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Empowering the world of education

Tribal Group plc

Half year results
for the six months
ended 30 June 2020

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Tribal Group plc

13 August 2020

Half year results for the six months ended 30 June 2020 (unaudited)

Results 6 months to 30 June	2020 H1	2019 H1	2019 H1 Constant Currency[5]	Change Constant Currency[5]	Change % Constant Currency[5]
Revenue	**£38.2m**	£40.4m	£39.7m	£(1.5)m	(3.9)%
Annual Recurring Revenue (ARR) at period end [1]	**£43.2m**	£41.8m	£41.8m	£1.4m	3.3%
Adjusted Operating Profit (EBITDA) [2, 3]	**£8.1m**	£8.3m	£7.7m	£0.4m	5.9%
Adjusted Operating Cash Flow [4]	**£4.3m**	£(2.7)m	£(2.7)m	£7.0m	257%
Net Cash	**£6.7m**	£6.0m	£6.0m	£0.7m	12.2%
Statutory Profit after Tax	**£3.8m**	£3.6m	£3.6m	£0.2m	4.3%
Earnings per Share (diluted)	**1.9p**	1.7p	1.7p	0.2p	11.8%

Operational Highlights

- Responded well to the challenges of COVID-19 and shown good resilience
- Services provision for all parts of the business moved to remote delivery quickly and successfully, only on-site school inspections work in the Middle East and US remain paused
- Cost saving measures implemented early to mitigate the impact of COVID-19 on trading margin and cash; all tax deferrals repaid in period and furlough will be repaid
- Two new SITS customers won in Australia, and a new Dynamics CRM customer in Further Education
- First Edge module released and sold to all Higher Education customers in Australia; Edge Admissions module to be released before the end of the year

Financial Highlights

- Revenue down 3.9% to £38.2m on a constant currency basis (2019 H1: £39.7m); SIS revenue increased 1.3%, Education Services down 17.2% due to the impact of COVID-19
- Annual Recurring Revenue (ARR) at period end increased 3.3% to £43.2m (2019 H1: £41.8m)
- Adjusted Operating Profit (EBITDA) performance 5.9% higher at £8.1m (2019 H1: £7.7m)
- Adjusted Operating Margin (EBITDA) improved 190bps to 21.3% (2019 H1:19.4%)
- Statutory profit after tax up 4.3% at £3.8m (2019 H1: £3.6m)
- Net Cash of £6.7m (2019 H1: £6.0m); Adjusted operating cash flow £4.3m (2019 H1: £(2.7)m) excluding the one off payment of £8.1m in final settlement of the dispute with a platform provider
- Annual dividend payment will resume for FY2020
- Full year earnings expected to be slightly ahead of current market expectations for Revenue and Adjusted EBITDA, and ahead for Adjusted EBITA

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[1] Annual Recurring Revenue (ARR) at period end includes Support & Maintenance fees, Cloud Services and Subscription Licence and is assessed as contracted ARR at the 30 June 2020 and 30 June 2019.
[2] Adjusted Operating Profit and Adjusted Operating Margin is in respect of continuing operations which excludes "Other Items" charges of £1.7m (2019 H1: charge of £1.9m)
[3] EBITDA is calculated by taking the Adjusted Operating Profit after the allocation of Central Overheads and excludes Interest, Tax, Depreciation and Amortisation
[4] Adjusted Operating cash flow excludes the one-off settlement to the platform provider of £8.1m
[5] 2019 H1 results restated to "constant currency" using 2020 rates to exclude foreign currency impact

Mark Pickett, CEO of Tribal Group, commented:
"Tribal continued to make good progress against its strategic objectives in the first six months of the year. We took swift action to mitigate the adverse impact of Covid-19, whilst focussing on support to our customers and the safety of our employees. I was delighted by the professionalism of all our customer-facing teams, who moved seamlessly to delivering services remotely to our customers. Overall our first half performance was better than expected, benefiting from significant cost mitigations which will not continue at the same level in the second half; I would also note that the account management and general project work is slowing as customers assess the impact of Covid-19. Despite this, the outlook for the full year is expected to be slightly ahead of current market expectations for Revenue and Adjusted EBITDA, and ahead for Adjusted EBITA. We remain excited about the longer-term growth opportunities available to us through the transition to Tribal Edge."

Further Information

A presentation of these results will be made to analysts at 9.00am today via conference call. Interested parties should email Investor.Relations@n1singer.com to register their interest . A copy of the presentation will be made available on the Tribal Group website: www.tribalgroup.com.

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TRIBAL

Business review

Introduction

The primary focus in the first half of the year has been managing the unexpected and unprecedented challenges arising from the COVID-19 pandemic. As a global business we experienced this earlier than some, with initial impacts presenting themselves in Australia from February before affecting our UK and wider global business later in March.

The Group has responded well to these challenges and shown good resilience. We have continued to operate at planned levels on our existing software contracts and the majority of our non-software contracts, and we quickly put in place short-term cost saving measures to protect trading margins and cash.

Adjusted Operating Profit (EBITDA) for the period decreased by 2.4% to £8.1m (2019: £8.3m reported) but increased on a constant currency basis (2019: EBITDA of £7.7m). Revenue for the period was £38.2m (2019: £40.4m reported and £39.7m on a constant currency basis). Adjusted Operating Margin increased to 21.3% (2019: 20.5% reported; 19.4% constant currency). Statutory Profit After Tax increased 4.3% to £3.8m (2019 H1: £3.6m). Annual Recurring Revenue (ARR) at period end increased to £43.2m (2019 H1: £41.8m reported; £41.8m constant currency) and represents contracted ARR at 30 June 2020. Net cash at 30 June 2020 was £6.7m (2019: £6.0m) and Adjusted Operating Cash Flow increased to £4.3m (2019 H1: £(2.7)m) excluding the one off payment of £8.1m in final settlement of the dispute with a platform provider.

Student Information Systems (SIS)

We have continued to deliver successfully existing global software implementation projects remotely with minimal interruption, with both Tribal and its customers adapting their working practices to a remote delivery model quickly.

The business has benefitted from the strong focus on growing Annual Recurring Revenue in recent years. Annual renewals of Support & Maintenance and Cloud Services contracts have continued in the period with no noticeable attrition, and benefitted from the addition of new customers and the sale of the Edge module Transforming the Collection of Student Information (TCSI) in Australia. ARR reported in the period for SIS increased to £20.5m (2019: £19.5m constant currency) and now represents 71% of total SIS revenue.

Adjusted Operating Profit in Student Information Systems increased by 17.7% to £10.5m (2019: £9.0m constant currency) on a slightly increased revenue of £29.0m (2019: £28.6m constant currency).

We won two new customers for full SITS implementation, Kaplan Australia (Total Contract Value (TCV) AUD$3.5m) and Chartered Accountants Australia and New Zealand (TCV AUD$3m). We have also won a number of new large customers for our ebs software including Wolverhampton College and University of Gibraltar, and have started to sell Dynamics CRM solutions (2019 acquisition) to existing customers including The North East Surrey College Of Technology (NESCOT).

Our first Edge module was released in Australia with all Higher Education customers taking the TCSI module and implementing this with their existing Tribal software.

