Empowering the world of education

Tribal Group plc

Half year results
for the six months
ended 30 June 2018

TRIBAL

Tribal Group plc

16 August 2018

Half year results for the six months ended 30 June 2018 (unaudited)

	2018	2017	Change £m	Change %
Revenue	**£42.0m**	£44.2m	£(2.2)m	(4.9)%
Adjusted operating profit [1,2]	**£6.3m**	£5.0m	£1.3m	27%
Statutory profit after tax	**£2.9m**	£1.6m	£1.3m	83%
Operating cash flow	**£0.5m**	£0.8m	£(0.3)m	(28)%
Net cash	**£9.2m**	£5.5m	£3.7m	67%
Earnings per Share (diluted)	**1.4p**	0.8p	0.6p	76%

Operational Highlights

→ Positive first half performance; full year expectations remain unchanged

→ Full year expectation includes anticipated negative impact to adjusted operating profit of 7%-8% due to IFRS 15 revenue recognition

→ 90% of full year revenue expectation is either already recognised or committed for the second half

→ Annually Recurring Revenue represents 45% of total revenue

→ Significant Student Management System contract wins, including contracts closed at University of Portsmouth, Canterbury Christ Church University, and Colleges Northern Ireland

→ Strong performance in QAS, with further contract wins in UK and Middle East

Financial Highlights

→ Revenue growth on a constant currency basis[3] of 3.2% and adjusted operating margin up 6.0pp to 15% (H1 2017: 9.0% excluding Ofsted Early Years[4])

→ Adjusted operating profit on a constant currency basis increased 72% to £6.3m (H1 2017: £3.6m excluding Ofsted Early Years[4]) including a £1.7m reduction in central overheads costs

→ Statutory profit increased 83% to £2.9m (H1 2017: £1.6m)

→ Earnings per share increased 76% to 1.4p (H1 2017: 0.8p)

→ Investment of £5.2m in product development, of which £1.8m was capitalised relating to Tribal Edge and SchoolEdge (H1 2017: £4.7m investment; £0.8m capitalised)

Ian Bowles, CEO commented:

"The H1 2018 results clearly demonstrate our continued execution of the Board and Management teams' strategy. The first phase of the turnaround started in 2016 is now complete; however, we will continue to focus on driving operational efficiencies with a view to continuing to lower our cost base. Our revitalised sales and marketing efforts have continued to gain market share in our core markets displacing over 20 competitive student management systems and replacing four home grown solutions in universities.

Our commitment to invest in our product strategy has been well received by our customers; as a group we look forward to the future with confidence."

---

1. Adjusted Operating Profit and Adjusted Operating Margin is in respect of continuing operations, excluding intangible asset amortisation of £0.9m (H1 2017: £1.0m), restructuring costs of £0.1m (H1 2017: £0.7m), and share based payments £1.1m (H1 2017: £0.7m)
2. Adjusted Operating Profit is considered a Key Performance Indicator of the Group. We consider this to represent the underlying performance of the business and provides greater clarity to users of the accounts
3. Constant currency calculation is based on 2018 exchange rates applied to 2017 results
4. Revenue growth, adjusted operating profit and adjusted operating margin are after adjusting for the Ofsted Early Years contract which concluded in March 2017 (H1 2018: £nil; H1 2017: Revenue £2.4m, Operating Profit £0.9m)

Further Information

A presentation of these results will be made to analysts and investors at 11.00am today at the offices of N+1 Singer, 1 Bartholomew Lane London EC2N 2AX. A copy of the presentation will be available on the Tribal Group website: www.tribalgroup.com.

Tribal Group plc	Tel: 0117 311 5293
Ian Bowles, Chief Executive	
Mark Pickett, Chief Financial Officer	
Investec Bank plc	Tel: 020 7597 5970
Sara Hale	
Andrew Pinder	
N+1 Singer Capital Markets Limited	Tel: 020 7496 3000
Shaun Dobson	

This Statement has been prepared for and is addressed only to our shareholders as a whole and should not be relied on by any other party or for any other purpose. Tribal, its directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this Statement is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. This Statement may contain forward-looking statements. Any forward-looking statement has been made by the directors in good faith based on the information available to them up to the time of approval of this Statement and should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking information. To the extent that this Statement contains any statement dealing with any time after the date of its preparation, such statement is merely predictive and speculative as it relates to events and circumstances which are yet to occur and therefore the facts stated and views expressed may change. Tribal undertakes no obligation to update these forward-looking statements.

TRIBAL

Chief Executive's Statement

Introduction

I am pleased to report that the first half of the year has continued to see steady progress in line with the Board's expectations.

Revenue has increased by 0.5% to £42.0m (H1 2017 revenue: £41.8m after adjusting for the Ofsted Early Years contract which concluded in March 2017[1]), and the adjusted operating profit has increased by 55% to £6.3m (H1 2017: £4.0m[1]), adjusted operating margin is 15.0% (H1 2017: 9.7%[1]). Consistent with prior reporting, revenue, adjusted operating profit and adjusted operating margin for 2017 exclude Ofsted income which drew to a close with the successful conclusion of the Ofsted Early Years contract in March 2017.

Almost 40% of Tribal's income was generated outside the UK, and is therefore subject to foreign exchange movement. In this reporting period, the strengthening of sterling, particularly against the Australian Dollar, has impacted revenue by £1.1m and adjusted operating profit by £0.4m when 2018 rates are applied to 2017 results after adjusting for the Ofsted Early Years contract ("constant currency"). Adjusted for this impact, the constant currency revenue[1] increased 3.2% and adjusted operating profit was up by 72%.

Strategy & Market Position

Tribal is a pioneering world-leader of education software and services. Our portfolio of functionally rich Student Information Systems (SIS)[2] remain at the core of our business and are complemented by a range of education services covering quality assurance and benchmarking.

Tribal's existing software solutions continue to be well received within the market. Tribal Edge, our next generation, student information services platform has seen significant progress in the last six months, with positive ongoing beta trials and a strong pipeline of early adopters looking to deploy one or more of the new Tribal Edge modules. A full update and demonstration was given at our "Empower" conference held in June at Birmingham's ICC, which was attended by more than 400 delegates; Tribal Edge has been well received by our customers from both Higher and Further Education.

At the conference we also announced the creation of a new Tribal Edge "Exchange" that would allow selected partners to simply and easily offer their solutions to Tribal Edge customers, while ensuring that the third-party applications are integrated through our standard APIs and use the same web and mobile interfaces. A number of partners demonstrated their solutions within the Edge platform. In time, Edge Exchange will offer additional value to our customers and provide incremental revenue streams to Tribal. Edge Exchange will also allow customers to share their own developments with other institutions, again with the potential of revenue sharing.

