

**T R I B A L**

# HALF YEAR RESULTS

---

For the six months ended 30 June 2010

---

Tribal Group plc



## About us

Tribal is a leading provider of service delivery, advisory and technology solutions focused on improving the quality and effectiveness of public services.

### Our services:

- **service delivery** - services we deliver for clients, usually under long-term contracts
- **advisory** - based on our sector expertise and focused on supporting change
- **technology** - our range of market-leading software and related services

### Our core markets are:

- **education**
- **health**
- **government**

## Our mission

People have a right to great public services. Tribal's mission is to help deliver them.

We believe that high quality public services enrich people's lives. We also think that everyone should have a good education, accessible healthcare and the opportunity to fulfil their potential.

That's why we are passionate about working in partnership with our clients to ensure people receive the best possible public services.

## Summary

- **Group revenue of £95.0m (2009: £99.8m)**
- **Increased revenue in Education and Health and encouraging growth internationally; lower revenue in Government**
- **Adjusted profit before tax of £4.6m (2009: £7.7m)**
- **Substantial growth in committed income to £255m (2009: £199m)**
- **Change programmes will now realise total annualised savings of £17.5m**
- **Successful sale of architectural business**
- **Net debt reduced to £22.3m**
- **New committed bank facilities to 2015 signed**
- **Interim dividend of 1.85p (2009: 1.85p)**

## Commentary

“While current UK market conditions have created a more difficult trading environment for our business, the Group has continued to make good progress in a number of important areas. We have increased our committed income significantly and seen further growth in our international activities. We have reduced our net debt and we have successfully refinanced our banking facilities which are now committed to 2015.

“The UK public sector is facing unprecedented change. In the short term, uncertainty around spending plans will continue to impact demand for advisory services. However, the Comprehensive Spending Review in October will provide greater clarity and, in the medium term, we expect the role of the private sector in delivering public services to increase as the public sector seeks lower costs and more effective delivery models.

“We are responding to the current market environment by accelerating and extending our change programmes to reduce costs and improve efficiencies across the organisation; reorganising our technology activities to improve productivity; and focusing our growth initiatives on strategic market opportunities in the UK and internationally. In aggregate, we now expect our change programmes to generate annualised savings of £17.5m (against £7.5m previously announced), of which £3m was achieved during the period, £7m will be realised in the second half of the year, with the balance of £7.5m being generated primarily in 2011.

“Our overall committed income levels remain strong and, at 31 July 2010, we had secured 86% of our planned revenue for the year (2009: 83%). Whilst we believe that the benefits of the new contracts won during the period and the achievement of our identified cost savings will be reflected in our performance in the second half, we are continuing to experience uncertain levels of demand for our advisory activities and, therefore, we expect the Group’s full year performance to be moderately below our previous expectations. We remain confident that the strategic actions that we are implementing will ensure that we have a robust platform from which to develop in 2011.”

**Peter Martin**, Chief Executive, Tribal

## Financial summary

	Six months ended 30 June 2010	Six months ended 30 June 2009	Change
Revenue	<b>£95.0m</b>	£99.8m	<b>(4.8%)</b>
Adjusted profit before tax	<b>£4.6m</b>	£7.7m	<b>(40.3%)</b>
Profit before tax	<b>£2.1m</b>	£7.3m	<b>(71.2%)</b>
Adjusted earnings per share	<b>3.6p</b>	6.0p	<b>(40.0%)</b>
Interim dividend	<b>1.85p</b>	1.85p	

### Notes:

The adjusted profit before tax and adjusted earnings per share exclude exceptional costs of £1.6m (2009: £nil), intangible asset amortisation of £0.5m (2009: £0.4m) and financial instrument charge of £0.5m (2009: credit £0.04m).

## Chief Executive's statement >

### Introduction

As anticipated, the first half of the year presented challenging market conditions for certain areas of the Group. Whilst our Education and Health businesses recorded increased revenues against the corresponding period last year, our Government business experienced a significant contraction in demand for advisory services as spending decisions were deferred or cancelled in the period leading up to, and following, the general election in May 2010.

During the period, we improved our levels of committed income, primarily in our Education business, and we saw further growth from our international activities. We extended the scope of our change programmes which, together with the further actions being taken to improve our operational efficiencies and reorganise our technology activities, will now deliver annualised cost savings of £17.5m (against £7.5m previously announced). £3m of these savings were achieved during the period, £7m are expected to be realised in the second half of the year, with the balance of £7.5m being generated primarily in 2011. The cost of implementing these change programmes was £1.0m in the period, with further anticipated costs of approximately £4.0m in the second half of the year and £2.0m in 2011.

Revenue for the six months ended 30 June 2010 in our continuing operations was £95.0m (2009: £99.8m). Adjusted operating profit was £5.2m (2009: £8.2m) and the adjusted operating profit margin was 5.5% (2009: 8.2%). Adjusted profit before tax was £4.6m (2009: £7.7m) and adjusted earnings per share were 3.6p (2009: 6.0p). The adjusted numbers set out above exclude exceptional operational costs of £1.6m associated with our restructuring programme (£1.0m) and investment in new ventures (£0.6m). Statutory profit before tax was £2.1m (2009: £7.3m).

During the period, we generated operating cash flow of £4.7m (2009: £12.7m). Net debt, supported by cash proceeds from our disposal programme, fell from £27.8m at the start of the year to £22.3m at 30 June 2010. We are pleased to announce that we have successfully completed the refinancing of our core banking facility. The new £40m revolving credit facility will run until February 2015. The Group also has an £8m overdraft facility.

Our committed income from continuing operations rose to £255m at 30 June 2010, an increase of £52m (25.6%) since the start of the year. Although procurement timetables are typically being extended, we have seen a steady flow of new opportunities, particularly for service delivery contracts in the UK and educational software internationally. At 30 June 2010, our pipeline of qualified sales opportunities from continuing activities was £254m against £256m at 31 December 2009.

In March of this year, we announced that we were considering strategic options for our support services

businesses. Since then, we have completed the sale of our architectural business. We are reviewing strategic alternatives for our Resourcing and Communications businesses which have been treated as discontinued operations and assets held for sale for the purposes of the half year results.

The UK coalition Government has embarked on an ambitious programme to reduce the public sector budget deficit, primarily through significant reductions in government spending. Government policies and priorities are continuing to evolve but the publication of the Comprehensive Spending Review in October 2010 should provide a clearer view of the medium term spending plans for the public sector.

In order to achieve the Government's spending targets, the public sector in the UK will need to undertake very significant change and reform. In the medium term, therefore, we expect to see significant opportunities for Tribal in three areas:

- in supporting organisations through transformation programmes
- in delivering services on behalf of the Government through lower-cost business models, and
- in deploying technology to drive efficiency and value for money.

In the short term, we expect pressures on spending to continue to dampen demand, particularly for advisory services. In the light of the changing market environment, we have recently reviewed three key areas of our strategy:

- growth opportunities
  - technology organisation
  - operating efficiencies.
- **Growth opportunities.** Each of our three businesses has identified its key growth initiatives, further details of which are set out in the individual business reviews below. Our principal objectives are to increase contracted or recurring income from our service delivery and technology activities and to diversify our revenue base geographically, particularly in our Education and international development businesses.
- **Technology organisation.** In order to create a more efficient software development and support capability, we are pooling the existing technology skills from within our Education business and aligning our product and service offerings around common technology platforms for deployment in all three areas of our business. We have recently appointed Clive Ansell to lead this initiative which will initially comprise some 350 staff. Clive has spent many years as a senior executive at BT.

## > Chief Executive's statement >

■ **Operating efficiencies.** During the first half of the year, we implemented a series of actions to reduce our costs. We have now extended that programme to ensure that our cost base is aligned with anticipated market conditions. In addition, we have identified a range of opportunities to further reduce our costs and enhance our productivity levels.