Education Services (ES)

We have continued to deliver the majority of non-software contracts. In the UK the National Professional Qualifications (NPQ), Advanced Maths Support Programme (AMSP) and National Centre for the Excellence of Teaching Mathematics (NCETM) contracts have all moved successfully to remote delivery, as have the majority of the US contracts with only a small part of the New York State Education Department (NYSED) contract delayed until schools re-open. In the Middle East the delivery of the school inspections contract with ADEC paused due to the closure of all schools in the region, with work resuming when schools re-open. Surveys and Benchmarking assessments have continued but at lower levels, and our International Student Barometer in the Southern hemisphere has been delayed to 2021.

TRIBAL

Adjusted Operating Profit in Education Services fell slightly to £2.0m (2019: £2.3m constant currency) on a 17.2% reduction in Revenue to £9.2m (2019: £11.1m constant currency), demonstrating the resilience of the business and the pro-active cost management undertaken.

Three existing customers extended their contracts by a further year – New Zealand Tertiary Education Council, Advanced Mathematics Support Programme (AMSP) and the European Schools assessment.

We have won a number of new contracts in the period, including Quality Mark for Further Education colleges in the UK. There have also been some new opportunities which have arisen as a response to COVID-19, including the evaluation of distance learning in Sharjah in the Middle East.

Strategy Update

Our priorities for 2020 are to protect the business from the impact of COVID-19, win new customers, increase share of wallet in existing customers, and deliver on the Tribal Edge strategy.

To facilitate this we have completed the transformation of the software business into one Tribal team, which is Edge/Cloud ready, and able to deliver value to our customers through our Edge solutions. Mark Wilson, Chief Operating Officer, heads the SIS business globally including sales, support and maintenance, and professional services (implementation). We have also brought together one unified Cloud team under Mike Cope, Chief Technology Officer, developing new service delivery processes.

By the end of 2020 we expect to have five early adopters in the UK for Edge Admissions module, and all customers in Australia through the release of the TCSI module. We have redefined the Edge strategy and roadmap with the TCSI beta going live in January 2020 and Admissions progressing well for completion before the end of the year. We have developed our cloud proposition and service, and are focussing on migrating our existing customers to the public cloud, with Edge readiness to enable a seamless adoption of Edge modules as they are released.

Outlook

The pipeline of sales opportunities remains positive, with increasing interest from universities and colleges in moving to the Public Cloud, adopting Dynamics CRM and our Engage (student engagement) mobile solution.

The sales cycle has however lengthened, particularly in Higher Education, as customers consider their future budgets in light of the current uncertainty around student numbers for the 2020/21 academic year. This has delayed investment in non-critical IT projects and larger projects resulting in a reduced number of large student management system tenders. This does however provide strength in Tribal's existing customer base and we are well positioned for future increases in customer activity.

Customers are increasingly recognising that the complexity of their systems, together with their associated cost and inefficiency, are impacting their agility to deal with their challenges, such as improving student experience. This is driving institutions to adopt Public Cloud solutions through Tribal, and should encourage demand for simplification and standardisation as part of Edge Readiness services.

The Group expects results in the current year to be slightly ahead of market expectations for Revenue and Adjusted EBITDA, and ahead for Adjusted EBITA.

Financial review

Results 6 months to 30 June £m	2020	2019	2019 Constant Currency	Change Constant Currency
Revenue	38.2	40.4	39.7	(3.9)%
Student Information Systems	29.0	29.1	28.6	1.3%
Education Services	9.2	11.3	11.1	(17.2)%
Adjusted Operating Profit (before Central Overheads) [1]	12.6	11.8	11.2	11.8%
Student Information Systems	10.5	9.5	9.0	17.7%
Education Services	2.0	2.3	2.3	(11.5)%
Central Overheads	(6.0)	(5.6)	(5.5)	8.7%
Adjusted Operating Profit (EBITA)	6.6	6.3	5.7	14.6%
Adjusted Operating Margin (EBITA)	17.2%	15.5%	14.4%	280bps
Adjusted Operating Profit (EBITDA)	8.1	8.3	7.7	5.9%
Adjusted Operating Margin (EBITDA)	21.3%	20.5%	19.4%	190bps

[1] Adjusted Operating Profit and Adjusted Operating Margin is in respect of continuing operations, excluding intangible asset amortisation of £0.6m (2019 H1: £0.6m), restructuring costs of £0.5m (2019 H1: £0.3m), and share based payments £0.6m (H1 2019: £0.5m).

Over 40% of Tribal's income is generated outside the UK, and is therefore subject to foreign exchange movement. Overall, there was an adverse impact due to foreign exchange fluctuations of £0.7m in Revenue and £0.6m in Adjusted Operating Profit, due particularly to the Group's exposure to the Australian dollar, which was on average 5% stronger against GBP sterling in 2020 H1 compared with 2019 H1.

The Revenue and Adjusted Operating Profit by segment in the table shows the reported results for 2020 H1 and 2019 H1, and the 2019 H1 results restated to "constant currency" using 2020 rates to exclude foreign currency impact. The growth percentages shown are on the 2019 constant currency numbers. All comparatives reported below are on a constant currency basis.

Revenue

In the six months ended 30 June 2020 the Group's Revenue was down 3.9% to £38.2m (2019 H1: £39.7m). Student Information Systems increased by 1.3% to £29.0m (2019 H1: £28.6m) helped by an improved performance in APAC. Education Services decreased by 17.2% to £9.2m (2019 H1: £11.1m) mainly due to the impact of COVID-19 on contracts in the Middle East with most activities paused, partially offset by continued strong delivery on the UK contracts.

Adjusted Operating Profit

Adjusted Operating Profit (before Central Overheads) increased by 11.8% to £12.6m (2019 H1: £11.2m). Student Information Systems increased by 17.7% to £10.5m (2019 H1: £9.0m) helped by an improved performance in APAC due to implementation work with the three new SITS customers and increased delivery on ebs for the One TAFE project. Education Services decreased by 11.5% to £2.0m (2019 H1: £2.3m) mainly due to the impact of COVID-19 on contracts in the Middle East with most activities paused, partially offset by continued strong delivery on the UK contracts.

Adjusted Operating Profit (EBITDA) increased 5.9% to £8.1m (2019 H1: £7.7m) and Adjusted Operating Margin increased to 21.3% (2019 H1: 19.4%); including depreciation Adjusted Operating Profit (EBITA) increased 14.6% to £6.6m (2019 H1: £5.7m) and Adjusted Operating Margin increased to 17.2% (2019 H1: 14.4%). The Group implemented a number of cost saving initiatives in the period in response to COVID-19 including a four day working week for the majority of staff across May to July, and a cessation of all discretionary spend. The Group also benefitted from ongoing efficiencies and cost savings, with a planned reduction in headcount saving £0.2m in the period (full year benefit £1.4m, annualised £2.1m).

Central overheads, representing costs in HR, IT, Finance, Marketing and Management that aren't directly attributable to lines of business remained at £5.4m before the impact of foreign exchange, and £6.0m (2019 H1: £5.5m) including the impact of foreign exchange in the period. We continue to focus on reducing these costs and have grown our Manila office in the Philippines to help support certain finance and HR processes, alongside their existing work supporting ebs and SchoolEdge and business services. This has enabled us to improve margin without impacting the Group's ability deliver on customer contracts and generate growth.