The Tribal Edge development team continues to grow with people moving across from existing projects as they complete. We have also been hiring new developers and architects to add additional skills and capability. The growth of the Tribal Edge team will continue through 2018. The Tribal Edge roadmap shows the increased utilisation of resources with significant developments coming through over the next 18 months.

In total the Group invested £5.2m in product development in the half year, of which £1.8m was capitalised, and related to the development of Tribal Edge and SchoolEdge.

Student Management Systems

Since 2016 Tribal student management systems have displaced competitors at 28 institutions. In the first half of the year, the Group won major new contracts in the Higher Education sector for the full student management system at the University of Portsmouth, and at Canterbury Christ Church University (CCCU). In the Further Education sector, we secured a major win to implement our ebs product across all the Further Education Colleges in Northern Ireland. These wins reaffirm Tribal as an international market leader in student information systems.

The Student Management Systems business has performed well and overall activity levels in our markets for the replacement or enhancement of student information systems remain stable and we continue to see a steady flow of new opportunities in all sectors.

Maytas, our employer and training provider solution, is achieving a good share of new sales, despite the uncertainty and challenges in this sector.

Quality Assurance Solutions

Our Quality Assurance Services (QAS) business continues to have success providing inspection services in the Middle-East, specifically the UAE. We were chosen by the Department for Education (DfE) in the UK to provide quality assurance of the new gold-standard National Professional Qualifications (NPQ). The contract has been agreed for an initial three-year period, worth up to £2 million per year. Under the contract, Tribal will monitor and assess the performance of providers against the NPQ Quality Framework, which sets out the standards of provision that providers must meet to retain their accreditation. In addition, a £2.5m contract was won to provide services to Mathematics in Education and Industry as part of the National Advanced Mathematics Support Programme.

The Quality Assurance Solutions business performed well in the first half of the year, though when compared to the previous year, was adversely impacted by the successful conclusion of the Ofsted Early Years contract in March 2017 (H1 2017: Ofsted revenue £2.4m, profit £0.9m).

Other QAS contracts continue well, including the Abu Dhabi Department of Education and Knowledge, worth £8.4m over 2 years, where we are the sole supplier of school reviews in Abu Dhabi; our Benchmarking contracts in the UK and New Zealand; and the extension to our US$2m contract with the New York State Education Department for school and district improvement. We have also secured a further £1.2m expansion of activities in the DfE contract for National Centre for Excellence in the Teaching of Mathematics.

QAS continues to have opportunities to grow and develop its business both in the UK and, more widely, to build on our existing contracts in New Zealand, the Middle East and the USA.

i-graduate

The i-graduate division provides a range of services for managers of universities, colleges and schools to assess and enhance the quality of the education they provide, leading to improved operational performance. The services provided by this division include student experience analytics and the international student barometer survey. This division's activities have increasingly focussed on those skills and tools that closely relate to our student management systems. Increasingly, we will further integrate these services with our software offerings.

In the first half of 2018, i-graduate performance was slightly behind management expectations although ahead of 2017 position. The business has focussed on refreshing the International Student Barometer offering to help drive additional sales later in the year.

Outlook and Current Trading

Overall market conditions and demand for student information systems are expected to remain stable in 2018. The timing of deal closures and the achievement of implementation milestones remains hard to predict, but given Tribal's high win-rate, we are well positioned to continue to benefit from the demand for new student information systems and upgrades. The revenues from Student Management Systems are expected to remain stable in the second half of the year, with margins consistent with the first half of the year.

Our revenue recognition in the Student Management Systems business has been impacted by the adoption of IFRS 15 (Revenues from Contracts with Customers) on 1 January 2018 with software license revenue now recognised over the implementation period on a percentage complete basis rather than on initial installation.

This has resulted in £0.1m more revenue and £0.1m more profit being recognised in H1 under IFRS 15 than would have been the case before its adoption. For the full year, though, it is anticipated that the revenue could be in the range of 1% lower than before IFRS 15 was adopted, due to the timing of software license recognition. This directly impacts adjusted operating profit and could therefore result in a reduction in the region of 7%-8%. This impact is factored into our outlook for the year and our view is that we will meet consensus for the full year despite the significant adverse impact of IFRS 15.

QAS is expected to continue its positive performance in the second half of the year, including further work to be undertaken on the contracts with the Ministry of Education in Dubai and the UK DfE.

i-graduate revenues and profit are skewed to the fourth quarter of the year, in line with the start of the academic year; 2017 was a challenging year for the i-graduate business, and we expect improvement in 2018.

Overall, we have made good progress in the half-year and continue to execute our strategy focussing on operational efficiencies to deliver continued value for all our stakeholders. Our outlook for the year remains unchanged.

1 Revenue growth, adjusted operating profit and adjusted operating margin is after adjusting for the Ofsted Early Years contract which expired in March 2017 (H1 2018: £nil; H1 2017: Revenue £2.4m, Operating Profit £0.9m).

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

Financial Performance

In the six months ended 30 June 2018 the Group's revenue was down 4.9% to £42.0m (H1 2017: £44.2m). Revenue, excluding the Ofsted Early Years contract which successfully concluded in March 2017 with revenue of £2.4m, was up 0.5% driven by a strong performance in the QAS business.

Adjusted Operating Profit has increased to £6.3m (H1 2017: £5.0m), a margin of 15.0% (H1 2017: 11.2%). The profit impact of Ofsted was £0.9m in 2017; excluding this impact, operating profit improved by £2.2m, an increase of 55%.

Overall, the revenue and the adjusted operating profit have benefited by £0.1m as a result of the adoption of IFRS 15. To improve understanding of the underlying performance of the business, these numbers are adjusted for certain items, including share based payments, as detailed in the section "Items excluded from adjusted profit figures".

Statutory profit after tax was £2.9m (H1 2017: £1.6m) and diluted earnings per share were 1.4p (H1 2017: 0.8p)

At the end of the period, the Group had net cash of £9.2m (FY 2017: £14.1m; H1 2017: £5.5m)

Almost 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 £1.1m in revenue and £0.4m in profit, due particularly to the Group's exposure to the Australian dollar, which was on average 6% stronger against GBP sterling in H1 2018 compared with H1 2017.

The revenue and operating profit by segment below shows the reported results for H1 2018 and H1 2017, and the H1 2017 results restated to "constant currency" using H1 2018 rates to exclude foreign currency impact. The growth percentages shown are on the H1 2017 constant currency numbers.