Successful implementation of these three components of our strategy will position us well to tackle the challenges of the current market environment and to take advantage of future growth opportunities in the UK and internationally.

### Business review

Segmental operating profit and operating profit margin figures for the six months ended 30 June 2010 and six months ended 30 June 2009 are stated in accordance with the business segment information in note 4 to the financial information. The reconciling items between segmental operating profit and operating profit are also shown in note 4 to the financial information.

#### Education

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000
Revenue	53,545	51,737
Segment operating profit	6,801	6,964
Operating profit margin	12.7%	13.5%

Our Education business saw an increase in revenue to £53.5m (2009: £51.7m). Operating profit was £6.8m (2009: £7.0m) and the operating margin was 12.7% (2009: 13.5%). The operating margin reflects the changing business mix with proportionately greater revenues being derived from longer-term contracts that typically carry lower margins. During the period, we have continued to see high levels of interest in our education offerings, reflecting our ability to combine deep domain expertise with technology solutions and service delivery capabilities.

■ **Early Years.** We announced in February that we had been successful in winning a new contract with Ofsted to inspect Early Years providers across the South of England (c. 45% of all Early Years providers in England), making Tribal the largest provider of education inspection services in the UK. The contract is worth £64m over five years and we are due to start delivering services from 1 September 2010.

■ **Schools.** Our current schools inspections contract has continued to perform well. We are seeing an encouraging demand for our transformation programme, Inspirational Schools. The programme combines our improvement and advisory capabilities with our proprietary diagnostic software in order to provide schools and local authorities with an integrated, evidence-based school improvement service. Sales of our local authority education management software were strong during the period and our contracts to deliver value for money procurement services to schools

and to provide the National Centre for Excellence in the Teaching of Mathematics are performing well.

■ **Further (FE) and Higher Education (HE).** Sales of our FE college management software were ahead of expectations in the first half and the pipeline of opportunities remains strong. We have retained a number of our major service contracts with the sector, including our successful improvement advisory service to colleges. We have also won a significant role providing the specialist mathematics support in the delivery of improvements in the teaching of Science, Technology, Engineering and Mathematics (STEM) in colleges across the country. In a period of funding uncertainty, our college benchmarking service, which identifies opportunities for operational efficiencies, has seen encouraging growth in the first half of the year. Our learning materials publishing business has seen a significant reduction in demand following a change in funding structures and we have taken appropriate action to reduce the cost base in that business. Our student administration software for universities, where we are the UK market leader, had an excellent performance in the first half of the year, with strong demand for our service offerings.

■ **Lifelong Learning.** Our contract to deliver careers advice and guidance services within prisons in the South West, South East and Eastern regions of England performed well in the first half of the year and has attracted significant new enhancements to its funding. During the period, we were successful in our tender for the new Adult Advancement and Careers Service contract in the South West of England, worth nearly £4.4m over the next two years. We have seen solid sales of our management information systems to training providers and have focused strongly on providing services and software solutions to the Government's apprenticeship programme, building on our experience of delivering projects to clients such as Ford, McDonald's and Sainsbury's.

■ **International.** We have seen very encouraging growth in our international activities in the first half of the year. In the Middle East, we have been appointed as the sole provider of public school inspections in Abu Dhabi where we already have a private schools inspection contract. In Australasia, delivery of our £10m contract with the University of Sydney is running well. Our FE benchmarking contract in New Zealand has been extended for a further two years and we have won our first contract to provide student management software to an FE college in New Zealand. We have made encouraging progress in the USA, where we are focusing primarily on the schools market, linking our expertise in school improvement and inspection to federal and state government initiatives in education reform. We have recently acquired a specialist education company in Massachusetts to help accelerate growth and we have developed a strong pipeline of opportunities across a number of states.

## > Chief Executive's statement >

Despite the budgetary constraints imposed by the coalition Government, the UK education market continues to offer opportunities for experienced and flexible service providers. Change and reform will be required at all levels of the education system and pressure to reduce costs and improve outcomes will continue. Internationally, education will remain a policy priority for all governments and our strong UK credentials, supported by our technology and service delivery offerings, will provide us with an excellent platform for overseas growth.

We have identified the following key priorities for growth:

- Build a significant schools business in the USA. We have been very encouraged by our early progress in the USA. Using our acquisition in Massachusetts as a platform, and deploying our expertise in inspections and our software-based Inspirational Schools school improvement offering, we see considerable growth opportunities.
- Grow our software and technology sales internationally. We will continue to build on our market-leading student administration systems to expand our sales to further and higher education institutions in selected overseas markets. We will also use our expertise in mobile learning technology to provide a distinctive set of solutions.
- Develop outsourced service offerings for the FE and HE sectors in the UK. We currently provide software solutions to over 230 UK colleges and universities. We will build on our existing outsourced service offerings to support institutions as they respond to budgetary pressures and seek cost reductions and efficiency improvements.
- Establish an Early Years business in China. We are continuing to explore the opportunity to establish a joint venture in China that would focus on the provision of professional development training and quality improvement services to kindergartens and early years professionals in China.
- Expand our services supporting the UK apprenticeships programme. The new Government in the UK has strengthened its commitment to apprenticeships through increased funding. We will build on our existing expertise and on our leading management information systems to provide a broader and more integrated service offering.

In addition to developing our growth initiatives, we have, as announced above, initiated a programme to fully integrate all of our software and technology capabilities, thereby increasing innovation and speed of development and enhancing our productivity levels.

### Health

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000
Revenue	14,900	13,115
Segment operating profit	1,016	1,549
Operating profit margin	6.8%	11.8%

Our Health business reported increased revenue of £14.9m (2009: £13.1m). Operating profit was £1.0m (2009: £1.5m) and the operating margin was 6.8% (2009: 11.8%).

The operating margin reflects prudent profit recognition and lower margins on our longer-term contracts and increasingly challenging trading conditions for our advisory activities.

- **South Central.** In January, we commenced implementation of our four-year, £20m commissioning support contract with an alliance of nine primary care trusts (PCTs) in the south of England. We are providing a range of informatics and data analytics solutions and progress to date has been very encouraging. During the first half, we secured a further contract worth £2m to provide invoice validation services to the alliance and we have a pipeline of further opportunities.
- **Commissioning.** We have continued to develop our position as one of the leading private sector providers of commissioning services to PCTs. We have a number of long-term contracts across the country that are delivering significant savings for our clients. We have secured new work with North Yorkshire and York PCT and the pipeline of new opportunities remains encouraging.
- **Health Services.** We are continuing to develop our range of health services. We have seen good progress in our clinical coding activities that support NHS and independent sector clients in ensuring that clinical activity translates properly into financial value. We have secured a significant contract for our resource utilisation services with a consortium of PCTs in the East Midlands and our contract with Spire Healthcare has been extended to 2012. We are also establishing a care management business for patients with long-term conditions and are currently exploring a number of new contract opportunities.
- **Hospitals.** We have seen good demand for our acute service transformation offer. We are working with a number of NHS trusts such as Heatherwood and Wexham Park, Aintree and Gloucester, delivering both cost savings and improved patient care.
- **International.** Our international activities are primarily focused on providing health planning support to major hospital developments. During the period, we have delivered work on several contracts in Canada and secured a contract for a new hospital complex in Morocco. The new Government has confirmed the need for the

## > Chief Executive's statement >

NHS to deliver substantial savings and, as budgetary constraints appear, we expect to see increasing demand to support hospitals and other organisations with transformation programmes. In addition, we have recently seen the publication of the health white paper, which envisages radical changes to the structure of the NHS with the establishment of GP commissioning consortia, a substantially reduced role for strategic health authorities and PCTs, an open market for healthcare providers and major reductions in spending on national IT programmes.