Statutory Profit After Tax was £3.8m (2019 H1: £3.6m) and Diluted Earnings Per Share (EPS) were 1.9p (2019 H1: 1.7p).

Net Cash and Adjusted Operating Cash Flow

At the end of the period, the Group had Net Cash of £6.7m (2019 FY: £16.5m; 2019 H1: £6.0m) and Adjusted Operating Cash Flow of £4.3m (2019 H1: £(2.7)m). Collections continued throughout the period with minimal delays to payment terms. Cost saving measures undertaken in response to COVID-19 improved the cash position including the move to a four-day working week which benefited cash by £1.1m - the Group returned to a five day week at the end of July and the savings will provide some protection across the second half of the year. In addition, the Group has benefited from the timing of working capital requirements as the business has moved to a remote delivery model. The Group paid £8.1m in final settlement of the dispute with a platform provider and £1.7m deferred consideration relating to the acquisition of Tribal Dynamics.

For those countries that offered the benefit of a temporary tax deferral, the Group has now repaid these in full. All furlough benefits (approximately £50,000) will be repaid in the near future. The annual dividend payment in respect of FY2019 was cancelled saving £2.5m; however, we will resume a dividend payment for FY2020.

The Group has bank facilities of £10million.

Student Information Systems

Overall Adjusted Operating Profit increased to £10.5m (2019 H1: £9.0m) and Adjusted Operating Margin increased to 36.4% (2019 H1: 31.3%).

License and development revenue was flat at £3.3m (2019 H1: £3.4m). License revenue on larger contracts is recognised under IFRS15 as the implementation progresses. We commenced implementation of SITS at University of Northampton which was won at the end of 2019, as well as the two new large contracts won in

TRIBAL

the period at Kaplan Australia and Chartered Accountants Australia and New Zealand. In addition, we have recognised module sales into existing customers including the TCSI module in Australia. There is an increasing amount of subscription (recurring) revenue, with £1.4m (2019 H1: £0.7m) recognised in the period, including £0.7m (2019 H1: £0.1m) for Dynamics CRM sales.

Implementation revenue increased to £6.4m (2019 H1: £6.1m), reflecting a much improved performance in APAC benefitting from the new SITS sales. We continue to implement SITS in EMEA at Glasgow Caledonian University, The University of Bristol, Canterbury Christ Church University, The University of Sheffield, University of Portsmouth, St Mary's University, Carleton University (Canada) and Ravensbourne University, and deliver the large ebs implementations at Colleges Northern Ireland and Capital City College Group. There was also significant revenue in APAC on the One TAFE project.

Support & Maintenance revenue increased to £16.2m (2019 H1: £15.8m). This reflects the new license and account management sales achieved, together with the contractual annual inflationary uplift.

Cloud Services revenue remained at the same level as last year at £2.9m (2019 H1: £2.9m). The main cloud hosting services revenue increased with interest from customers in moving to the public cloud remaining high; however, some sales have been delayed as customers have needed to focus on short term issues from COVID-19. Our Data Managed Services work reduced by £200k due to the loss of one larger (non-education) customer whose contract ended, whilst another customer paused work in the current year due to COVID-19.

Education Services

School Inspections and Related Services revenue decreased to £6.7m (2019 H1: £9.1m). In the UK the main contracts continued to operate at the same level with work on National Professional Qualifications (NPQ) moderations, Advanced Mathematics Support Programme (AMSP) and National Centre for the Excellence of Teaching Mathematics (NCETM) professional development and training all moving successfully to a remote delivery model; however, there was a reduction in additional change requests on the NCETM contract compared to the prior year. In the US we continued to deliver three of the four elements of the contract with the New York State Education Department (NYSED), with the fourth element deferred until schools re-open. The Performance Review Program for Initial Licensure (PRPIL) in Massachusetts experienced lower teacher license sales due to the closure of schools due to COVID-19. In the Middle East the closure of schools resulted in a reduction in inspections compared to last year, however this was partially offset by smaller contracts in Sharjah and Bahrain albeit at lower levels than previous years.

Surveys and Benchmarking revenue decreased to £1.2m (2019 H1: £1.6m). Surveys revenue was lower mainly due to the International Student Barometer for the southern hemisphere being delayed until 2021 due to COVID-19, along with a number of smaller international surveys. Benchmarking revenue remained at the same level as last year.

Asset Management (K2) and Software Solutions revenue increased to £1.3m (2019 H1: £1.2m), primarily due to royalties from increased end consumer demand on a Software Solutions contract.

Overall Adjusted Operating Profit decreased to £2.0m (2019 H1: £2.3m) and Adjusted Operating Margin increased to 21.9% (2019 H1: 20.5%). The impact of reduced revenue on the contracts in the Middle East was offset by the variable cost base with the majority of the work performed by contractors.

Key Performance Indicators (KPIs)

The Group monitors its performance using the KPIs in the table below.

KPIs 6 months to 30 June	2020	2019	Variance	2019 Constant Currency	Change Constant Currency
Revenue	**£38.2m**	£40.4m	(5.4)%	£39.7m	(3.9)%
Annual recurring revenue (ARR) at period end[1]	**£43.2m**	£41.8m	3.3%	£41.8m	3.3%
Adjusted operating profit (EBITDA)[2, 3]	**£8.1m**	£8.3m	(2.4)%	£7.7m	5.9%
Adjusted operating margin (EBITDA)[2, 3]	**21.3%**	20.5%	80bps	19.4%	190bps
Committed income[4,5]	**£131.2m**	£133.6m	£(2.4)m	£140.6m	£(9.5)m
Adjusted operating cash flow [6]	**£4.3m**	£(2.7)m	£7.0m	£(2.7)m	£7.0m
Staff retention	**97%**	93%	400bps		
Revenue / average FTE [5] (£'000s: annualised)	**£93.4k**	£92.0k	£1.4k		

[1] Annual Recurring Revenue (ARR) at period end includes Support & Maintenance fees, Cloud Services and Subscription Licence and is assessed as contracted ARR at the 30 June 2020 and 30 June 2019.

[2] Adjusted Operating Profit and Adjusted Operating Margin is in respect of continuing operations which excludes "Other Items" charges of £1.7m (2019 H1: charge of £1.9m)

[3] EBITDA is calculated by taking the Adjusted Operating Profit after the allocation of Central Overheads and excludes Interest, Tax, Depreciation and Amortisation

[4] Committed income relates to the total value of orders which have been signed on or before, but not delivered by, 30 June 2020, based on the Total Contract Value, even though customers may be permitted, under certain circumstances, to reduce their commitment at a future date. This is reported on an IFRS15 basis and represents the best estimate of business expected to be delivered and recognised in future periods, and includes License sales, Implementation work and two years of Support & Maintenance revenue

[5] 2019 committed income and revenue / average FTE comparatives are as at 31 December 2019

[6] Adjusted Operating cash flow excludes the one-off settlement to the platform provider of £8.1m

Annual Recurring Revenue (ARR) at period end, which represents annual Support & Maintenance fees paid on all software and Cloud hosting services, and License sold on a subscription basis contracted at the 30 June 2020, increased by 0.9% on a constant currency basis to £43.2m (2019 H1: £41.8m). The growth includes the benefit of new license sales in 2019 and contractual inflationary uplifts applied annually.