Results (excluding Ofsted) £m 6 months to 30 June	2018	2017 [1]	2017 Constant Currency	Growth Constant Currency
Revenue	**42.0**	**41.8**	**40.7**	**3%**
Student Management Systems	29.1	28.9	28.1	4%
Quality Assurance Solutions	9.6	8.7	8.5	12%
i-graduate (& Other)	3.3	4.2	4.1	(20)%
Adjusted Operating Profit (before Central Overheads) [2]	**12.4**	**11.9**	**11.4**	**8%**
Student Management Systems	9.3	9.1	8.7	6%
Quality Assurance Solutions	2.3	2.6	2.5	(8)%
i-graduate (& Other)	0.8	0.2	0.2	344%
Central Overheads	**(6.1)**	**(7.9)**	**(7.8)**	**22%**
Adjusted Operating Profit	**6.3**	**4.0**	**3.6**	**72%**

1 Revenue and Adjusted Operating Profit exclude Ofsted related income which ceased in 2017 (H1 2017: Revenue £2.4m, Operating Profit £0.9m).

2 Adjusted Operating Profit is in respect of continuing operations, excluding intangible asset amortisation of £0.9m (H1 2017: £1.0m), restructuring costs of £0.1m (H1 2017: £0.7m), and share based payments £1.1m (H1 2017: £0.7m).

Student Management Systems

The Student Management Systems (SMS) segment was modified in the 2017 Annual Report and Accounts to include only SMS products and services sold into Higher and Further Education, Schools and Work-based Learning organisations. All other products not relating i-graduate or QAS are included in "Other".

On a constant currency basis, Student Management Systems revenue increased 4%, to £29.1m. The table below shows the split between the separate products and services.

Student Management Systems £m 6 months to 30 June	2018	2017	2017 Constant Currency	Growth Constant Currency
Revenue	29.1	28.9	28.1	4%
License & Development fees	4.8	4.3	4.2	15%
Implementation Services	6.5	7.0	6.9	(6)%
Support & Maintenance fees	15.6	15.8	15.2	3%
Cloud Services	2.2	1.8	1.8	21%

License sales increased by £0.6m, reflecting the timing of revenue recognition under IFRS 15, and the commencement of the large contracts which were won in the first half of the year, at Canterbury Christ Church University, University of Portsmouth, and Colleges Northern Ireland.

Implementation is 6% down in real terms, reflecting that the large contract wins in H1 2018 ramped up a little less quickly than expected. Callista continued to perform well with good margins and revenue slightly above expectations due to additional accelerated development work.

Support & Maintenance revenue increased 3%, taking into account the effect of foreign exchange. This is in line with the contractual annual inflationary uplift applied, and to the further license sales achieved.

Cloud revenue has increased by 21% as more contract wins include Cloud solutions.

i-graduate (& Other)

i-graduate revenue was slightly down at £1.2m (H1 2017: £1.3m); it is a seasonal business, and revenue and operating profit are skewed to the beginning of the academic year.

Other includes K2 (Asset Management software), Software Solutions (bespoke software development) and Information Matters (Information & Records Management consultancy). These are businesses that operate profitably and continue to be supported, although there is limited investment in future development of the solutions and little proactive sales and marketing activity. Accordingly, revenue continues to fall, although profitability remains strong.

Quality Assurance Solutions

In QAS, excluding the successful conclusion of the Ofsted Early Years contract in March 2017, which increased 2017 revenues by £2.4m, QAS revenues increased by 12%, due to the success of the Middle East school inspection contracts in Abu Dhabi, Dubai and Northern Emirates, as well as further work in the US and the UK.

QAS achieved a segment profit of £2.3m (H1 2017: £2.5m excluding the Ofsted Early Years contract, which successfully concluded at the end of March 2017 and was taken back in-house by Ofsted). Overall, the operating margin of QAS was 24%, down from 30% in H1 2017, reflecting a more sustainable level following the end of certain higher margin contracts.

On a constant currency basis, adjusted operating profit before central overheads increased 8% to £12.4m (H1 2017: £11.4m excluding the Ofsted contract which concluded in 2017).

The cost reductions achieved in 2017 continue to benefit 2018; in particularly, the central overheads reduced by £1.7m on 2017. The cost reduction program has now concluded, although we continue to drive further operational efficiencies, and expect further cost savings to be delivered into 2019 to improve margin without impacting the Group's ability to serve our customers or drive our business forward.

Key Performance Indicators (KPIs)

The Group monitors its performance using the KPIs in the table below; 2017 excludes the Ofsted contract which successfully concluded in March 2017. The KPIs are impacted by the effects of foreign exchange movements in the period, as noted above.

KPIs (excluding Ofsted) 6 months to 30 June	2018	2017 [2]	Variance	2017 Constant Currency	Growth Constant Currency
Revenue[2]	**£42.0m**	£41.8m	0.5%	£40.7m	3.0%
Adjusted operating profit[1,2]	**£6.3m**	£4.0m	55%	£3.6m	72%
Adjusted Operating Margin[1,2]	**15.0%**	9.7%	5.3pp	9.0%	6.0pp
Annually Recurring Revenue (6 months)[3]	**£18.9m**	£19.0m	(0.8)%	£18.5m	2.2%
Backlog[4,6]	**£122.5m**	£122.1m	£0.4m	£120.7m	£1.8m
Cash Conversion[5]	**(11)%**	(41)%	30pp		
Staff Retention	**96%**	93%	3pp		
Revenue / Average FTE (£'000s: annualised)	**£96.6k**	£96.5k	£0.1k		

1 Adjusted Operating Profit and Adjusted Operating Margin is in respect of continuing operations which excludes "Other Items" charges of £2.1m (H1 2017: charge of £2.4m).
2 Revenue, Adjusted Operating Profit and Adjusted Operating Margin exclude Ofsted related income which ceased in 2017 (H1 2017: Revenue £2.4m, Operating Profit £0.9m)
3 Annually Recurring Revenue is calculated assuming maintenance revenue is received equally throughout the year
4 Sales order backlog relates to the total value of orders which have been signed on or before, but not delivered by, 30 June 2018, based on the Total Contract Value, even though customers may be permitted, under certain circumstances, to reduce their commitment at a future date.
5 Cash Conversion is calculated as net cash from operating activities before tax from continuing operations, less expenditure on intangible assets and property, plant and equipment, as a proportion of adjusted operating profit.
6 Comparative figure for 2017 is as at 31 December 2017 and restated for IFRS 15 as it is a forward looking figure (FY17 reported: £122.2m)

The Annually Recurring Revenue (ARR) includes Support & Maintenance fees paid on all software and, from December 2017, our Cloud hosting services, as detailed in the 2017 Annual Report and Accounts. The H1 2017 ARR is restated to include Cloud hosting services. Overall the Annually Recurring Revenue total reduced by 0.8%; excluding the impact of foreign currency movement, the ARR grew by 2.2% as a result of the increasing license sales and the contractual inflationary uplift applied annually.