We believe that these changes will create significant medium term opportunities for Tribal as a service provider and strategic partner to healthcare organisations across the NHS. We have identified the following areas as key growth priorities:

- Commissioning services for GP consortia. We will be building on our extensive experience of commissioning to develop a range of services that will support the establishment and operation of GP consortia.
- Clinical support services. We will extend the range of clinical support services from clinical coding to embrace areas such as pharmaceutical management for commissioners and records management and bed utilisation programmes for hospitals.
- Patient management services. We will develop our care management business to support patients suffering from a range of long term conditions, thereby reducing the costs of unscheduled hospital admissions for commissioners.
- Informatics outsourcing. We will leverage our extensive experience in informatics and data analytics to develop an informatics outsourcing model for both commissioners and providers.
- Provider management services. As the changes envisaged in the recent white paper are enacted, we will develop a range of management services to support hospitals and community service providers.

Whilst these opportunities are expected to be significant, in the short term we expect there to be continued pressure on consultancy spend, particularly from the Department of Health and central agencies, and procurement timetables for new services and contracts are likely to be extended. Our planning assumptions are that the major initiatives are unlikely to appear before the middle of 2011. We expect the reduced demand for advisory activities to continue and we have therefore taken action to reduce costs in order to mitigate the short term impact on our Health business. We recently appointed Kingsley Manning as the new lead for our Health business in succession to Matthew Swindells.

### Government

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000
Revenue	27,744	36,654
Segment operating profit	536	3,377
Operating profit margin	1.9%	9.2%

Our Government business has been operating in very challenging markets during the first half of the year which has materially impacted its financial performance. Revenue for the six months ended 30 June 2010 was £27.7m (2009: £36.7m) and operating profit was £0.5m (2009: £3.4m). The operating margin of 1.9% (2009: 9.2%) reflects the difficult trading conditions.

We had anticipated that our performance would be affected in the period leading up to the general election but subsequent spending decisions by the coalition Government in respect of consultancy services for central government departments have been greater than expected and have also had a general impact on purchasing decisions for advisory work across the public sector.

We announced at the end of last year a significant restructuring programme in order to create a single, integrated Government business. The programme was completed in April 2010 and has supported us in securing longer-term projects and implementing significant cost reductions. In the light of current market conditions, we have implemented a further cost reduction programme in order to mitigate the impact of reduced revenue expectations.

- **Central government.** Despite budgetary constraints, we have continued to win significant new work during the period. The public sector focus on reducing costs and achieving productivity gains is creating opportunities and we have been successful in winning new work, including assignments for the DCSF, DWP, Criminal Injuries Compensation Agency and a framework for delivering continuous improvement for the Home Office, Police and Criminal Justice System. We have continued to deliver assignments for a number of central government clients including the Foreign and Commonwealth Office, the UK Border Agency and the Office for National Statistics.

- **Local government.** We have strengthened our market position in the local government advisory market. Implementation of our major contract to deliver substantial savings on behalf of the States of Guernsey has progressed well and we have won new projects and extensions with a wide range of clients including Nottinghamshire County Council, States of Jersey, London Borough of Sutton, Royal Borough of Windsor and Maidenhead and Bolton Metropolitan Borough Council.

## > Chief Executive's statement >

■ **Housing.** Although the social housing market was impacted in the first half of the year by funding uncertainty, we retained our position as the leading adviser to the sector. We provided a comprehensive set of services to a wide range of clients during the period and won several significant new contracts, including our single largest ever engagement to provide a property services change management programme in Lambeth.

■ **International development.** Our international development business has been operating in an area that has been largely unaffected by the prevailing market conditions in the UK. During the period, we have delivered a range of public reform projects in Rwanda, Lesotho, Philippines, Kosovo and Croatia on behalf of leading donor organisations such as the Department for International Development, the World Bank, the European Commission Group and AusAID. We have successfully secured new engagements with the Ministry of Education and Science in Kosovo, the Croatian Ministry of Science, Education and Sports, the Philippines Department of Education and the Rwandan Ministry of Finance.

The new UK Government has announced a commitment to increase the overseas aid budget from £5.2bn to £9bn over the next five years. Most major countries have also reaffirmed their support for overseas development. As a result, we see significant opportunities to develop our international development business.

In the short term, we anticipate that the UK market for our Government business will remain challenging. The coalition Government has identified £6.2 billion of savings in the current financial year, an element of which will be derived from lower consultancy spend, particularly in central government. However, we expect significant opportunities to emerge over the medium term. The Comprehensive Spending Review that will be published in October will require all central government departments to consider not only cost-reduction initiatives but also whether services should continue to be provided by the public sector. We believe that this will create both advisory and service delivery opportunities for Tribal. In addition, the Government's longer term review of the delivery of technology will create opportunities for us to develop bespoke, tactical solutions that complement existing public sector IT systems.

In the light of current market developments, we have identified a number of key areas for future growth:

■ **New UK markets.** We will leverage our capabilities in service-based commissioning, cost reduction and innovation to pursue opportunities in two new markets: defence and social care. We are currently leading the development of Social Work Practice pilots on behalf of the Department for Education.

- **Internationalisation.** We have identified opportunities to export our capabilities in two key areas: social housing and policing. In the second half of the year, we will be entering the Australian social housing market, building on our position as the leading adviser on housing stock transfers in the UK.
- **Donor aid.** We will be growing our international development business in three principal directions: expanding our service offerings to cover areas such as justice and education; developing our footprint in Africa (a continent that will see a significant expansion of donor aid funding); and accessing funding from new donors, for example, USAID.
- **Service delivery.** We will be seeking to secure larger, longer-term contracts in areas where our domain expertise provides a competitive advantage. For example, building on Tribal's education inspection credentials and leveraging existing client relationships, we have identified several inspections opportunities within the environment and home affairs sectors.

Our committed income levels have remained steady and we have been encouraged by an improvement in our qualified sales pipeline in recent weeks. We remain confident that we are well positioned to respond to opportunities to deliver change and reform across key areas of the public sector.

### Support services

We announced in March that the Group would be focusing on its core activities in Education, Health and Government and that we were exploring a number of strategic options for each of our Support services businesses. In June, we announced that we had sold our Architecture business, Nightingale Architects Limited, to IBI Holdco Limited for a maximum net cash consideration (after disposal costs) of £12.1m, of which up to £4.9m is deferred. We are continuing to review strategic alternatives for our two remaining Support services businesses, Resourcing and Communications, and therefore these businesses are also included within discontinued operations.

Revenue from all discontinued operations in the period was £19.5m (2009: £25.5m). Adjusted operating profit from all discontinued operations was £2.0m (2009: £0.8m). Revenue for the Resourcing and Communications businesses for the six months to 30 June 2010 totalled £12.7m (2009: £13.5m). Adjusted operating profit for these businesses was £1.4m (2009: £0.7m).

### Resourcing

As anticipated, the first half of the year has been a challenging period with cost reduction programmes across the public sector, reduced activity in the period leading up to, and following, the general election and recruitment freezes in central government.



## > Chief Executive's statement >

In the short term, we do not expect the market environment to improve. Vacancy levels remain subdued in most areas of the public sector and senior recruitment plans for many organisations have been deferred until spending plans have been confirmed in the Comprehensive Spending Review in October. We have continued the restructuring programme within our Resourcing business and, despite lower volumes, we have been able to protect our operating margin.

Our e-recruitment business has continued to grow in areas where the deployment of technology can deliver savings and we have been successful in winning business to deliver recruitment portals on behalf of a number of local authorities. We have also been active in supporting public sector organisations as they undertake restructuring programmes and we have launched a range of career development and outplacement services to meet the changing requirements of our clients.

### Communications

Our Communications business had a good start to the year, reinforcing its position as the leading provider of public relations services to the public sector. However, following the general election, activity in the public sector has reduced very significantly, particularly in central government. The Central Office of Information, one of the principal channels for business, has introduced a freeze on new contract opportunities.

The business has responded with a programme of diversification, efficiency improvements and cost savings. It has channelled more of its business development activity into expanding its private and non-public sector business. As a result, the business has continued to trade profitably, albeit at reduced levels. Despite the difficult trading conditions, we have won a number of new clients including Plan UK, Universities UK and the British Cheese Board.