Committed Income at 30 June 2020 this decreased by £9.5m on a constant currency basis to £131.2m (2019 FY: £140.6m). The movement includes the benefit of new License sales in 2019 and contractual inflationary uplift applied annually to Support & Maintenance of £1.4m. This is offset by £5.0m due to the reduction in the term life of the contract with Callista to 2.5 years and £5.9m due to the change in delivery of work and timing of revenue recognition as a result of the impact of COVID-19.

Product Development Costs: The Group spent £5.9m on product development, of which £3.0m was capitalised in relation to Tribal Edge and £0.1m was capitalised in relation to Tribal Dynamics (2019 H1: £5.8m spent; £2.8 capitalised in relation to Tribal Edge). The Group spent £2.2m on current products including SITS, ebs, SchoolEdge, Dynamics and Maytas, this was consistent with the previous half year (2019 H1: £2.9m).

Items excluded from adjusted profit figures: Certain items not directly related to the trading business or regarded as exceptional in nature have been removed from the adjusted profit figure and disclosed as "Other Items" on the Income Statement to provide greater understanding of the Group's underlying performance. The main adjustments are as follows:

- **Share Based Payments** charges (including employer related taxes) stayed comparable at £0.6m (2019 H1: £0.5m), and are excluded from the Adjusted Operating profit. The charges in the current year relate to the Long Term Incentive Plan options (LTIPs) which were granted to the executive and senior management teams in 2016, 2017, 2018 and 2019.

- **Amortisation of IFRS3 Intangibles** charge in relation to IFRS3 intangible assets of £0.6m (2019 H1: £0.6m) arose from separately identifiable assets recognised as part of previous acquisitions. The assets principally relate to software and customer relationships and are amortised over their expected life, this was determined in the year the acquisition took place.

- **Restructuring and Associated Costs** relate to the restructuring of the Group's operations, principally in Australia, completed early in 2020, and includes a charge for redundancy costs of £0.5m (2019 H1: £0.3m).

- **Legal Costs** relate to the legal fees incurred in relation to the items mentioned previously in the Legal Matters section.

Net Cash and Cash flow

Net cash at 30 June 2020 was £6.7m (2019 H1: £6.0m).

Cash flow 6 months to 30 June £m	2020	2019
Net cash from operating activities	(3.8)	(2.7)
Capitalised product development on Tribal Edge	(3.2)	(3.0)
Capital expenditure	(0.2)	(0.3)
Acquisition of Crimson Consultants	-	(5.9)
Deferred consideration	(1.7)	-
Gross proceeds on issue of shares	0.2	-
Loan arrangement fees & interest	(0.1)	-
Loan drawdown	10.0	-
Net repayment of lease liabilities	(0.5)	-
Dividend payment	-	(2.1)
Net increase/(decrease) in cash & cash equivalents	**0.7**	**(14.0)**
Cash & cash equivalents at beginning of the year	**16.5**	**20.0**
Cash & cash equivalents at end of period	**17.2**	**6.0**
Less: Effect of foreign exchange rate changes	**(0.5)**	**-**
Cash & cash equivalents at end of period	**16.7**	**6.0**
Borrowings	**(10.0)**	**-**
Net Cash & cash equivalents at the end of the period	**6.7**	**6.0**

Operating Cash Inflow for the period was £(3.8)m this includes £8.1m paid in respect of the final settlement of the Platform provider dispute (2019: £(2.7)m). Cash conversion excluding the settlement was 68% (2019 H1: (45)%) due to strong collections and improvements in working capital. Most Support & Maintenance and Cloud Services renewals are invoiced and collected towards the end of the calendar year, and cash conversion is expected to normalise in the second half of the year.

Share Options and Share Capital: On 16 January 2020, 3,405,998 shares were exercised by executives under the Share Matching Plan. On 4 February 2020 1,223,241 options were exercised by Mark Pickett, Chief Executive Officer under the Long-Term Incentive Plan. On 1 June 2020 1,339,286 shares were issued in satisfaction of the deferred consideration for the acquisition of Tribal Campus Pty Limited (formerly Sky Software Pty Limited). On 12 June 2020, 150,000 options were exercised under the Long-Term Incentive Plan.

As at 30 June 2020, there were 205,698,309 shares issued (2019 FY: 199,579,784).

Earnings per share: Diluted earnings per share increased by 11.8% to 1.9p (2019 H1: 1.7p). Adjusted diluted earnings per share from continuing operations before other costs, including intangible asset amortisation, restructuring costs and share based payment charges, this reflects the Group's underlying trading performance, decreased by 8% to 2.3p (2019 H1: 2.5p).

Dividends: The annual dividend for 2019 has been cancelled as a result of cash and cost saving measures deemed necessary to manage the risk of Coronavirus (2018: 1.1p per share); the Board confirms its intention to continue a progressive dividend policy, with a single dividend payment each year and we will resume a dividend payment for FY2020.

TRIBAL

Condensed consolidated income statement
For the six months to 30 June 2020

	Note	Adjusted £'000	Other (note 5) £'000	Six months ended 30 June 2020 Total £'000	Adjusted £'000	Other (note 5) £'000	Six months ended 30 June 2019 Total £'000
Continuing operations							
Revenue	4	38,183	-	38,183	40,374	-	40,374
Cost of sales		(17,912)	-	(17,912)	(20,045)	-	(20,045)
Gross profit		20,271	-	20,271	20,329	-	20,329
Total administrative expenses		(13,704)	(1,529)	(15,233)	(14,064)	(1,845)	(15,909)
Operating profit/(loss)	4	6,567	(1,529)	5,038	6,265	(1,845)	4,420
Investment income		8	-	8	33	-	33
Finance costs	6	(176)	(185)	(361)	(58)	(86)	(144)
Profit/(loss) before tax		6,399	(1,714)	4,685	6,240	(1,931)	4,309
Tax (charge)/credit	7	(1,640)	733	(907)	(1,040)	354	(686)
Profit/(loss) attributable to the owners of the parent		4,759	(981)	3,778	5,200	(1,577)	3,623
Earnings per share							
Basic	8	2.3p	(0.4)p	1.9p	2.7p	(0.8)p	1.9p
Diluted	8	2.3p	(0.4)p	1.9p	2.5p	(0.8)p	1.7p

All activities are from continuing operations

TRIBAL

Condensed consolidated income statement
For the year ended 31 December 2019

	Note	Adjusted £'000	Other (note 5) £'000	Year ended 31 December 2019 £'000
Revenue	4	78,210	-	78,210
Cost of sales		(39,028)	-	(39,028)
Gross profit		39,182	-	39,182
Total administrative expenses		(27,530)	(14,098)	(41,628)
Operating profit/(loss)	4	11,652	(14,098)	(2,446)
Investment income		59	-	59
Finance costs	6	(162)	(344)	(506)
Profit/(loss) before tax		11,549	(14,442)	(2,893)
Tax (charge)/credit	7	(2,518)	2,448	(70)
Profit/(loss) attributable to the owners of the parent		9,031	(11,994)	(2,963)
Earnings per share				
Basic	8	4.6p	(6.1)p	(1.5)p
Diluted	8	4.4p	(5.9)p	(1.5)p