The adjusted operating margin excluding Ofsted has increased 5.3 percentage points to 15.0%; excluding the impact of foreign currency movement it has increased by 6.0 percentage points, as the impact of the cost reduction programme continues to benefit the operating margin, which increased by 55% to £6.3m (H1 2017: £4.0m).

The total Full Time Equivalent (FTE) headcount has increased by 26 FTEs to 869 (H1 2017: 843 FTEs), due mostly to the increased investment in the Tribal Edge development, the move of some headcount to Manila to drive an efficient 24/7 software support service, and additional headcount requirements of the QAS contract at NCETM. However, the Revenue per Average FTE metric has been maintained at £96.7k (H1 2017: £96.5k).

We note, though, that despite the extent of change within the Group, our staff retention has improved to 96% (H1 2017: 93%).

As is normal in the first half of the year, cash conversion is negative at (11)% (H1 2017: (41)%). This reflects the Group's working capital profile, and the additional cash requirements in the first half of the year; most Support & Maintenance contracts are invoiced and collected towards the end of the calendar year, and some large contract milestones, particularly in QAS, are concluded at the end of the half-year. Cash conversion is expected to recover in the second half of the year, consistent with 2017.

The sales order backlog relates to the total value of orders which have been signed on or before, but not delivered by, 30 June 2018. This is reported on an IFRS 15 basis, including the restatement of 2017, and represents the best estimate of business expected to be delivered and recognised in future periods, and includes 2 years of Support & Maintenance revenue. At 30 June 2018 this increased to £122.5m (FY 2017: restated for IFRS 15 £122.1m; excluding the impact of foreign currency movement £120.7m).

Impact of IFRS 15 (Revenue from Contracts with Customers)

The Group adopted IFRS 15 "Revenue from Contracts with Customers" with effect from 1 January 2018 using the modified retrospective method. License revenue is now recognised over the duration of the project implementation period on a percentage completion basis. Where there is a short implementation, as with most Further Education and Work-based Learning sales, there will be little if any impact. For the larger deals, which may typically have implementation periods of two years or more, this has the effect of spreading the recognition of License revenue over an extended period, rather than immediate, upfront recognition. There are no changes to the timing of the recognition of Implementation or Support & Maintenance revenue, nor is there any impact in i-graduate or QAS.

The opening balance sheet was restated for this change with a reduction of £1.7m to equity reserves, £0.2m to accrued income and £1.5m to deferred income.

The impact to revenue of the adoption of IFRS 15 in H1 2018 is an increase of £0.1m; under the accounting policy before the adoption of IFRS 15, the revenue would have been £41.9m (H1 2017: £41.7m excluding Ofsted) and adjusted operating profit £6.2m (H1 2017: £4.0m excluding Ofsted).

One-off movements

There were a number of one-off impacts to the 2018 profit, although the overall impact was not material.

One-off impacts £m 6 months to 30 June	2018	2017	Net P&L Impact
Bad Debt release	1.0	0.2	0.8
Revenue contingency taken	(0.4)	-	(0.4)
Other provisions movement	0.3	(0.1)	0.4
Costs of Data Centre exit	(0.5)	-	(0.5)
Total impact	**0.4**	**0.1**	**0.3**

In H1 2018, the strong collections performance resulted in the release of bad debt provisions; however there was a charge of £0.4m taken as contingency against revenue on ongoing contracts to account for delays in contract performance and timing of delivery; the assessment of debtor recoverability on these contracts is referenced to the revenue contingency.

Tribal is in the process of exiting its current data centre and, working in partnership with Rackspace, migrating existing customers into either a Rackspace data centre or into a Public Cloud provider. As we move out of the existing data centre, there is duplication of costs, which were £0.5m in H1 2018. This project will continue through the second half of the year and we would expect a similar or slightly higher additional cost.

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**
  In 2018, share based payment charges (including employer related taxes) totalled £1.1m (H1 2017: £0.7m), and are excluded from the Adjusted operating profit.

  The charges in the current year relate to the matching shares granted as part of the rights issue and share subscriptions in 2016 (£0.3m) and the Long Term Incentive Plan options (LTIPs) which were granted to the executive and senior management teams in 2016, 2017 and 2018 (£0.8m).

- **Amortisation of IFRS 3 Intangibles**
  The amortisation charge in relation to IFRS 3 intangible assets of £0.9m (H1 2017: £1.0m) arose from separately identifiable assets recognised as part of previous acquisitions. The assets principally relate to software and customer relationships and are amortised over their expected life which was determined in the year the acquisition took place.

- **Restructuring and associated costs**
  These costs relate to the restructuring of the Group's operations which was completed early in 2018, and includes a charge for redundancy costs of £0.1m (H1 2017: £0.7m).

Product Development Costs

The Group spent £5.2m on product development, of which £1.8m was capitalised; £1.5m (H1 2017: £0.4m) related to Tribal Edge, reflecting the Group's commitment to development of the Tribal Edge platform, which is the next generation, cloud-based platform for Student Information Systems in the Higher Education and Further Education & Colleges sectors.

The Group also capitalised £0.3m of development cost relating to SchoolEdge, our Student Management System for schools.

Product Development Costs £m 6 months to 30 June	2018	2017
Product Development Cost	**5.2**	**4.7**
Capitalised Development Cost	**1.8**	**1.0**
Tribal Edge platform	1.5	0.4
SchoolEdge	0.3	0.6
Amortisation	**0.7**	**0.8**

Net Cash and Cash flow

Net cash at 30 June 2018 was £9.2m (H1 2017: £5.5m).

Cash flow £m 6 months to 30 June	2018	2017
Net cash from operating activities	0.5	0.8
Net cash outflow from investing activities	(3.2)	(4.0)
Net cash outflow from financing activities	(2.0)	(0.1)
Net decrease in cash & cash equivalents	**(4.7)**	**(3.3)**
Cash & cash equivalents at beginning of the year	**14.1**	**8.8**
Cash & cash equivalents at end of period	**9.4**	**5.5**
Less: Effect of foreign exchange rate changes	(0.2)	-
Net cash & cash equivalents at end of period	**9.2**	**5.5**

Operating cash inflow for the period was £0.5m (H1 2017: £0.8m); the Group had a working capital movement of £(6.3)m (H1 2017: £(5.9)m), which, consistent with prior years, is significantly higher in the first half of the year. This is due to a number a factors, including a high proportion of annual Support & Maintenance contracts being renewed in the earlier part of the academic year, increasing the deferred income balance at year end, and in part to the work on key QAS schools contracts performed in the first half of the year being unable to be invoiced until completion of the work in June, towards the end of the school year.