### People

We are fortunate at Tribal in employing staff and associates who are motivated by working with our clients to improve the delivery of public services. The feedback we receive from clients consistently demonstrates the outstanding levels of service that are provided by Tribal people. Several of our markets have presented challenging trading conditions and we have had to make significant changes to our organisation to ensure that we have a robust and cost-effective platform for the future. The scale of change, both external and internal, has been very significant and I am very grateful for the positive and constructive response from management and staff across the organisation. We continue to build on our market-leading positions in many areas of the public sector and our reputation and profile remains very high. Our success is solely attributable to the skills, expertise and dedication of our 2,200 staff and the associates that work with us.

### Managing risk

Tribal regularly reviews its corporate risk register and the Board considers risk assessment, identification of mitigating actions and internal controls to be fundamental to achieving the Group's strategic objectives. The principal risks that the Group will be managing during the second half of the year are as follows:

- operational risks, such as managing change within the business, competition, bidding processes and availability of skilled staff, and
- changes in government policy and spending.

In the current challenging economic climate, the most significant risks we are facing relate to uncertainty in government policy, pressure on public sector spending and increased competition. Our risk management policies and key risks are more fully documented in the Group's report and accounts for the year ended 31 December 2009.

### Going concern

The Group has adequate financial resources. We maintain sizeable cash balances, we have recently signed a new credit facility of £40m which runs until February 2015 and we have an overdraft facility of £8m which is renewable annually in February. Net debt was £22m at 30 June 2010.

Although the current economic conditions and emergency budget announced by the new Government in June 2010 create a degree of uncertainty in terms of public sector spending levels, the Group has a number of long term contracts, a range of customers across different geographic areas, high levels of committed income and a strong pipeline of new opportunities. The Group's forecasts and projections, which allow for reasonably possible changes in trading performance, show that the Group will be cash generative across the forecast period. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

### Dividend

The Board has proposed an interim dividend of 1.85p in respect of the six months ended 30 June 2010 (2009: 1.85p). This will be paid on 22 October 2010 to shareholders on the register at 24 September 2010. We have received the approval of shareholders and the High Court to undertake the capital reduction process announced in March 2010 that will increase the level of distributable reserves. We have given certain undertakings to the Court for the protection of the Company's creditors and we anticipate that these undertakings will be satisfied in the second half of the financial year.

## > Chief Executive's statement

### Prospects

The UK public sector is facing unprecedented change. There will be very significant cuts in spending over the next few years and public sector organisations will also be under considerable pressure to undertake radical reform of the way in which they deliver services. In the short term, uncertainty around spending plans will impact demand for advisory services. However, once the Comprehensive Spending Review is published in October, we expect greater clarity around the requirement for external support, particularly in respect of programmes that support cost reduction and efficiency improvements.

In the medium term, the role of the private sector in delivering public services will increase as functions and activities are outsourced by the public sector to take advantage of lower cost and more effective delivery models. Tribal remains well positioned to take advantage of these opportunities.

We have responded to the current market environment by accelerating and extending our change programmes in three areas:

- reducing cost and improving efficiency across the organisation
- reorganising our technology capability to support revenue growth and reduce costs, and
- focusing our growth initiatives on strategic market opportunities in the UK and internationally.

Our overall committed income levels remain strong and, at 31 July 2010, we had secured 86% of our planned revenue for the year (2009: 83%). Whilst we believe that the benefits of the new contracts won during the period and the achievement of our identified cost savings will be reflected in our performance in the second half, we are continuing to experience uncertain levels of demand for our advisory activities and, therefore, we expect the Group's full year performance to be moderately below our previous expectations. We remain confident that the strategic actions that we are implementing will ensure that we have a robust platform from which to develop in 2011.



**Peter Martin**  
Chief Executive

16 August 2010

## Condensed consolidated income statement >

For the six months to 30 June 2010

	Note	Before exceptional and amortisation costs £'000	Exceptional and amortisation costs (Note 5) £'000	Six months ended 30 June 2010 Total £'000	Before exceptional and amortisation costs £'000	Exceptional and amortisation costs (Note 5) £'000	Six months ended 30 June 2009 Total £'000
<b>Continuing operations</b>							
<b>Revenue</b>	4	<b>95,015</b>	–	<b>95,015</b>	99,764	–	99,764
Cost of sales		<b>(67,517)</b>	–	<b>(67,517)</b>	(65,156)	–	(65,156)
<b>Gross profit</b>		<b>27,498</b>	–	<b>27,498</b>	34,608	–	34,608
Net administrative expenses		<b>(22,289)</b>	<b>(1,558)</b>	<b>(23,847)</b>	(26,396)	–	(26,396)
Other administrative expenses:							
Amortisation of IFRS 3 intangibles		–	<b>(513)</b>	<b>(513)</b>	–	(444)	(444)
<b>Total administrative expenses</b>		<b>(22,289)</b>	<b>(2,071)</b>	<b>(24,360)</b>	(26,396)	(444)	(26,840)
<b>Operating profit/(loss)</b>	4	<b>5,209</b>	<b>(2,071)</b>	<b>3,138</b>	8,212	(444)	7,768
Investment income	6	<b>50</b>	–	<b>50</b>	227	–	227
Other gains and losses	7	–	<b>(456)</b>	<b>(456)</b>	–	37	37
Finance costs	8	<b>(640)</b>	–	<b>(640)</b>	(746)	–	(746)
<b>Profit/(loss) before tax</b>		<b>4,619</b>	<b>(2,527)</b>	<b>2,092</b>	7,693	(407)	7,286
Tax	9	<b>(1,212)</b>	<b>543</b>	<b>(669)</b>	(1,829)	114	(1,715)
<b>Profit/(loss) for the period from continuing operations</b>		<b>3,407</b>	<b>(1,984)</b>	<b>1,423</b>	5,864	(293)	5,571
<b>Discontinued operations</b>							
Profit/(loss) from discontinued operations	10	<b>1,416</b>	<b>(2,297)</b>	<b>(881)</b>	582	(23)	559
<b>Profit/(loss) for the period</b>		<b>4,823</b>	<b>(4,281)</b>	<b>542</b>	6,446	(316)	6,130
Attributable to:							
Equity holders of the parent				<b>542</b>			5,669
Minority interest				–			461
				<b>542</b>			6,130

### Earnings per share

#### From continuing operations

Basic	11	<b>3.6p</b>	<b>(2.1)p</b>	<b>1.5p</b>	6.0p	(0.3)p	5.7p
Diluted	11	<b>3.6p</b>	<b>(2.1)p</b>	<b>1.5p</b>	6.0p	(0.3)p	5.7p

#### From continuing and discontinued operations

Basic	11	<b>5.1p</b>	<b>(4.5)p</b>	<b>0.6p</b>	6.6p	(0.3)p	6.3p
Diluted	11	<b>5.1p</b>	<b>(4.5)p</b>	<b>0.6p</b>	6.6p	(0.3)p	6.3p