Condensed consolidated statement of comprehensive income and expense
For the six months to 30 June 2020

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Profit/(loss) for the period	3,778	3,623	(2,963)
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit pension schemes	-	-	490
Deferred tax on measurement of defined benefit pension schemes	-	-	(83)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	1,113	75	(627)
Other comprehensive income/(expense) for the period net of tax	1,113	75	(220)
Total comprehensive income/(expense) for the period attributable to equity holders of the parent	4,891	3,698	(3,183)

Condensed consolidated balance sheet

As at 30 June 2020

	Note	**30 June 2020 £'000**	30 June 2019 £'000	31 December 2019 £'000
Non-current assets				
Goodwill	9	26,505	29,953	25,879
Other intangible assets	10	21,444	14,023	19,469
Property, plant and equipment		1,262	1,571	1,438
Right of use assets		3,664	4,527	4,110
Net investment in lease		197	-	220
Deferred tax assets		4,380	3,465	4,462
Contract assets		22	66	129
		57,474	53,605	55,707
Current assets				
Trade and other receivables	11	10,752	13,337	10,791
Net investment in lease		46	-	46
Contract assets		4,237	6,036	3,864
Current tax assets		26	97	2
Cash and cash equivalents (excluding bank overdrafts)	16	16,739	6,989	16,463
		31,800	26,459	31,166
Total assets		89,274	80,064	86,873
Current liabilities				
Trade and other payables	12	(6,340)	(7,406)	(7,027)
Contract liabilities		(19,938)	(18,488)	(22,940)
Accruals		(6,490)	(5,419)	(14,437)
Current tax liabilities		(2,457)	(1,127)	(1,864)
Lease liabilities		(999)	(994)	(933)
Borrowings	16	-	(985)	-
Provisions	13	(362)	(209)	(450)
		(36,586)	(34,628)	(47,651)
Net current liabilities		(4,786)	(8,169)	(16,485)
Non-current liabilities				
Contract liabilities		(316)	(328)	(78)
Retirement benefit obligations		(540)	(1,002)	(540)
Lease liabilities		(2,882)	(3,255)	(3,286)
Other payables	12	(30)	(1,872)	(1,970)
Deferred tax liabilities		(1,021)	(550)	(1,093)
Borrowings		(10,000)	-	-
Provisions	13	(908)	(1,000)	(936)
		(15,697)	(8,007)	(7,903)
Total liabilities		(52,283)	(42,635)	(55,554)
Net assets		36,991	37,429	31,319
Equity				
Share capital	14	10,285	9,803	9,979
Share premium		15,951	15,539	15,539
Other reserves		26,025	25,440	26,029
Accumulated losses		(15,270)	(13,353)	(20,228)
Total equity attributable to equity holders of the parent		36,991	37,429	31,319

TRIBAL

Condensed consolidated cash flow statement
for the six months to 30 June 2020

	Note	**Six months ended 30 June 2020 £'000**	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Net cash (used in)/from operations	15	(3,804)	(2,737)	12,359
Investing activities				
Interest received		5	33	51
Purchases of property, plant and equipment		(146)	(279)	(577)
Expenditure on intangible assets		(3,189)	(2,999)	(6,300)
Payment of deferred contingent consideration for acquisitions		(1,732)	-	(485)
Acquisition of investments in subsidiaries – cash consideration		-	(5,919)	(5,904)
Acquisition of investments in subsidiaries – cash acquired		-	-	34
Net cash outflow from investing activities		(5,062)	(9,164)	(13,181)
Financing activities				
Interest paid		(46)	-	(119)
Loan arrangement fees		(65)	-	-
Draw down on Bank loan		10,000	-	-
Equity dividend paid		-	(2,147)	(2,147)
Proceeds on issue of shares		239	-	176
Proceeds from sub-leases		26	-	52
Payment of lease liabilities		(546)	-	(865)
Net from/(cash used) in financing activities		9,608	(2,147)	(2,903)
Net increase/(decrease) in cash and cash equivalents		742	(14,048)	(3,725)
Net cash and cash equivalents at beginning of period		16,463	19,974	19,974
Effect of foreign exchange rate changes		(466)	78	214
Net cash and cash equivalents at end of period	16	16,739	6,004	16,463

TRIBAL

Condensed consolidated statement of changes in equity
For the six months to 30 June 2020

	Note	Share Capital £'000	Share Premium £'000	Other reserves £'000	Accumulated losses £'000	Total Equity £'000
Balance at 31 December 2018 as previously reported		9,803	15,539	25,020	(14,888)	35,474
Effect of IFRS16		-	-	-	(73)	(73)
Balance at 31 December 2018 restated		9,803	15,539	25,020	(14,961)	35,401
Profit for the period		-	-	-	3,623	3,623
Other comprehensive income for the period		-	-	-	75	75
Total comprehensive income for the period		-	-	-	3,698	3,698
Equity dividend paid		-	-	-	(2,147)	(2,147)
Charge to equity for share-based payments		-	-	420	-	420
Tax credit on charge to equity for share-based payments		-	-	-	57	57
Contributions by and distributions to owners		-	-	420	(2,090)	(1,670)
Balance at 30 June 2019 as previously reported		9,803	15,539	25,440	(13,353)	37,429
Effect of IFRS16		-	-	-	(12)	(12)
Tax effect of IFRS16		-	-	-	(9)	(9)
Balance at 30 June 2019 restated		9,803	15,539	25,440	(13,374)	37,408
Loss for the period		-	-	-	(6,586)	(6,586)
Other comprehensive expense for the period		-	-	-	(295)	(295)
Total comprehensive expense for the period		-	-	-	(6,881)	(6,881)
Issue of equity share capital		176	-	-	-	176
Charge to equity for share-based payments		-	-	622	-	622
Tax credit on charge to equity for share-based payments		-	-	-	27	27
Foreign exchange difference on share-based payments		-	-	(33)	-	(33)
Contributions by and distributions to owners		176	-	589	27	792
Balance at 31 December 2019		9,979	15,539	26,029	(20,228)	31,319
Profit for the period		-	-	-	3,778	3,778
Other comprehensive expense for the period		-	-	-	1,113	1,113
Total comprehensive income for the period		-	-	-	4,891	4,891
Issue of equity share capital		239	-	-	-	239
Charge to equity for share-based payments		-	-	446	-	446
Share options exercised		67	412	(479)	-	-
Tax credit on charge to equity for share-based payments		-	-	-	67	67
Foreign exchange difference on share-based payments		-	-	29	-	29
Contributions by and distributions to owners		306	412	(4)	67	781
Balance at 30 June 2020		10,285	15,951	26,025	(15,270)	36,991

Notes to the condensed consolidated financial information
for the six months to 30 June 2020

1. General information

The condensed consolidated financial information for the six months ended 30 June 2020 was approved by the Board of Directors on 13 August 2020. This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2019 were approved by the Board of Directors on 18 March 2020. 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, and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

The condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority.