There was an adverse impact of foreign exchange movement of £0.2m (H1 2017: £nil).

Capital expenditure totalled £2.4m (H1 2017: £2.9m) including £1.8m (H1 2017: £1.0m) on internal software development and £0.6m on office premises and other equipment.

The Group made a total net payment of £0.8m for deferred consideration (H1 2017: £1.2m), of which £0.4m was in respect of the acquisition of Sky Software (Campus) and £0.4m for deferred consideration in relation to the acquisition of intellectual property from Wambiz.

Share Options and Share Capital

On 26 March 2018, 3,975,000 share options were granted to senior management, excluding Ian Bowles and Mark Pickett. On 22 May 2018, 590,452 nil-cost share options were granted to Ian Bowles and Mark Pickett as part of their ongoing remuneration.

As at 30 June 2018, there were 196,051,181 shares issued (FY 2017: 196,051,181).

Earnings per share

Diluted earnings per share increased by 76% to 1.4p (H1 2017: 0.8p).

Adjusted diluted earnings per share from continuing operations before other costs, the results of businesses disposed of, and intangible asset impairment charges and amortisation, which reflects the Group's underlying trading performance, increased by 23% to 2.2p (H1 2017: 1.7p).

Dividends

Following the reinstatement of a dividend of 1p per share, paid by the Company in May 2018, the Board reaffirms its intention to continue a progressive dividend policy, with a single dividend payment each year following annual results.

Related parties

Transactions with related parties during the period are set out in note 19.

TRIBAL

Condensed consolidated income statement
For the six months to 30 June 2018

	Note	Adjusted £'000	Other (note 6) £'000	Six months ended 30 June 2018 Total £'000	Adjusted £'000	Other (note 6) £'000	Six months ended 30 June 2017 Total £'000
Continuing operations							
Revenue	4	41,989	-	41,989	44,151	-	44,151
Cost of sales		(20,828)	-	(20,828)	(25,423)	-	(25,423)
Gross profit		21,161	-	21,161	18,728	-	18,728
Total administrative expenses		(14,879)	(2,064)	(16,943)	(13,775)	(2,501)	(16,276)
Operating profit/(loss)	4	6,282	(2,064)	4,218	4,953	(2,501)	2,452
Investment income		18	-	18	11	-	11
Finance costs	7	(13)	(60)	(73)	(80)	(54)	(134)
Profit/(loss) before tax		6,287	(2,124)	4,163	4,884	(2,555)	2,329
Tax (charge)/credit	8	(1,748)	441	(1,307)	(1,337)	570	(767)
Profit/(loss) for the period		4,539	(1,683)	2,856	3,547	(1,985)	1,562
Earnings per share							
Basic	9			1.5p			0.8p
Diluted	9			1.4p			0.8p

All activities are from continuing operations.

Condensed consolidated income statement
For the six months to 30 June 2018 (continued)

	Note	Adjusted £'000	Other (note 6) £'000	Year ended 31 December 2017 £'000
Continuing operations				
Revenue	4	84,918	-	84,918
Cost of sales		(42,401)	-	(42,401)
Gross profit		42,517	-	42,517
Total administrative expenses		(33,975)	(4,815)	(38,790)
Operating profit/(loss)	4	8,542	(4,815)	3,727
Investment income		20	-	20
Finance costs	7	(179)	(128)	(307)
Profit/(loss) before tax		8,383	(4,943)	3,440
Tax (charge)/credit	8	(1,757)	936	(821)
Profit/(loss) for the year		6,626	(4,007)	2,619
Earnings per share				
Basic	9			1.3p
Diluted	9			1.3p

Condensed consolidated statement of comprehensive income and expense
For the six months to 30 June 2018

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Profit for the period	2,856	1,562	2,619
Other comprehensive (expense)/income			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit pension schemes	-	-	55
Deferred tax on measurement of defined benefit pension schemes	-	-	(9)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(513)	103	(436)
Other comprehensive (expense)/income for the period net of tax	(513)	103	(390)
Total comprehensive income for the period attributable to equity holders of the parent	2,343	1,665	2,229

Condensed consolidated balance sheet
As at 30 June 2018

	Note	30 June 2018 £'000	30 June 2017 £'000	31 December 2017 £'000
Non-current assets				
Goodwill	10	20,728	21,421	21,113
Other intangible assets	11	13,417	15,154	13,863
Property, plant and equipment		1,737	1,896	1,577
Deferred tax assets		4,579	4,072	4,275
Accrued income		44	200	150
		40,505	42,743	40,978
Current assets				
Inventories		-	6	-
Trade and other receivables	12	15,110	18,723	13,625
Accrued income		6,363	5,059	4,851
Current tax assets		86	179	106
Cash and cash equivalents (excluding bank overdrafts)	17	9,214	8,368	14,082
		30,773	32,335	32,664
Total assets		71,278	75,078	73,642
Current liabilities				
Trade and other payables	13	(7,531)	(6,333)	(6,888)
Deferred income		(17,222)	(18,306)	(17,934)
Accruals		(7,194)	(8,035)	(8,593)
Current tax liabilities		(2,888)	(2,228)	(2,573)
Borrowings	17	-	(2,856)	-
Provisions	14	(256)	(1,091)	(1,250)
		(35,091)	(38,849)	(37,238)
Net current liabilities		(4,318)	(6,514)	(4,574)
Non-current liabilities				
Deferred income		(709)	(812)	(113)
Retirement benefit obligation		(1,718)	(1,725)	(1,718)
Other payables	13	(160)	(874)	(551)
Deferred tax liabilities		(1,013)	(1,596)	(1,276)
Provisions	14	(349)	(230)	(194)
		(3,949)	(5,237)	(3,852)
Total liabilities		(39,040)	(44,086)	(41,090)
Net assets		32,238	30,992	32,552
Equity				
Share capital	15	9,803	9,803	9,803
Share premium		15,539	15,539	15,539
Other reserves		23,661	21,942	22,783
Accumulated losses		(16,765)	(16,292)	(15,573)
Total equity attributable to equity holders of the parent		32,238	30,992	32,552

