercial or legal arguments. The provision made is management's best estimate of the Group's liability based on past experience, commercial judgement and legal advice. Further details are contained in note 21.

17. Acquisition of subsidiary

On 6 March 2014, the Group acquired 100% of the issued share capital of Sky Software Pty Limited ('Sky Software'), a company incorporated in Australia that provides cloud-based student management systems to the vocational and higher education markets in Australia, the Asia Pacific region and elsewhere in the world.

This transaction has been accounted for by the purchase method of accounting. The total expected cost of acquisition is £9.4m. This comprises an initial cash consideration of £1.1m and deferred consideration of £8.3m (the discounted figure at acquisition being £7.3m) which is payable based on the future profits of the acquired business. At the period end, the equivalent figure was £7.6m.

Deferred contingent consideration that becomes due shall be satisfied in the period from March 2015 to March 2018.

The maximum amount payable is £10.9m.

The provisional carrying amount of each class of Sky Software Pty Limited's assets before combination is set out below:

	Book value £'000	Acquisition adjustments £'000	Provisional fair value adjustments £'000	Provisional fair value £'000
Intangible assets	1,697	4,814	(1,697)	4,814
Tangible assets	2	–	–	2
Trade and other receivables	111	–	–	111
Cash and cash equivalents	60	–	–	60
Trade and other payables	(1,423)	–	–	(1,423)
Deferred tax liabilities	–	(963)	–	(963)
Net assets/(liabilities) acquired	447	3,851	(1,697)	2,601
Goodwill arising on acquisition				5,852
Consideration				
Satisfied by:				
Initial cash consideration				1,141
Deferred contingent consideration				7,312
				8,453

The cash consideration paid by Tribal to date of £1.1m was satisfied through the Group's existing revolving loan facility. The net cash out flow from the acquisition, after taking account of the cash acquired, was £1.1m.

The goodwill arising on the acquisition is attributable to synergies, the assembled workforce, and potential future relationships, contracts and software.

Intangible assets arising on acquisition are in respect of software (£4.0m) and customer relationships and contracts (£0.8m).

Sky Software Pty Limited contributed revenue of £2.6m and operating profit of £1.9m to the Group for the period between the date of acquisition and the balance sheet date.

Acquisition related costs amounted to £0.1m.

Had the acquisition occurred on the 1 January 2014, the Group's revenue would have increased by £2.9m and its operating profit by £1.8m.

Notes to the condensed consolidated financial information continued

17. Acquisition of subsidiary (continued)

On 2 June 2014, the Group acquired 100% of the issued share capital of Human Edge Software Corporation Pty Limited ('Human Edge'), a company incorporated in Australia that provides student management systems primarily to the Australian schools market.

This transaction has been accounted for by the purchase method of accounting. The total cost of acquisition was £14.0m, all of which was paid up front; there is no deferred element to the consideration.

The provisional carrying amount of each class of Human Edge Software Corporation Limited's assets before combination is set out below:

	Book value £'000	Acquisition adjustments £'000	Provisional fair value adjustments £'000	Provisional fair value £'000
Intangible assets	–	5,168	–	5,168
Trade and other receivables	5,256	–	(10)	5,246
Cash and cash equivalents	2,732	–	–	2,732
Trade and other payables	(2,520)	–	10	(2,510)
Deferred tax liabilities	–	(1,033)	–	(1,033)
Net assets acquired	5,468	4,135	–	9,603
Goodwill arising on acquisition				4,348
Consideration				
Satisfied by:				
Cash consideration				13,951

The cash consideration paid by Tribal of £14.0m was satisfied through the Group's existing revolving loan facility. The net cash out flow from the acquisition, after taking account of the cash acquired, was £11.2m.

The goodwill arising on the acquisition is attributable to synergies, the assembled workforce, and potential future relationships, contracts and software.

Intangible assets arising on acquisition are in respect of the software (£3.0m) and customer relationships (£2.2m).

Human Edge Software Corporation Pty Limited contributed revenue of £0.3m and operating profit of £0.1m to the Group for the period between the date of acquisition and the balance sheet date.

Acquisition related costs amounted to £0.2m.

Had the acquisition occurred on the 1 January 2014, the Group's revenue would have increased by £1.8m and its operating profit by £0.5m.

18. Defined benefit schemes

Two of the Group's subsidiary undertakings participate in defined benefit pension schemes: Tribal Technology Limited participates in the TfL Pension Fund, and Tribal Education Limited participates in the Federated Pension Plan and the Prudential Platinum Pension Fund.

Payments to pension schemes in the period were £0.5m (2013: £0.7m).