The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019 which have been prepared in accordance with IFRSs as adopted by the European Union.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were as stated within the consolidated financial statements for the year ended 31 December 2019.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019.

3. Going concern

Tribal Group plc has undertaken to make adequate financial resources available to the Group to meet its current and future obligations as and when they fall due.

The Group maintains appropriate cash balances and has a £2.0m and $2.0m committed overdraft facilities in the UK and Australia respectively. The overdraft is committed for a 12-month period ending September 2020. On 21 January 2020, the Group entered into a 3 year £10m multicurrency revolving facility with HSBC with the option to extend by a further 2 years. The facility was put in place to cover general corporate and working capital requirements of the Group.

The outbreak of Covid-19 is of concern as it has the potential to impact the way we carry out our business. To date, Tribal has responded well to the restrictions caused by Covid-19 and we have transitioned quickly to remote working. Similarly, our customers have adapted well to the challenges of Covid-19. As a business we have put in place a number of short-term precautionary measures to preserve cash and we continue to closely monitor the impact of Covid-19 on a daily basis.

Tribal's main business is software related through the provision of Student Information Systems (SIS) to education institutions in the UK, Australia, and a number of other overseas locations. Revenue is generated from the sale of software licenses and related implementation work, and the ongoing provision of support & maintenance and cloud/hosting services.

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3. Going concern (continued)

To date the support & maintenance and cloud/hosting services have been unaffected. Customers have continued to pay for the services, all of which can and are being delivered remotely. This revenue, which is annual recurring (repeat) income and represents half of our total annual revenue, 2/3 of our software revenue, provides a level of protection and certainty to the business. We expect this position to continue.

Implementation has slowed slightly as we move to implementing remotely, some customers have experienced short-term delays to projects as they divert their own resources to deal with their response to the outbreak such as setting up remote lectures and managing funding. Customers are however continuing with investment in this area and we have not had any contract cancellations. As most implementation projects span at least 12 months and up to 3 years, we do not expect the current restrictions caused by Covid-19 to impact Tribal's ability to complete this existing work.

Sales of software and new implementation work continue although it is too early to tell if there will be a material impact on earnings in the short or medium term. The pipeline remains strong and work continues. We have seen some minor delays in the process due to the impact of Covid-19 but no cancellations to date.

Tribal's other business area, Education Services (ES), provides training, inspections, surveys and benchmarking to education institutions globally. The larger UK and US contracts in ES have mostly continued unaffected by Covid-19 as we have been able to adapt our delivery to a remote model very quickly. The temporary closure of schools, particularly in the Middle East, has caused delays to the delivery of inspections work until the schools re-open. We have seen some delays on surveys and benchmarking with projects delayed to later in the year or next year. Whilst we have seen revenue decrease our profit margins have a degree of protection as we operate a variable cost.

The changes customers have seen from our delivery of work across the business has been well received and demonstrates our ability to adapt and change as a business but still serve customers. It also demonstrates the benefits of remote working to the business both in terms of reduction of travel costs and increase in productivity which we expect to continue to benefit the business into the future post-Covid-19. The impact on 2021 will become clearer as the year progresses and as the medium to longer-term impact of Covid-19 on education institutions is understood.

We do though remain positive about the medium and longer term prospects for the Group. The Directors, having considered the cash-flow forecast, and while noting the Group has net current liabilities, have performed a risk assessment of likely downside scenarios, and associated mitigating actions. Based on this assessment they have a reasonable expectation that adequate financial resources will continue to be available for at least 12 months from the date of approval of the financial statements.

Adoption of the going concern basis

In assessing the Company's going concern position and the Group's ability to provide the necessary financial support, the Directors have considered all relevant facts and latest forecasts and assessment of the risks faced by the Group, taking into account reasonably possible changes in trading performance. Accordingly, after making enquiries and receiving confirmation of Group support as set out above, the directors have a reasonable expectation that the Company 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.

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4. Segmental analysis

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

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

Education Services representing inspection and review services which support the assessment of educational delivery, and a portfolio of performance improvement tools and services, including analytics, software solutions, facilities and asset management.

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.

	Total Revenue			Adjusted segment operating profit		
	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £000
Student Information Systems	28,973	29,094	58,615	10,546	9,482	17,937
Education Services	9,210	11,280	19,595	2,021	2,347	4,014
Total	38,183	40,374	78,210	12,567	11,829	21,951
Unallocated corporate expenses				(6,000)	(5,564)	(10,299)
Adjusted operating profit				6,567	6,265	11,652
Amortisation of IFRS 3 intangibles (see note 6)				(606)	(575)	(1,331)
Other items				(923)	(1,270)	(12,767)
Operating profit/(loss)				5,038	4,420	(2,446)

Depreciation and amortisation is allocated to segment profits and is included in adjusted segment operating profit as above. The amount included in SIS is £0.8m (30 June 2019: £1.0m; 31 December 2019 £1.8m) and within Education Services £0.1m (30 June 2019: £0.1m; 31 December 2019 £0.1m).

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.

Within Education Services revenues of approximately 6% (31 December 2019: 4%) have arisen from the Segments largest customer: within SIS revenues of approximately 6% (31 December 2019: 7%) have arisen from the Segments largest customer.

4. Segmental analysis (cont.)

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

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
UK	22,235	24,220	47,426
Australia	10,324	9,564	19,523
Other Asia Pacific	1,655	1,954	4,021
North America	1,606	2,084	3,127
Rest of the world	2,363	2,552	4,113
	38,183	40,374	78,210

5. Other items

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Acquisition related credit/(costs)	267	(135)	(237)
Platform dispute	-	(278)	(9,133)
Employee related share option charges (including employer related taxes)	(575)	(544)	(1,717)
-Write off of business systems	-	-	(646)
-Legacy Defined benefit schemes	(64)	-	(90)
-Other legal costs	(77)	-	(150)
-Restructuring and associated costs	(474)	(313)	(794)
Other exceptional items	(615)	(313)	(1,680)
Amortisation of software and customer contracts and relationships	(606)	(575)	(1,331)
Total administrative expenses	(1,529)	(1,845)	(14,098)
Other financing costs	(185)	(86)	(344)
Total other items before tax	(1,714)	(1,931)	(14,442)
Tax on other items	733	354	2,448
Total other items after tax	(981)	(1,577)	(11,994)

The Group has adopted a policy of disclosing separately on the face of its Group income statement the effect of any components of financial performance considered by the Directors to be not directly related to the trading business or regarded as exceptional, or for which separate disclosure would assist in a better understanding of the financial performance achieved. Both materiality and the nature and function of the components of income and expense are considered in deciding upon such presentation. As such, 'other items' are not part of the Group's underlying trading activities and include the following:

Acquisition related costs: Amounts relating to the legal and due diligence costs relating to the acquisition of Tribal Dynamics Holdings Limited in the period total £nil (30 June 2019: £135,000; 31 December 2019: £237,000).
Under IFRS3 these amounts have been expensed as they are not eligible for capitalisation.
During the six months to 30 June 2020, the first element of deferred consideration was paid to the previous owners of Tribal Dynamics Holdings Limited. The amount paid was lower than the maximum amount payable and as such a credit of £267,000 has arisen.