Condensed consolidated cash flow statement
For the six months to 30 June 2018

	Note	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Net cash from operations	16	549	765	11,117
Investing activities				
Interest received		17	11	20
Purchases of property, plant and equipment		(676)	(491)	(803)
Expenditure on intangible assets		(1,769)	(2,382)	(3,559)
Payment of deferred consideration for acquisitions		(826)	(1,157)	(1,157)
Net cash outflow from investing activities		(3,254)	(4,019)	(5,499)
Financing activities				
Interest paid		(1)	(35)	(101)
Equity dividend paid		(1,952)	-	-
Repayment of borrowings and loan arrangement fees		-	(5)	(25)
Net cash used in financing activities		(1,953)	(40)	(126)
Net (decrease)/increase in cash and cash equivalents		(4,658)	(3,294)	5,492
Net cash and cash equivalents at beginning of period		14,082	8,833	8,833
Effect of foreign exchange rate changes		(210)	(27)	(243)
Net cash and cash equivalents at end of period	17	9,214	5,512	14,082

TRIBAL

Condensed consolidated statement of changes in equity
For the six months to 30 June 2018

	Note	Share Capital £'000	Share Premium £'000	Other reserves £'000	Accumulated losses £'000	Total Equity £'000
Balance at 1 January 2017		9,769	14,989	20,879	(18,147)	27,490
Profit for the period		-	-	-	1,562	1,562
Other comprehensive profit for the period		-	-	-	103	103
Issue of share capital		34	550	-	-	584
Charge to equity for share-based payments		-	-	538	-	538
Tax credit on charge to equity for share-based payments		-	-	-	190	190
Transfer from other payables to equity for share-based payments		-	-	525	-	525
Balance at 30 June 2017		9,803	15,539	21,942	(16,292)	30,992
Profit for the period		-	-	-	1,057	1,057
Other comprehensive loss for the period		-	-	-	(493)	(493)
Charge to equity for share-based payments		-	-	855	-	855
Tax credit on charge to equity for share-based payments		-	-	-	155	155
Transfer from other payables to equity for share-based payments		-	-	(14)	-	(14)
Balance at 31 December 2017 as previously reported		9,803	15,539	22,783	(15,573)	32,552
Effect of IFRS 15	5	-	-	-	(1,704)	(1,704)
Balance at 31 December 2017 restated		9,803	15,539	22,783	(17,277)	30,848
Profit for the period		-	-	-	2,856	2,856
Other comprehensive loss for the period		-	-	-	(513)	(513)
Equity dividend paid		-	-	-	(1,952)	(1,952)
Charge to equity for share-based payments		-	-	878	-	878
Tax credit on charge to equity for share-based payments		-	-	-	121	121
Balance at 30 June 2018		9,803	15,539	23,661	(16,765)	32,238

Notes to the condensed consolidated financial information
For the six months to 30 June 2018

1. General information

The condensed consolidated financial information for the six months ended 30 June 2018 was approved by the Board of Directors on 16 August 2018. 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 2017 were approved by the Board of Directors on 22 March 2018. 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 2017 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 2017.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017 with the exception IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments". This is outlined in Note 1 to the consolidated financial statements for the year ended 2017. The introduction of IFRS 15 has resulted in an update to the recognition for revenue on perpetual software license in Student Management Systems revenue stream as follows:

- Revenue on perpetual software licenses is recognised on the commencement of software implementation and related consultancy. Revenue will be recognised over the duration of the project implementation period on a percentage complete basis.

All other revenue streams detailed in the policy are not affected by IFRS 15.

IFRS 9 has also been applied in the period. Expected credit losses on trade receivables have been calculated using the simplified approach. See note 5 for the effects of these revised policies.

3. Going concern

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

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 Management Systems ("SMS") represents the delivery of software and subsequent maintenance and support services and the activities through which we deploy and configure our software for our customers;
- i-graduate represents a portfolio of performance improvement tools and services, including analytics, software solutions, facilities and asset management; and
- Quality Assurance Solutions (QAS), representing inspection and review services which support the assessment of educational delivery.

In accordance with IFRS 8 'Operating Segments' information on segment assets is not shown as this is not provided to the Chief Operating decision-maker. Inter-segment sales are charged at prevailing market prices.

	Total Revenue			Adjusted segment operating profit		
	Six months ended 30 June 2018 £'000	Restated* Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000	Six months ended 30 June 2018 £'000	Restated* Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £000
SMS	29,147	28,932	60,026	9,247	9,066	17,613
i-graduate	3,328	4,178	7,101	826	186	1,064
QAS	9,514	11,041	17,791	2,328	3,519	4,408
Total	41,989	44,151	84,918	12,401	12,771	23,085
Unallocated corporate expenses				(6,119)	(7,818)	(14,543)
Adjusted operating profit				6,282	4,953	8,542
Amortisation of IFRS 3 intangibles (see note 6)				(909)	(1,028)	(2,034)
Other items (see note 6)				(1,155)	(1,473)	(2,781)
Operating profit				4,218	2,452	3,727

* The 2017 June comparatives have been restated to be on a consistent basis with the December 2017 financial statements so that our reporting segments are now in line. They are not adjusted for IFRS 15.

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.

In the annual financial statements for 31 December 2017 the cost allocation between cost of sales and administrative expenses was revised to disclose only product development costs directly attributable to revenue in cost of sales. All capitalised product development continue to be amortised to cost of sales.

Within QAS revenues of approximately 6% (31 December 2017: 4%) have arisen from the segment's largest customer; within SMS revenues of approximately 7% (31 December 2017: 8%) have arisen from the segment's 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 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
UK	20,470	20,915	39,252
Asia Pacific	15,073	16,179	33,713
North America and rest of world	6,446	7,057	11,953
Total	41,989	44,151	84,918

5. Effect of new accounting standards

The Group adopted IFRS 15 "Revenue from contracts with customers" with effect from 1 January 2018 using the modified retrospective method. License revenue is now recognised over the duration of the project Implementation period on a percentage completion basis. This has the effect of spreading the recognition of License revenue of the period of implementation, rather than immediate, upfront recognition. There are no changes to the timing of the recognition of Implementation or Support & Maintenance revenue.

The Group also adopted IFRS 9 "Financial Instruments" with effect from 1 January 2018. Expected credit losses on trade receivables have been calculated using the simplified approach and are insignificant, therefore the individual comparatives have not been restated.