## > Condensed consolidated income statement

	Note	Before exceptional and amortisation costs £'000	Exceptional and amortisation costs (Note 5) £'000	Year ended 31 December 2009 Total £'000
<b>Continuing operations</b>				
<b>Revenue</b>	4	193,654	–	193,654
Cost of sales		(126,352)	–	(126,352)
<b>Gross profit</b>		67,302	–	67,302
Net administrative expenses		(52,376)	–	(52,376)
Other administrative expenses:				
Amortisation of IFRS 3 intangibles		–	(1,011)	(1,011)
Goodwill impairment		–	(30,683)	(30,683)
<b>Total administrative expenses</b>		(52,376)	(31,694)	(84,070)
<b>Operating profit/(loss)</b>	4	14,926	(31,694)	(16,768)
Investment income	6	231	–	231
Other gains and losses	7	–	95	95
Finance costs	8	(1,371)	–	(1,371)
<b>Profit/(loss) before tax</b>		13,786	(31,599)	(17,813)
Tax	9	(3,248)	256	(2,992)
<b>Profit/(loss) for the year from continuing operations</b>		10,538	(31,343)	(20,805)
<b>Discontinued operations</b>				
Profit/(loss) from discontinued operations	10	1,588	(37,356)	(35,768)
<b>Profit/(loss) for the year</b>		12,126	(68,699)	(56,573)
Attributable to:				
Equity holders of the parent				(57,401)
Minority interest				828
				(56,573)
<b>Earnings per share</b>				
From continuing operations				
Basic	11	10.7p	(34.6)p	(23.9)p
Diluted	11	10.7p	(34.5)p	(23.8)p
From continuing and discontinued operations				
Basic	11	12.5p	(75.9)p	(63.4)p
Diluted	11	12.4p	(75.5)p	(63.1)p

## Condensed consolidated statement of comprehensive income

For the six months to 30 June 2010

	<b>Six months ended 30 June 2010 £'000</b>	Six months ended 30 June 2009 £'000	Year ended 31 December 2009 £'000
Profit/(loss) for the period	<b>542</b>	6,130	(56,573)
Cash flow hedges	<b>(992)</b>	215	(29)
Actuarial loss on defined benefit pension schemes	<b>(501)</b>	(891)	(810)
Tax relating to components of other comprehensive income	<b>418</b>	189	235
Exchange differences on translation of foreign operations	<b>16</b>	–	–
<b>Total comprehensive income for the period</b>	<b>(517)</b>	5,643	(57,177)

## Condensed consolidated balance sheet

At 30 June 2010

	Note	30 June 2010 £'000	30 June 2009 £'000	31 December 2009 £'000
<b>Non-current assets</b>				
Goodwill	13	145,800	215,474	158,050
Other intangible assets	14	8,794	9,208	8,797
Property, plant and equipment		5,796	8,733	7,936
Investments		1	38	38
Deferred tax assets		2,738	2,506	3,191
		<b>163,129</b>	235,959	178,012
<b>Current assets</b>				
Inventories		1,066	841	954
Trade and other receivables	15	59,831	68,183	62,457
Cash and cash equivalents	20	14,769	16,294	9,370
Assets held for sale	10	510	–	–
		<b>76,176</b>	85,318	72,781
<b>Total assets</b>		<b>239,305</b>	321,277	250,793
<b>Current liabilities</b>				
Trade and other payables	16	(58,599)	(75,266)	(66,723)
Tax liabilities		(4,143)	(6,421)	(5,002)
Bank loans and loan notes		(273)	(388)	(381)
Provisions	17	(538)	(635)	(435)
Derivative financial instruments		–	(110)	–
		<b>(63,553)</b>	(82,820)	(72,541)
<b>Net current assets</b>		<b>12,623</b>	2,498	240
<b>Non-current liabilities</b>				
Bank loans		(36,826)	(31,735)	(36,780)
Pension liabilities	18	(2,484)	(2,271)	(2,143)
Deferred tax liabilities		(1,194)	(2,215)	(1,881)
Derivative financial instruments		(2,378)	(635)	(931)
		<b>(42,882)</b>	(36,856)	(41,735)
<b>Total liabilities</b>		<b>(106,435)</b>	(119,676)	(114,276)
<b>Net assets</b>		<b>132,870</b>	201,601	136,517
<b>Equity</b>				
Share capital		4,685	4,538	4,685
Share premium account		–	81,091	78,723
Special reserve		78,723	–	–
Other reserves		30,036	64,686	31,597
Retained earnings		19,426	49,230	21,512
Equity attributable to equity holders of the parent		<b>132,870</b>	199,545	136,517
Minority interest		–	2,056	–
<b>Total equity</b>		<b>132,870</b>	201,601	136,517

## Condensed consolidated statement of changes in equity

For the six months to 30 June 2010

	Share capital £'000	Share premium £'000	Special reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2010	4,685	78,723	–	31,597	21,512	<b>136,517</b>
Total comprehensive income for the period	–	–	–	(698)	181	<b>(517)</b>
Capital reduction	–	(78,723)	78,723	–	–	–
Dividends	–	–	–	–	(2,577)	<b>(2,577)</b>
Debit to equity for share-based payments	–	–	–	(863)	310	<b>(553)</b>
Balance at 30 June 2010	4,685	–	78,723	30,036	19,426	<b>132,870</b>

For the six months to 30 June 2009

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Minority interest £'000	Total equity £'000
Balance at 1 January 2009	4,394	78,749	64,486	45,945	<b>193,574</b>	1,829	<b>195,403</b>
Total comprehensive income for the period	–	–	(487)	5,669	<b>5,182</b>	461	<b>5,643</b>
Issue of share capital	144	2,342	–	–	<b>2,486</b>	–	<b>2,486</b>
Dividends	–	–	–	(2,384)	<b>(2,384)</b>	–	<b>(2,384)</b>
Credit to equity for share-based payments	–	–	687	–	<b>687</b>	–	<b>687</b>
New minorities	–	–	–	–	–	6	<b>6</b>
Purchase of minorities	–	–	–	–	–	(240)	<b>(240)</b>
Balance at 30 June 2009	4,538	81,091	64,686	49,230	<b>199,545</b>	2,056	<b>201,601</b>

For the year ended 31 December 2009

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Minority interest £'000	Total equity £'000
Balance at 1 January 2009	4,394	78,749	64,486	45,945	<b>193,574</b>	1,829	<b>195,403</b>
Total comprehensive income for the year	–	–	(21)	(57,984)	<b>(58,005)</b>	828	<b>(57,177)</b>
Issue of share capital	291	(26)	4,326	–	<b>4,591</b>	–	<b>4,591</b>
Dividends	–	–	–	(4,055)	<b>(4,055)</b>	(319)	<b>(4,374)</b>
Credit to equity for share-based payments	–	–	324	88	<b>412</b>	–	<b>412</b>
Transfer	–	–	(37,518)	37,518	–	–	–
Sale to minorities	–	–	–	–	–	6	<b>6</b>
Purchase of minorities	–	–	–	–	–	(2,344)	<b>(2,344)</b>
Balance at 31 December 2009	4,685	78,723	31,597	21,512	<b>136,517</b>	–	<b>136,517</b>

On 16 June 2010, the High Court issued an order sanctioning the cancellation of the Company's share premium account. Tribal has given certain undertakings to the Court in relation to the reserve arising on the cancellation for the protection of the Company's creditors. Accordingly, the reserve arising will remain undistributable until such undertakings have been discharged in respect of all relevant creditors of the Company on the effective date of the cancellation. On 17 June 2010, Tribal received from Companies House the certificate of registration of the Court order. Accordingly, the cancellation of the Company's share premium account is now effective. Once the undertakings have been discharged the balance in the special reserve will transfer to retained earnings and become distributable.

## Condensed consolidated cash flow statement

For the six months to 30 June 2010

	Note	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000	Year ended 31 December 2009 £'000
<b>Net cash from operating activities</b>	19	<b>4,735</b>	12,704	15,124
<b>Investing activities</b>				
Interest received		49	227	233
Proceeds on disposal to minorities		-	18	18
Disposal of subsidiary		7,098	-	-
Proceeds on disposal of property, plant and equipment		160	4	493
Disposal/(purchase) of trading investments		1	(31)	(31)
Purchases of property, plant and equipment		(1,133)	(1,098)	(2,366)
Expenditure on product development		(1,258)	(1,427)	(2,515)
Acquisitions and deferred consideration		(631)	(6,599)	(14,112)
Cash and cash equivalents (disposed)/acquired		(2,932)	746	746
<b>Net cash inflow/(outflow) from investing activities</b>		<b>1,354</b>	(8,160)	(17,534)
<b>Financing activities</b>				
Interest paid		(596)	(664)	(1,252)
Equity dividend paid		-	-	(4,055)
Dividends to minorities		-	-	(319)
Repayment of borrowings		(108)	(3,728)	(3,736)
New bank loans		-	2,250	7,250
<b>Net cash used in financing activities</b>		<b>(704)</b>	(2,142)	(2,112)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,385</b>	2,402	(4,522)
<b>Cash and cash equivalents at beginning of period</b>		<b>9,370</b>	13,892	13,892
<b>Effect of foreign exchange rate changes</b>		<b>14</b>	-	-
<b>Cash and cash equivalents at end of period</b>	20	<b>14,769</b>	16,294	9,370



## Notes to the condensed consolidated financial information >

For the six months to 30 June 2010

### 1. General information

The condensed consolidated financial information for the six months ended 30 June 2010 was approved by the Board of Directors on 16 August 2010.