5. Other items (cont.)

Platform dispute: Amounts relating to the Platform dispute and the agreement to settle the dispute for past royalties and associated legal costs in the period total £nil (30 June 2019: £278,000; 31 December 2019: £9,133,000). An accrual of £8,200,000 was made at the end of 2019 to settle all historic liabilities and outstanding legal costs. This has been fully utilised in 2020.

Employee related share option charges. The numbers above include:

- share based payments plus foreign exchange (30 June 2020: £(29,000); 30 June 2019: £nil; 31 December 2019: £33,000);
- the movement in associated employers taxes accrual (30 June 2020: £8,000; 30 June 2019: £19,000; 31 December 2019: £(52,000));
- the cash paid on dividends on share options that have met performance conditions (30 June 2020: £nil; 30 June 2019: £106,000; 31 December 2019: £155,000). When the Company declares a cash dividend, some option holders are entitled to a 'dividend equivalent'. This is a payment in cash and/or additional shares with a value determined by reference to the dividends that would have been paid on the vested shares in respect of dividend record dates occurring during the period between the grant of the Award and the date on which it becomes exercisable; and
- a nominal value paid to employees as a bonus (30 June 2020: £121,000; 30 June 2019: £nil; 31 December 2019: £572,000). Under Companies Act 2006 rules a nominal value must be paid to issue new shares, however under the rules of the LTIP and Matching Shares Schemes the Company will pay the nominal value to the participants as a bonus.

Other items are detailed below:

- during the previous year the Group upgraded its accounting system to Microsoft Dynamics D365 to allow the Group's finance team to access new functionalities and thus providing operating efficiencies. After the successful upgrade the remaining life of AX 2012 was reviewed and management concluded that this asset should be fully impaired in line with IAS 36 paragraph 12(e) due to the obsolescence of the asset ((30 June 2020: £nil; 30 June 2019: £nil; 31 December 2019: £646,000);
- legacy defined benefit schemes relate to the Prudential Platinum and Federated Pension Funds to which no current Tribal employee is a member. Costs arising relate to administration charges (30 June 2020: £64,000; 30 June 2019: £nil; 31 December 2019: £90,000);
- legal costs associated with the data breach in Tribal Campus, an Australian subsidiary of the Group, amounted to £77,000 (30 June 2019: £nil; 31 December 2019: £150,000); The amounts expensed are the excess not covered by the Group's Insurance policy; and
- restructuring and associated costs relate to the restructuring of the Group's operations. During 2020 the Group announced the restructure of the Sales/Support side of the business with costs arising in 2020 mainly due to redundancies (30 June 2020: £474,000; 30 June 2019: £313,000; 31 December 2019: £794,000).

Amortisation of software and customer contracts and relationships: Amortisation arising on the fair value of intangible assets acquired is separately disclosed. (30 June 2020: £606,000; 30 June 2019: £575,000; 31 December 2019: £1,331,000).

Other financing charges: Consistent with the treatment of movements in deferred consideration, the unwind of the discount on deferred consideration is separately presented as other financing costs in the income statement (30 June 2020: £185,000; 30 June 2019: £86,000; 31 December 2019: £344,000).

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

TRIBAL

6. Finance costs

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Interest on bank overdrafts and loans	46	58	4
Loan arrangement fees	65	-	-
Net interest payable on retirement benefit obligations	-	-	27
Interest expense on lease liabilities	65	-	131
Adjusted Finance costs	176	58	162
Unwinding of discounts	185	86	344
Other finance costs	185	86	344
Total finance costs	361	144	506

7. Tax

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Current tax			
Overseas tax	821	253	1,299
Adjustments in respect of prior periods	-	-	(406)
	821	253	893
Deferred tax			
Current period	86	443	(1,143)
Adjustments in respect of prior periods	-	-	320
	86	443	(823)
Tax charge on profits/(losses)	907	686	70

In addition to the amount charged to the income statement, a deferred tax credit of £67,000 (30 June 2019: £57,000; 31 December 2019: £84,000) has been recognised directly in equity in relation to share schemes. A deferred tax credit of £nil (30 June 2019: £nil; 31 December 2019: charge of £83,000) has been recognised in the Consolidated Statement of Comprehensive Income in relation to Defined Benefit pension schemes.

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

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

8. Earnings per share

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

	Six months ended 30 June 2020 Thousands	Six months ended 30 June 2019 thousands	Year ended 31 December 2019 thousands
Basic weighted average number of shares in issue	203,109	195,224	196,626
Weighted average number of Employee share options	1,152	10,546	7,241
Weighted average number of shares outstanding for dilution calculations	204,261	205,770	203,867

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

As at 30 June 2020 there are 647,676 options that have met vesting criteria and can be exercised. Together with other potentially dilutive shares, based on options that have been granted but have not yet met vesting criteria of 504,777, the total number of potentially dilutive shares is 1,152,453 (31 December 2019: 8,687,855).

The adjusted basic and 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.

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Net profit/(loss)	3,778	3,623	(2,963)
Earnings per share			
Basic	1.9p	1.9p	(1.5)p
Diluted	1.9p	1.8p	(1.5)p
Adjusted Net profit	4,759	5,200	9,031
Adjusted earnings per share			
Basic	2.3p	2.7p	4.6p
Diluted	2.3p	2.5p	4.4p

8. Earnings per share (cont.)

	Profit/(loss) for the period			Earnings per share		
	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Profit/(loss) for the period attributable to equity share holders	3,778	3,623	(2,963)	1.9p	1.9p	(1.5)p
Add back/(deduct):						
Amortisation of IFRS 3 intangibles (net of tax)	460	412	1,003			
Share based payments	446	420	1,009			
Unwinding of discounts	185	86	344			
Platform dispute	-	-	9,133			
Movement on deferred consideration	(267)	-	-			
Other items (net of tax)	157	659	505			
Total adjusted items (net of tax)	981	1,577	11,994	0.4p	0.8p	6.1p
Adjusted earnings	4,759	5,200	9,031	2.3p	2.7p	4.6p

9. Goodwill

	£'000
Cost	
At 1 January 2020	107,110
Exchange differences	626
At 30 June 2020	107,736
Accumulated impairment losses	
At 1 January 2020	81,231
At 30 June 2020	81,231
Net book value	
At 30 June 2020	26,505
At 31 December 2019	25,879

The Group tests annually for impairment, or more frequently if there are indicators that goodwill could be impaired. At the half year, a review has been undertaken to ascertain if any indicators have arisen of potential impairments. Due to the impact of Covid-19 and the change in interest rates a full impairment assessment has been performed had half year.

The cash flow projects are discounted at a pre-tax discount rate of 8.55% (2019: 9.3%). The single discount rate, which is consistently applied for both CGU's, is determined with reference to internal measures and available industry information and reflects specific risks relevant to the Group. The discount rate has reduced compared to year end as a result of the full drawdown of the £10.0m revolving credit facility.

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

A rise in discount rate to 25% and 38% would trigger an impairment in SIS and ES respectively. A decline in growth rate to (15%) in SIS and (26%) in ES would result in an impairment. Management does not consider these changes possible but considers a slight increase in discount rate to 10% and zero growth may be possible as a result of the current economic environment. As a result of the analysis, there is headroom of £111.4m and £16.9m in SIS and ES respectively.