In accordance with the transitional provisions of IFRS 9 and IFRS 15 the Group has not restated prior year comparatives. The cumulative effect of the above changes that would have been made to the consolidated Income Statement and Balance sheet for the periods ending 30 June 2017 and 31 December 2017 are as follows:

	30 June 2017 As reported £'000	30 June 2017 Effect of IFRS 15 £'000	30 June 2017 £'000	31 December 2017 As reported £'000	31 December 2017 Effect of IFRS 15 £'000	31 December 2017 £'000
Income Statement						
Revenue	44,151	178	44,329	84,918	438	85,356
Balance Sheet						
Assets						
Trade and other receivables	18,723	-	18,723	13,625		
Accrued income	5,259	32	5,291	5,001	(200)	4,801
Liabilities						
Deferred Income	(19,118)	(1,997)	(21,115)	(18,047)	(1,504)	(19,551)
Equity						
Accumulated losses	(16,292)	(1,965)	(18,257)	(15,573)	(1,704)	(17,277)
Earnings per share						
Basic	0.8p	0.1p	0.9p	1.3p	0.3p	1.6p
Diluted	0.8p	0.1p	0.9p	1.3p	0.2p	1.5p
Adjusted Earnings per share						
Basic	1.8p	0.1p	1.9p	3.4p	0.2p	3.6p
Diluted	1.7p	0.1p	1.8p	3.2p	0.2p	3.4p

6. Other items

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Share based payments (including employer related taxes)	(1,096)	(726)	(1,732)
Restructuring and associated costs	(59)	(718)	(1,020)
Acquisition related costs – movement in deferred contingent consideration	-	(29)	(29)
Other administrative costs	(1,155)	(1,473)	(2,781)
Amortisation of IFRS 3 intangibles	(909)	(1,028)	(2,034)
Total administrative costs	(2,064)	(2,501)	(4,815)
Unwinding of discount on deferred consideration	(60)	(54)	(128)
Other financing items	(60)	(54)	(128)
Total other items before tax	(2,124)	(2,555)	(4,943)
Tax on other items	441	570	936
Total other items	(1,683)	(1,985)	(4,007)

IAS 1, paragraph 97, requires separate disclosure of such items that are considered material by nature or value in the financial statements. As such, 'other items' are not part of the Group's underlying trading activities and include the following for the six months ended 30 June 2018:

Other exceptional items: amounts principally reflect the costs arising in respect of the restructuring of the Group's operations. The restructuring program was run throughout 2017 and is nearing completion and the final costs now provided for. Amounts relate mainly to provision for redundancy costs. (30 June 2018: £59,000; 30 June 2017: £718,000; 31 December 2017: £1,020,000).

Share based payments: The numbers include the movement in associated employers taxes accrual (30 June 2018: £155,000; 30 June 2017: £188,000; 31 December 2017: £339,000) and the dividend paid on share options that have met performance conditions (30 June 2018: £46,000; 30 June 2017: £nil; 31 December 2017: £nil).

Amortisation of IFRS 3 intangibles: amortisation arising on the fair value of intangible assets acquired is separately disclosed as other items (30 June 2018: £909,000; 30 June 2017: £1,028,000; 31 December 2017: £2,034,000).

Financing charges: consistent with the treatment of movements in deferred consideration, the unwind of the discount on deferred consideration is separately presented as other financing costs in the income statement (30 June 2018: £60,000; 30 June 2017 £54,000; 31 December 2017: £128,000).

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

7. Finance costs

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Interest on bank overdrafts and loans	-	54	51
Amortisation and write off of loan arrangement fees	-	15	36
Net interest payable on retirement benefit obligations	-	-	42
Other interest payable	13	11	50
Adjusted Finance costs	13	80	179
Unwinding of discounts	60	54	128
Other finance costs	60	54	128
Total finance costs	73	134	307

8. Tax

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Current tax			
UK corporation tax	-	-	100
Overseas tax	1,752	1,066	1,529
Adjustments in respect of prior periods	-	-	(165)
	1,752	1,066	1,464
Deferred tax			
Current period	(445)	(299)	(641)
Adjustments in respect of prior periods	-	-	(2)
	(445)	(299)	(643)
Tax charge on losses	1,307	767	821

In addition to the amount charged to the income statement, a deferred tax credit of £121,000 (30 June 2017: credit of £190,000; 31 December 2017: credit of £345,000) has been recognised directly in equity in relation to share schemes. A deferred tax credit of £nil (30 June 2017: credit of £nil; 31 December 2017: charge of £9,000) 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.

9. 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 2018 thousands	Six months ended 30 June 2017 thousands	Year ended 31 December 2017 thousands
Basic weighted average number of shares in issue	195,223	194,802	195,011
Weighted average number of Employee share options	15,446	8,031	10,729
Weighted average number of shares outstanding for dilution calculations	210,669	202,833	205,740

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

The maximum number of potentially dilutive shares, based on options that have been granted but have not yet met vesting criteria is 14,475,064 (31 December 2017: 10,084,612). In addition there are a further 3,405,996 (31 December 2017: 3,405,996) potentially dilutive matching share options that have been granted but have not met vesting criteria as at 30 June 2018.

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 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Net profit	2,856	1,562	2,619
Earnings per share			
Basic	1.5p	0.8p	1.3p
Diluted	1.4p	0.8p	1.3p
Adjusted earnings per share			
Basic	2.3p	1.8p	3.4p
Diluted	2.2p	1.7p	3.2p

9. Earnings per share (cont.)

	Profit for the period			Earnings per share		
	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Profit for the period attributable to equity share holders	2,856	1,562	2,619	1.5p	0.8p	1.3p
Add back:						
Amortisation of IFRS 3 intangibles (net of tax)	647	730	1,444			
Share based payments	800	538	1,393			
Unwinding of discounts	60	54	128			
Other items (net of tax)	176	634	1,013			
Movement in deferred contingent consideration	-	29	29			
Total adjusted items (net of tax)	1,683	1,985	4,007	0.8p	1.0p	2.1p
Adjusted earnings	4,539	3,547	6,626	2.3p	1.8p	3.4p

10. Goodwill

	£'000
Cost	
At 1 January 2018	102,344
Exchange differences	(385)
At 30 June 2018	101,959
Accumulated impairment losses	
At 1 January 2018	81,231
At 30 June 2018	81,231
Net book value	
At 30 June 2018	20,728
At 31 December 2017	21,113

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. Based on the review performed, no impairment indicators that would require an impairment review have been noted.