The information for the year ended 31 December 2009 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

### 2. Accounting policies

The condensed consolidated financial information for the six months ended 30 June 2010 has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) and in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and IAS 34 'Interim Financial Reporting'.

The same accounting policies, presentation and methods of computation are followed in the condensed consolidated financial information as applied in the Group's latest annual audited financial statements.

### 3. Going concern

After making enquiries and on the basis of the information set out in the Chief Executive's statement, the directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half year results.

### 4. Segmental analysis

The Group is currently organised into three business segments – Health, Government and Education.

Principal activities are as follows:

- Health**
  - Providing services to the health market (in both the public sector and private sector) including strategy, commissioning and analytics.
- Government**
  - Working for central and local government in the UK and development agencies and governments internationally to transform public services.
- Education**
  - One of the largest providers of education services to the public sector including software, managed services, school inspection services, consultancy, benchmarking, e-learning, publishing and training.

## &gt; Notes to the condensed consolidated financial information &gt;

## 4. Segmental analysis (continued)

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000	Year ended 31 December 2009 £'000
<b>Revenue</b>			
Health	14,900	13,115	25,674
Government	27,744	36,654	69,440
Education	53,545	51,737	101,264
Inter segment	(1,174)	(1,742)	(2,724)
<b>Continuing operations</b>	<b>95,015</b>	99,764	193,654
<b>Segment operating profit</b>			
Health	1,016	1,549	2,432
Government	536	3,377	5,269
Education	6,801	6,964	15,226
Unallocated corporate expenses	(3,144)	(3,678)	(8,001)
<b>Segment operating profit</b>	<b>5,209</b>	8,212	14,926
Amortisation of IFRS 3 intangibles	(513)	(444)	(1,011)
Exceptional costs	(1,558)	-	-
Goodwill impairment	-	-	(30,683)
<b>Operating profit/(loss)</b>	<b>3,138</b>	7,768	(16,768)

## > Notes to the condensed consolidated financial information >

### 5. Exceptional costs

In the six months to 30 June 2010 exceptional operating costs totalling £1.6m were incurred, of which £1.0m are restructuring costs to improve the future operating efficiency of the Group, and £0.6m are in relation to the development of business opportunities in China. This business development cost has been included in exceptional costs as it is a significant investment for Tribal and not part of its normal trading activities to date. Exceptional finance costs of £0.4m relate to the unwinding of terminated interest rate swaps which will be fully unwound by September 2010. A further £0.1m relates to the element of the movement in the fair value of the ongoing swap which cannot be taken directly to equity under hedge accounting rules.

### 6. Investment revenues

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000	Year ended 31 December 2009 £'000
Interest on bank deposits	42	30	42
Other investment receivable	8	197	189
	<b>50</b>	<b>227</b>	<b>231</b>

### 7. Other gains and losses

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000	Year ended 31 December 2009 £'000
Change in the fair values of derivatives	-	247	357
Hedge ineffectiveness in the cash flow hedge	(456)	(210)	(262)
	<b>(456)</b>	<b>37</b>	<b>95</b>

### 8. Finance costs

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000	Year ended 31 December 2009 £'000
<b>Finance charges</b>			
Interest on bank overdrafts and loans	640	707	1,270
Interest on loan notes	-	4	4
Net finance cost of retirement benefit obligations	-	-	62
Total borrowing costs	<b>640</b>	<b>711</b>	<b>1,336</b>
<b>Financial instruments</b>			
Discounting charge for deferred consideration	-	35	35
	-	35	35
	<b>640</b>	<b>746</b>	<b>1,371</b>

## &gt; Notes to the condensed consolidated financial information &gt;

## 9. Tax

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000	Year ended 31 December 2009 £'000
<b>Continuing operations</b>			
<b>Current tax</b>			
UK corporation tax	565	2,382	5,289
Adjustments in respect of prior periods	(100)	(426)	(897)
	465	1,956	4,392
<b>Deferred tax</b>			
Current year	204	(241)	(1,400)
<b>Tax charge</b>	<b>669</b>	<b>1,715</b>	<b>2,992</b>
<b>Discontinued operations</b>			
<b>Current tax</b>			
UK corporation tax	432	217	(342)
<b>Total</b>			
<b>Current tax</b>			
UK corporation tax	997	2,599	4,947
Adjustments in respect of prior periods	(100)	(426)	(897)
	897	2,173	4,050
<b>Deferred tax</b>			
Current year	204	(241)	(1,400)
<b>Tax charge</b>	<b>1,101</b>	<b>1,932</b>	<b>2,650</b>

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. On 4 August 2010 the Government enacted a reduction in the corporation tax rate to 24% by 2014. This will have a corresponding effect on the Group's future tax charge.

## 10. Discontinued operations

It was announced in March 2010 that the Group would be focusing on its core activities in Education, Health and Government and that strategic options were being considered for each of our Support services businesses. As detailed below, the Architecture business was disposed of on 1 June 2010. The Group is continuing to review strategic alternatives for its two remaining businesses, Resourcing and Communications. These businesses are included within assets held for sale, and within discontinued operations along with the Architecture business up to the date of disposal. Discontinued operations in the year ended 31 December 2009 also include the Regeneration business.

The Group disposed of its Architecture business, Nightingale Architects Limited, to IBI Holdco Limited, the UK subsidiary of IBI Group on 1 June 2010. The maximum gross sale proceeds are £13.1 million payable as follows:

- (i) initial consideration at completion of £8.2m;
- (ii) deferred consideration of £1.8m payable on 31 December 2010; and
- (iii) further deferred consideration of between £1.1m and £3.1m payable in two tranches in respect of the periods from completion to 30 April 2011, and the following year to 30 April 2012, based on the profit performance of Nightingale Architects Limited over those periods. The amounts are payable on 1 June 2011 and 1 June 2012 respectively.

## > Notes to the condensed consolidated financial information >

### 10. Discontinued operations (continued)

The total consideration estimated in determining the profit on disposal is £12.1 million which represents management's best view of the likely outcome.