As a result, management does not believe a reasonably possible change in key assumptions may cause an impairment.

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10. Other intangible assets

	Software £'000	Customer contracts and relationships £'000	Acquired intellectual property £'000	Development costs £'000	Business systems £'000	Software licences £'000	Total £'000
Cost							
At 1 January 2020	9,831	8,424	1,873	36,513	5,083	1,489	63,213
Additions	-	-	-	3,140	49	-	3,189
Exchange differences	366	155	-	191	6	-	718
At 30 June 2020	10,197	8,579	1,873	39,844	5,138	1,489	67,120
Amortisation							
At 1 January 2020	7,137	5,677	659	23,893	4,893	1,485	43,744
Charge for the period	365	240	37	641	12	2	1,297
Exchange differences	373	107	-	150	5	-	635
At 30 June 2020	7,875	6,024	696	24,684	4,910	1,487	45,676
Carrying amount							
At 30 June 2020	2,322	2,555	1,177	15,160	228	2	21,444
At 31 December 2019	2,694	2,747	1,214	12,620	190	4	19,469

Software and customer contract and relationships have arisen from acquisitions, and are amortised over their estimated useful lives, which are 3-8 years and 3-12 years respectively. The amortisation period for development costs incurred on the Group's product development is 5 to 15 years, based on the expected life-cycle of the product. Amortisation of development costs is included within cost of sales; the amortisation for software, customer contracts and relationships and business systems is included within administrative expenses. Intellectual property was acquired from WAMBIZ Limited in 2017 and is recorded as Acquired Intellectual property. During 2019 this asset was incorporated within the new app/Engage platform of Tribal Edge, and is now amortised over a period of 15 years.

11. Trade and other receivables

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Amounts receivable for the sale of services	7,767	9,495	8,070
Less: loss allowance	(121)	(174)	(441)
	7,646	9,321	7,629
Other receivables	358	437	330
Prepayments	2,748	3,579	2,832
	10,752	13,337	10,791

12. Trade and other payables

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Current			
Trade payables	812	1,388	800
Other taxation and social security	2,081	2,414	3,156
Other payables	1,629	1,506	1,378
Deferred contingent consideration	-	485	-
Deferred non-contingent consideration	1,818	1,613	1,693
	6,340	7,406	7,027
Non-current			
Other payables	30	35	31
Deferred contingent consideration	-	1,837	1,939
	30	1,872	1,970
Total	6,370	9,278	8,997

Deferred contingent consideration reflects amounts in respect of the acquisition of Tribal Dynamics Limited, payable over a period of 2 years. The amounts are contingent upon the performance with the amounts provided reflecting management's best estimate of the future annual recurring revenue (ARR) of this entity and the resultant payments due under the Sale and Purchase Agreement.

The amounts above have been discounted at a rate of 11.69%. The undiscounted value of the deferred consideration is £2,000,000 (2019: £4,000,000) versus a discounted value of £1,818,000 (2019: £3,450,000).

13. Provisions

	Property related £'000	Legal claims £'000	Other £'000	Total £'000
At 1 January 2020	1,077	153	156	1,386
Increase/(release) in provision	(54)	-	1	(53)
Utilisation of provision	-	(108)	-	(108)
Exchange rate movement	28	2	15	45
At 30 June 2020	1,051	47	172	1,270

The provisions are split as follows:

	Property related £'000	Legal claims £'000	Other £'000	Total £'000
Within one year	143	47	172	362
More than one year	908	-	-	908
Total	1,051	47	172	1,270

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

Property related provision relates to the dilapidation costs arising from exiting leasehold properties, under IAS 37.

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

Other provision relates to the recoverability of input VAT in the Philippines.

TRIBAL

14. Share capital

	Six months ended 30 June 2020 number	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 number	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 number	Year ended 31 December 2019 £'000
Allotted, called up and fully paid						
At beginning of the period	199,579,784	9,979	196,051,181	9,803	196,051,181	9,803
Issued during the period	6,118,525	306	-	-	3,528,603	176
At end of the period	205,698,309	10,285	196,051,181	9,803	199,579,784	9,979

The Company has one class of ordinary shares of 5p which carry no right to fixed income.
The shares issued during the period were in order to satisfy exercises of share-based payment schemes. 3,405,998 shares were issued on 16 January 2020, 1,223,241 on 4 February 2020, 1,339,286 on 1 June 2020 and 150,000 on 12 June 2020. The exercise costs of 5p per share resulted in cash receipts of £0.2m.

15. Notes to the cash flow statement

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Operating profit/(loss) from continuing operations	5,038	4,420	(2,446)
Depreciation of property, plant and equipment	360	899	879
Depreciation of right-of-use assets	523	-	1,043
Amortisation and impairment of other intangible assets	1,297	1,690	3,770
Share based payments	446	418	1,042
Movement in deferred consideration	(267)	-	-
Research and development tax credit	(100)	(180)	(176)
Net pension charge	-	-	3
Other non-cash items	866	134	(428)
Operating cash flows before movements in working capital	8,163	7,381	3,687
Decrease/(increase) in receivables	687	(2,159)	2,248
(Decrease)/increase in payables	(12,507)	(8,036)	6,245
Net cash (used in)/ from operating activities before tax	(3,657)	(2,814)	12,180
Tax (paid)/received	(147)	77	179
Net cash (used in)/from operating activities	(3,804)	(2,737)	12,359
Net cash (used in)/from operating activities before tax can be analysed as follows:			
Continuing operations (excluding restricted cash)	(3,657)	(2,814)	12,180

16. Analysis of net cash

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Cash and cash equivalents	16,739	6,989	16,463
Overdrafts	-	(985)	-
Borrowings	(10,000)	-	-
Net cash	6,739	6,004	16,463

16. Analysis of net cash (cont.)

Analysis of changes in net cash

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Opening net cash	16,463	19,974	19,974
Increase in bank loans	(10,000)		
Net increase/(decrease) in cash and cash equivalents	742	(14,048)	(3,725)
Effect of foreign exchange rate changes	(466)	78	214
Closing net cash	6,739	6,004	16,463

17. Contingent liabilities

The Company and its subsidiaries have provided performance guarantees issued by their banks on their behalf, in the ordinary course of business totalling £1.7m (30 June 2019: £1.1m, 31 December 2019: £1.6m). These are not expected to result in any material financial loss.

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

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Short-term employee benefits	874	1,069	3,711
Termination benefits	-	-	318
Share-based payments	521	203	814
	1,395	1,272	4,843

19. Seasonality

The overall performance for the second half of the year will be lower than for the first half as a result of phasing of Education Services school inspections. In addition, i-graduate revenues and profit are skewed to the fourth quarter of the calendar year, in line with the start of the academic year.

Responsibility statement

The Directors' confirm that these condensed interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Services Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- Material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report

The Directors of Tribal Group plc are listed in the Tribal Group plc Report and accounts for the 12 month period ended 31 December 2019. A list of current Directors is maintained on the Tribal Group plc website: www.tribalgroup.com.

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

By order of the Board

Mark Pickett
Chief Executive

13 August 2020