19. Note to the cash flow statement

Reconciliation of operating (loss)/profit to operating cash flows

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Operating (loss)/profit from continuing operations	**(7,281)**	5,294	15,591
Operating loss from closed businesses	**–**	(65)	(93)
	(7,281)	5,229	15,498
Operating profit from discontinued operations	**64**	358	725
Depreciation of property, plant and equipment	**823**	882	1,707
Impairment of goodwill	**9,232**	–	–
Amortisation and impairment of other intangible assets	**4,649**	1,277	2,894
Net pension credit	**–**	–	(156)
Loss on disposal of property, plant and equipment	**80**	–	–
Research and development tax credit	**(150)**	–	(322)
Movement in deferred consideration	**13**	–	–
Share-based payments	**381**	641	780
Operating cash flows before movements in working capital	**7,811**	8,387	21,126
(Increase)/decrease in inventories	**(204)**	(94)	190
Decrease/(increase) in receivables	**1,170**	1,048	(1,326)
Increase/(decrease) in payables and provisions	**5,648**	(1,274)	824
Net cash from operating activities before tax	**14,425**	8,067	20,814
Tax paid	**(1,897)**	(664)	(2,168)
Net cash from operating activities	**12,528**	7,403	18,646
Net cash from operating activities before tax can be analysed as follows:			
Continuing operations (excluding restricted cash)	**11,526**	7,808	16,413
Increase in restricted cash	**2,863**	165	3,955
	14,389	7,973	20,368
Discontinued operations	**36**	94	446
	14,425	8,067	20,814

Notes to the condensed consolidated financial information continued

20. Analysis of net debt

	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000
Non restricted cash	**8,258**	7,120	2,791
Restricted cash	**7,627**	974	4,764
Gross cash	**15,885**	8,094	7,555
Syndicated bank facility (net of bank arrangement fees)	**(29,338)**	(17,432)	(12,114)
Net debt	**(13,453)**	(9,338)	(4,559)

Analysis of changes in net debt:

	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000
Opening net debt	**(4,559)**	(9,850)	(9,850)
Net increase/(decrease) in cash and cash equivalents	**8,375**	(302)	(323)
Effect of foreign exchange rate changes	**(45)**	(28)	(546)
(Increase)/decrease in bank loans	**(17,224)**	842	6,160
Closing net debt	**(13,453)**	(9,338)	(4,559)

Restricted funds represent funds restricted in use by the relevant commercial terms of certain trading contracts.

21. Contingent liabilities

The Group has received notification of a number of potential litigation claims, the majority of which relate to discontinued activities. On the basis of legal advice, claims are being robustly contested as to the liability and quantum. A provision of £0.8m (30 June 2013: £0.5m, 31 December 2013: £0.5m) has been made for defending these claims, where appropriate (see note 16).

A cross-guarantee exists between Group companies in respect of bank facilities totalling £20.2m (30 June 2013: £13.2m, 31 December 2013: £5.9m).

In addition, the Company and its subsidiaries have provided performance guarantees issued by their banks on their behalf, in the ordinary course of business totalling £8.9m (30 June 2013: £10.3m, 31 December 2013: £9.4m). These are not expected to result in any material financial loss.

22. Related party disclosures

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. No material contract or arrangement has been entered into during the period, nor subsisted at 30 June 2014, in which a director had a material interest.

See note 18 for details of amounts paid to the Group's pension schemes in the period.

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

	Six months ended 30 June 2014 £'000	Six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Short-term employee benefits	**488**	469	1,272
Share-based payments	**219**	388	501
	707	857	1,773

During the period to 30 June 2014 515,769 options were exercised by Keith Evans and 515,769 options exercised by Steve Breach. The options relate to the 2011 LTIP grant that have met their performance conditions.

Responsibility statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’;

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Keith Evans
Chief Executive
12 August 2014

Steve Breach
Group Finance Director

Independent review report to Tribal Group plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014, which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 22. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP.

Deloitte LLP

Chartered Accountants and Statutory Auditor
Bristol, United Kingdom
12 August 2014

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

Rob Ewin

Stockbroker

Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QR

Financial adviser

N M Rothschild & Sons Limited
New Court
St Swithin's Lane
London
EC4P 4DU

Principal bankers

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

Auditor

Deloitte LLP
3 Rivergate
Temple Quay
Bristol
BS1 6GD

Solicitors

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

Registrars

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 half year results and/or multiple cheques for each dividend payment, it means that you have more than one shareholder account.

To receive just one copy of the half year results and one cheque for each dividend payment, please contact the Company's registrars, Capita Registrars, on 0871 664 0300 for UK callers (UK calls cost 10p per minute plus network extras. Lines are open from 8.30am to 5.30pm) or +44 (0)20 8639 3399 for overseas callers, and ask for your accounts to be amalgamated.

Financial calendar

Ex-dividend date	17 September 2014
Record date	19 September 2014
Final dividend payment date	17 October 2014

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Tribal Group plc
Kings Orchard
1 Queen Street
Bristol
BS2 0HQ
United Kingdom
www.tribalgroup.com