Details of net assets disposed and disposal proceeds are as follows:

	£'000
Goodwill	7,500
Property, plant and equipment	370
Inventories	25
Trade and other receivables	3,863
Cash and cash equivalents	2,932
Trade and other payables	(3,756)
Deferred tax	(220)
<b>Net assets disposed</b>	<b>10,714</b>
Profit on disposal	301
<b>Consideration</b>	<b>11,015</b>
Satisfied by:	
Cash	8,172
Deferred and contingent consideration	3,917
Directly attributable costs	(1,074)
	<b>11,015</b>
Net cash flow arising from disposal	
	£'000
Cash consideration	8,172
Cash disposed	(2,932)
Directly attributable costs	(1,074)
<b>Cash inflow from disposal</b>	<b>4,166</b>

## &gt; Notes to the condensed consolidated financial information &gt;

**10. Discontinued operations (continued)**

The results of the discontinued operations which have been included in the consolidated income statement were as follows:

	<b>Six months ended 30 June 2010 £'000</b>	Six months ended 30 June 2009 £'000	Year ended 31 December 2009 £'000
Turnover	<b>36,585</b>	53,082	93,908
Direct agency costs	<b>(17,132)</b>	(27,629)	(44,784)
Revenue	<b>19,453</b>	25,453	49,124
Operating profit before amortisation of IFRS 3 intangibles and exceptional costs	<b>1,985</b>	808	2,205
Exceptional costs	<b>(469)</b>	–	(3,243)
Goodwill impairment	<b>(2,250)</b>	–	(34,891)
Amortisation of IFRS 3 intangibles	<b>(16)</b>	(32)	(181)
Operating (loss)/profit	<b>(750)</b>	776	(36,110)
Attributable tax (charge)/credit	<b>(432)</b>	(217)	342
Profit on disposal of discontinued operations	<b>301</b>	–	–
Net (loss)/profit attributable to discontinued operations	<b>(881)</b>	559	(35,768)
Operating cash flows for discontinued operations	<b>(2,171)</b>	(318)	(6,182)
Effect of foreign exchange rate changes	<b>(12)</b>	(4)	(13)
Investing cash flows for discontinued operations	–	(278)	(489)
Financing cash flows for discontinued operations	<b>(336)</b>	(3)	(3)
Total cash flows for discontinued operations	<b>(2,519)</b>	(603)	(6,687)

A profit of £301,000 arose on the disposal of Nightingale Architects Limited, being the net proceeds of disposal less the carrying amount of the subsidiary's net assets. It is not anticipated that any tax will be payable on this profit as the directors believe that the substantial shareholder exemption will apply. Accordingly no provision has been made.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	£'000
Goodwill	2,500
Other intangible assets	110
Property, plant and equipment	1,213
Investments	31
Trade and other receivables	6,962
Trade and other payables	(10,505)
Deferred tax asset	199
<b>Net assets classified as held for sale</b>	<b>510</b>

## &gt; Notes to the condensed consolidated financial information &gt;

**11. 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:

	<b>Six months ended 30 June 2010 thousands</b>	Six months ended 30 June 2009 thousands	Year ended 31 December 2009 thousands
<b>Basic weighted average number of shares in issue</b>	<b>93,696</b>	90,113	90,523
<b>Employee share options</b>	<b>219</b>	56	487
Weighted average number of diluted shares outstanding	<b>93,915</b>	90,169	91,010

The adjusted basic and adjusted diluted 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.

	<b>Six months ended 30 June 2010 £'000</b>	Six months ended 30 June 2009 £'000	Year ended 31 December 2009 £'000
<b>Earnings</b>			
<b>From continuing operations</b>			
Profit/(loss) for the period	<b>1,423</b>	5,571	(20,805)
Minority interests	-	(461)	(828)
Net profit/(loss) from continuing operations attributable to equity holders of the parent	<b>1,423</b>	5,110	(21,633)
<b>Earnings per share</b>			
Basic	<b>1.5p</b>	5.7p	(23.9)p
Diluted	<b>1.5p</b>	5.7p	(23.8)p
<b>From continuing and discontinued operations</b>			
Profit/(loss) for the period	<b>542</b>	6,130	(56,573)
Minority interest	-	(461)	(828)
Net profit/(loss) from continuing and discontinued operations attributable to equity holders of the parent	<b>542</b>	5,669	(57,401)
<b>Earnings per share</b>			
Basic	<b>0.6p</b>	6.3p	(63.4)p
Diluted	<b>0.6p</b>	6.3p	(63.1)p

## &gt; Notes to the condensed consolidated financial information &gt;

**11. Earnings per share (continued)**

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000	Year ended 31 December 2009 £'000
<b>Adjusted earnings</b>			
<b>From continuing operations</b>			
Net profit/(loss) from continuing operations attributable to equity holders of the parent	1,423	5,110	(21,633)
Amortisation of IFRS 3 intangibles (net of tax)	369	320	728
Goodwill impairment	-	-	30,683
Exceptional costs (net of tax)	1,287	-	-
Financial instrument charge/(credit) (net of tax)	328	(27)	(68)
Adjusted earnings	3,407	5,403	9,710
<b>Adjusted earnings per share</b>			
Basic	3.6p	6.0p	10.7p
Diluted	3.6p	6.0p	10.7p
<b>From continuing and discontinued operations</b>			
Net profit/(loss) from continuing and discontinued operations attributable to the equity holder	542	5,669	(57,401)
Amortisation of IFRS 3 intangibles (net of tax)	382	343	858
Goodwill impairment	2,250	-	65,574
Exceptional costs (net of tax)	1,622	-	2,335
Profit on disposal of discontinued operations	(301)	-	-
Financial instrument charge/(credit) (net of tax)	328	(27)	(68)
Adjusted earnings	4,823	5,985	11,298
<b>Adjusted earnings per share</b>			
Basic	5.1p	6.6p	12.5p
Diluted	5.1p	6.6p	12.4p

**12. Dividends**

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000	Year ended 31 December 2009 £'000
Amounts recognised as distributions to equity holders in the period:			
Interim dividend for the year ended 31 December 2009 of 1.85 pence per share	-	-	1,671
Final dividend for the year ended 31 December 2009 of 2.75 pence per share (2008: 2.65 pence per share)	2,577	2,384	2,384
	2,577	2,384	4,055

The Board has declared an interim dividend of 1.85 pence per share (2009: 1.85 pence per share), which will absorb £1.7m (2009: £1.7m).

The interim dividend was approved by the Board on 16 August 2010 and has not been included as a liability as at 30 June 2010. The dividend is payable on 22 October 2010 to ordinary shareholders who are on the register on 24 September 2010. The shares will be quoted ex-dividend on 22 September 2010.



## &gt; Notes to the condensed consolidated financial information &gt;

**13. Goodwill**

	£'000
<b>Cost</b>	
At 1 January 2010	269,888
Derecognised on disposal of a subsidiary	(11,209)
Transferred to assets held for sale	(26,901)
At 30 June 2010	231,778
<b>Accumulated impairment losses</b>	
At 1 January 2010	111,838
Derecognised on disposal of a subsidiary	(3,709)
Impairment charge	2,250
Transferred to assets held for sale	(24,401)
At 30 June 2010	85,978
<b>Net book value</b>	
<b>At 30 June 2010</b>	<b>145,800</b>
At 31 December 2009	158,050

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

We have seen softer market conditions in our Government and Health businesses during the period (as described in the Chief Executive's statement). As a result we have reassessed the goodwill relating to these businesses for potential impairment. This assessment indicates that based on our current projections, which extend to 2013, no impairment to the respective £49.4m and £24.8m carrying values is required. The projections used to assess impairment assume that whilst trading will be difficult in the short term, revenue will improve, returning closer to levels seen during 2009 within the next three years.

The outlook of these businesses remains subject to an above normal degree of uncertainty, with the UK Government still relatively new in office and the detailed spending review to be published in October 2010. If the profitability over the forecast period were to fall below current expectations there may be a requirement to impair goodwill. For example if profitability of our Health business were 20% below expectations across the forecast period, an impairment of £0.8m of Health goodwill would be required. For our Government business the projections currently show very limited headroom such that any adverse outcome in comparison to our assumptions is very likely to result in an impairment. For example if profitability were to fall 20% below expectations across the forecast period an impairment of £10.3m would be required. Management will continue to conduct regular reviews to monitor this.

The impairment charged during the period of £2.25m relates entirely to the Group's Communications business and has arisen due to changes in assumptions on its realisable value as potential strategic options continue to be explored.