11. Other intangible assets

	Software £'000	Customer contracts and relationships £'000	Acquired intellectual property £'000	Development costs £'000	Business systems £'000	Software licenses £'000	Total £'000
Cost							
At 1 January 2018	7,767	7,096	1,873	26,535	6,374	1,469	51,114
Additions	-		-	1,752	16	1	1,769
Exchange differences	(226)	(96)	-	(114)	(3)	(1)	(440)
At 30 June 2018	7,541	7,000	1,873	28,173	6,387	1,469	52,443
Amortisation							
At 1 January 2018	5,475	4,936	187	20,281	5,025	1,347	37,251
Charge for the period	689	220	188	650	226	52	2,025
Exchange differences	(160)	(47)	-	(40)	(3)	-	(250)
At 30 June 2018	6,004	5,109	375	20,891	5,248	1,399	39,026
Carrying amount							
At 30 June 2018	1,537	1,891	1,498	7,282	1,139	70	13,417
At 31 December 2017	2,292	2,160	1,686	6,254	1,349	122	13,863

Software and customer contract and relationships have arisen from acquisitions, and are amortised over their estimated useful lives, which are 3-6 years and 3-12 years respectively. The amortisation period for development costs incurred on the Group's product development is 3 to 7 years, based on the expected life-cycle of the product. Amortisation of development costs is included within cost of sales; the amortisation for software, customer contracts and relationships and business systems is included within administrative expenses. Intellectual property was acquired from WAMBIZ Limited in 2017 and is recorded as Acquired intellectual property, discounted for deferred consideration payments which are included as a deferred consideration liability in Trade and other payables. This asset is being amortised over a period of 5 years.

12. Trade and other receivables

	30 June 2018 £'000	30 June 2017 £'000	31 December 2017 £'000
Amounts receivable for the sale of services	11,966	16,273	12,202
Loss allowance	(671)	(1,104)	(1,713)
	11,295	15,169	10,489
Other receivables	677	734	516
Prepayments	3,138	2,820	2,620
Total	15,110	18,723	13,625

13. Trade and other payables

	30 June 2018 £'000	30 June 2017 £'000	31 December 2017 £'000
Current			
Trade payables	1,178	1,288	429
Other taxation and social security	2,592	2,474	2,596
Other payables	3,334	2,033	3,038
Deferred consideration	427	538	825
	7,531	6,333	6,888
Non-current			
Other payables	160	251	153
Deferred consideration	-	623	398
	160	874	551
Total	7,691	7,207	7,439

14. Provisions

	Property related £'000	Onerous contracts £'000	Legal claims £'000	Restructuring £'000	Total £'000
At 1 January 2018	926	170	342	6	1,444
Release in provision	(145)	(114)	-	-	(259)
Utilisation of provision	(218)	-	-	(6)	(224)
Transfer to accruals	-	-	(342)	-	(342)
Exchange rate movement	(13)	(1)	-	-	(14)
At 30 June 2018	550	55	-	-	605

The provisions are split as follows:

	Property related £'000	Onerous contracts £'000	Legal claims £'000	Restructuring £'000	Total £'000
Within one year	201	55	-	-	256
More than one year	349	-	-	-	349
Total	550	55	-	-	605

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

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

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

15. Share capital

	Six months ended 30 June 2018 number	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 number	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 number	Year ended 31 December 2017 £'000
Allotted, called up and fully paid						
At beginning of the period	196,051,181	9,803	195,380,299	9,769	195,380,299	9,769
Issued during the period	-	-	670,882	34	670,882	34
At end of the period	196,051,181	9,803	196,051,181	9,803	196,051,181	9,803

16. Notes to the cash flow statement

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Operating profit from continuing operations	4,218	2,452	3,727
Depreciation of property, plant and equipment	496	605	1,190
Amortisation and impairment of other intangible assets	2,025	2,094	4,442
Share based payments	895	538	1,393
Movement in deferred consideration	-	29	29
Other non-cash items	386	932	69
Operating cash flows before movements in working capital	8,020	6,650	10,850
Decrease in inventories	-	77	83
(Increase)/Decrease in receivables	(2,942)	(4,382)	1,044
Decrease in payables	(3,333)	(1,504)	(930)
Net cash from operating activities before tax	1,745	841	11,047
Tax (paid)/received	(1,196)	(76)	70
Net cash from operating activities	549	765	11,117
Net cash from operating activities before tax can be analysed as follows:			
Continuing operations (excluding restricted cash)	1,784	990	11,220
Decrease in restricted cash	(39)	(149)	(173)
Net cash from operating activities before tax	1,745	841	11,047

17. Analysis of net cash

	30 June 2018 £'000	30 June 2017 £'000	31 December 2017 £'000
Cash and cash equivalents	9,214	8,368	14,082
Overdrafts	-	(2,856)	-
Net cash	9,214	5,512	14,082

17. Analysis of net cash (cont.)

Analysis of changes in net cash:

	30 June 2018 £'000	30 June 2017 £'000	31 December 2017 £'000
Opening net cash	14,082	8,833	8,833
Net (decrease)/increase in cash and cash equivalents	(4,658)	(3,294)	5,492
Effect of foreign exchange rate changes	(210)	(27)	(243)
Closing net cash	9,214	5,512	14,082

As at 30 June 2018, cash and cash equivalents included restricted advance cash receipts in relation to customer programmes of £nil (30 June 2017: £0.1m, 31 December 2017: £0.1m).

18. Contingent liabilities

From time to time the Group is subject to potential litigation claims. On the basis of legal advice, claims are being robustly contested as to both liability and quantum. A provision of £nil (30 June 2017: £0.4m, 31 December 2017: £0.4m) has been made for defending these claims, where appropriate.

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

The Company and its subsidiaries have provided performance guarantees issued by their banks on their behalf, in the ordinary course of business totalling £1.5m (30 June 2017: £5.0m, 31 December 2017: £1.5m). These are not expected to result in any material financial loss.

19. Related party disclosures

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

On 26 March 2018, Tribal Group plc ("the Company") granted company share options over a total of 3,975,000 ordinary shares (representing approximately 2.0% of the Company's issued shares) to members of the senior management team under the Company share option plan. All of the Options are exercisable at 79.6p per Ordinary Share. The Options may not be exercised before 25 March 2021.

On 22 May 2018, Tribal Group plc ("the Company") granted nil-cost options over a total of 590,452 ordinary shares (representing approximately 0.30% of the Company's issued shares) were granted to Ian Bowles and Mark Pickett under the terms of its 2010 Long Term Incentive. This award has been granted subject to performance conditions based on the Group's Adjusted Operating Profit over a performance period ending 31 December 2018. This award will, ordinarily, vest on the third anniversary of the grant.

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 2018 £'000	30 June 2017 £'000	31 December 2017 £'000
Short-term employee benefits	1,166	1,324	3,824
Termination benefits	-	165	-
Share-based payments	895	538	1,277
Total	2,061	2,027	5,101

20. 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 QAS 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 2017. 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

Ian Bowles
Chief Executive

Mark Pickett
Chief Financial Officer

16 August 2018