## &gt; Notes to the condensed consolidated financial information &gt;

**14. Other intangible assets**

	Business combinations £'000	Development costs £'000	Business systems £'000	Total £'000
<b>Cost</b>				
At 1 January 2010	7,147	6,782	3,035	16,964
Additions	–	797	494	1,291
Transferred to assets held for resale	(324)	–	(146)	(470)
Disposals	–	(35)	(3)	(38)
At 30 June 2010	6,823	7,544	3,380	17,747
<b>Amortisation</b>				
At 1 January 2010	2,946	4,746	475	8,167
Charge for the period	530	492	127	1,149
Transferred to assets held for resale	(214)	–	(146)	(360)
Disposals	–	–	(3)	(3)
At 30 June 2010	3,262	5,238	453	8,953
<b>Carrying amount</b>				
<b>At 30 June 2010</b>	<b>3,561</b>	<b>2,306</b>	<b>2,927</b>	<b>8,794</b>
At 31 December 2009	4,201	2,036	2,560	8,797

**15. Trade and other receivables**

	30 June 2010 £'000	30 June 2009 £'000	31 December 2009 £'000
Trade receivables	22,050	48,004	42,808
Other receivables	5,535	1,207	2,351
Prepayments and accrued income	32,246	18,972	17,298
	<b>59,831</b>	68,183	62,457

**16. Trade and other payables**

	30 June 2010 £'000	30 June 2009 £'000	31 December 2009 £'000
Trade payables	6,181	13,157	13,255
Other taxation and social security	4,363	6,580	6,922
Other payables	5,760	9,487	5,630
Accruals and deferred income	42,295	46,042	40,285
Deferred cash consideration	–	–	631
	<b>58,599</b>	75,266	66,723

**17. Provisions**

As at 30 June 2010, there were provisions of £538,000 (30 June 2009: £635,000; 31 December 2009: £435,000). Provisions represent an estimate of the cost of settling potential litigation claims net of the anticipated proceeds from insurers. These claims are expected to be resolved within one year and are therefore shown within current liabilities. However, it is possible that these claims may take longer to resolve, or the Group may not be promptly notified that the claim has been dropped. The claim may be settled at amounts higher or lower than that provided depending on the outcome of commercial or legal arguments. The provision made is management's best estimate of the Group's liability based on past experience, commercial judgement and legal advice. There is no expected reimbursement for any economic outflow that may be required. Further details are contained in note 21.

## &gt; Notes to the condensed consolidated financial information &gt;

**18. Defined benefit schemes**

Three of the Group's subsidiary undertakings participate in defined benefit pension schemes: Tribal Technology Limited participates in the TfL Pension Fund, SDP Regeneration Services 2 Limited participates in the LPFA Pension Fund and Tribal Education Limited participates in the Prudential Platinum Pension Fund (see also note 21).

**19. Note to the cash flow statement**

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

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000	Year ended 31 December 2009 £'000
Operating profit/(loss) from continuing operations	3,138	7,768	(16,768)
Operating (loss)/profit from discontinued operations	(750)	776	(36,110)
Depreciation of property, plant and equipment	1,518	1,523	3,044
Impairment of goodwill	2,250	–	65,574
Decrease of fair value in investment property	–	–	35
Amortisation of other intangible assets	1,149	1,234	2,740
Net pension charge	(160)	(45)	(96)
Loss on disposal of property, plant and equipment	12	17	37
Loss/(gain) on sale of investments	5	(12)	(12)
Share-based payments	(553)	687	412
Operating cash flows before movements in working capital	6,609	11,948	18,856
Decrease in amounts recoverable on contracts	–	6	6
Increase in inventories	(112)	(40)	(153)
(Increase)/decrease in receivables	(4,300)	(1,320)	4,406
Increase/(decrease) in payables	3,921	5,116	(1,670)
Increase/(decrease) in provisions	103	(20)	(220)
<b>Net cash from operating activities before tax</b>	<b>6,221</b>	<b>15,690</b>	<b>21,225</b>
Tax paid	(1,486)	(2,986)	(6,101)
<b>Net cash from operating activities</b>	<b>4,735</b>	<b>12,704</b>	<b>15,124</b>

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

	£'000	£'000	£'000
Continuing operations (excluding restricted cash)	10,610	14,433	27,193
(Decrease)/increase in restricted cash	(1,870)	1,860	719
	<b>8,740</b>	<b>16,293</b>	<b>27,912</b>
Discontinued operations	(2,519)	(603)	(6,687)
	<b>6,221</b>	<b>15,690</b>	<b>21,225</b>

## &gt; Notes to the condensed consolidated financial information &gt;

**20. Analysis of net debt**

	Six months ended 30 June 2010 £'000	Six months ended 30 June 2009 £'000	Year ended 31 December 2009 £'000
Non restricted cash	13,965	12,479	6,696
Restricted cash	804	3,815	2,674
Gross cash	14,769	16,294	9,370
Short term loans	(273)	(388)	(381)
Syndicated bank facility (net of bank arrangement fees)	(36,826)	(31,735)	(36,780)
Gross debt	(37,099)	(32,123)	(37,161)
Net debt	(22,330)	(15,829)	(27,791)

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. In all cases, the claims are being investigated by our lawyers and are being robustly contested as to the liability and quantum. The principal claim is for breach of contract relating to the design of a new college.

A provision of £538,000 (30 June 2009: £635,000) has been made for defending these claims, where appropriate (see note 17).

In addition to the pension schemes mentioned in note 18, the Group participates in the Social Housing Pension Scheme ("the Scheme") which is a funded multi-employer scheme and accordingly the accounting charge for the period under IAS 19 represents the employer contribution payable. The Group has 40 members (of whom 8 are active members) of the Scheme out of a total Scheme membership in excess of 59,000.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing actively to participate in the Scheme or the Scheme winding up. Tribal Group plc has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at the latest actuarial update as at 30 September 2009. As of this date the estimated employer debt for Tribal Group plc was £10.6m.

No provision has been made for this amount as the Group has not withdrawn from the Scheme, and does not intend to do so for the foreseeable future.

**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.

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 2010 £'000	Six months ended 30 June 2009 £'000	Year ended 31 December 2009 £'000
Short-term employee benefits	395	388	1,025
Share-based payments	(184)	288	278
	211	676	1,303

## > Notes to the condensed consolidated financial information

### 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 accounting period), 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



**Peter Martin**  
Chief Executive



**Steve Breach**  
Group Finance Director

16 August 2010

## 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 2010, 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 them 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 Services 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 2010 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 Services Authority.



### Deloitte LLP

Chartered Accountants and Statutory Auditors  
Bristol, United Kingdom

16 August 2010

These are the audited financial statements for the six months ended 30 June 2010. An audit does not provide assurance on the maintenance and integrity of this website, including the controls used to achieve this, and whether any changes may have occurred to the financial statements since they were first published. These matters are the responsibility of our directors.

No control procedures can provide absolute assurance in this area. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

---

## Company information

---

### Tribal Group plc

Registered in England and Wales  
Company number: 4128850

### Registered office

87-91 Newman Street  
London W1T 3EY  
T: 0207 323 7100  
E: [info@tribalgroup.com](mailto:info@tribalgroup.com)  
[www.tribalgroup.com](http://www.tribalgroup.com)

### Company secretary

Steve Breach

### Stockbroker and joint financial adviser

Investec Bank plc  
2 Gresham Street  
London EC2V 7QP

### Joint financial adviser

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

### Principal bankers

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

### Auditors

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  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield HD8 0GA

### 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 charges) or +44 208 639 3399 for overseas callers. Lines are open Monday to Friday 8.30am to 5.30pm and ask for your accounts to be amalgamated.

### Financial calendar

Ex-dividend date	22 September 2010
Record date	24 September 2010
Interim dividend payment date	22 October 2010



Designed and produced by Accrue\*.

The paper used for this report uses ECF (Elemental Chlorine Free) pulps supplied by manufacturers with environment-friendly and sustainable reforestation policies. The report has been printed using vegetable-based inks.



Tribal Group plc  
87-91 Newman Street  
London  
W1T 3EY

**T:** 020 7323 7100  
**E:** [info@tribalgroup.com](mailto:info@tribalgroup.com)  
[www.tribalgroup.com](http://www.tribalgroup.com)