TRIBAL working as one

Tribal Group plc
11 August 2015

Half year results for the six months ended 30 June 2015

Highlights

	Six months ended 30 June 2015	Six months ended 30 June 2014	Change
Revenue	**£58.0m**	£63.4m	(8)%
Adjusted EBITDA[1]	**£5.2m**	£8.4m	(41)%
Adjusted operating profit[1]	**£2.4m**	£5.6m	(57)%
Adjusted profit before tax[1]	**£2.0m**	£4.9m	(60)%
Statutory operating loss	**£(5.2)m**	£(7.3)m	28%
Statutory loss before tax	**£(6.0)m**	£(8.4)m	29%
Adjusted earnings per share[1]	**1.6p**	4.3p	(63)%
Interim dividend	**0.7p**	0.6p	17%

- As previously highlighted, profitability will be strongly weighted towards the second half of the year, impacted by:
  - Changes in customer buying patterns and the timing of new project implementations to meet customers' needs
  - Effect of renegotiation of the SALM contract, including deferral of certain revenues pending new contract finalisation with associated costs recognised in the period
- Continued strategic progress towards a focussed software business, providing student management systems across international education markets
  - Software and analytics revenues[2] now 60% of total (H1 2014: 55%)
  - Recurring software maintenance revenues now represent 26% of total (H1 2014: 17%)
- Further international progress, with strategic progress in Asia Pacific
  - Recent Callista acquisition performing well in Australia, and Asia Pacific customer base now extending into Malaysia
  - International revenues 31% of total revenues (H1 2014: 32%; FY 2014: 30%)
- Statutory operating loss of £5.2m (H1 2014: £7.3m) after goodwill impairment charge of £7.3m (H1 2014: £9.2m) due to run off of legacy contracts
- Interim dividend increased 17% to 0.7p (H1 2014: 0.6p) reflecting the Board's commitment to a progressive dividend policy
- Strategic developments include strengthening senior management, enhanced sales and marketing focus and consequential cost saving initiatives which will benefit the second half of the year and going forward
- The Board's expectations for the full year are unchanged

John Ormerod, Chairman of Tribal, commented:

“As highlighted at the time of our AGM in May our profits in 2015 are expected to be strongly weighted towards the second half of the year. The principal causes are changing software customer buying cycles and software implementation programme profiles, which we believe are likely to become a long-term feature in our markets, and the effect of the SALM contract renegotiation.

“We remain focused on the future development of our student management systems business across international education markets, where we see good opportunities for long-term growth. In the short-term we plan to underpin improving performance through enhancements to our sales and marketing effectiveness and senior management capacity. As we focus more sharply on our software offerings, we also see opportunities for cost savings, the benefits of which will begin to be seen in the second half of this year.

“As a result of these actions and our pipeline of potential new business, the Board’s expectations for the full year are unchanged.

“The search for a new CEO is progressing well and we anticipate making a further announcement in due course.”

Notes:

1 Adjusted EBITDA, adjusted operating profit and adjusted EPS are in respect of continuing operations, excluding intangible asset amortisation and impairment of £8.0m (H1 2014: £11.9m), gain on purchase of Callista of £0.4m (HY 2014: £nil), net exceptional costs of £0.1m (H1 2014: £1.0m) and in the case of adjusted EPS unwinding of the discount on deferred contingent consideration of £0.3m (H1 2014: £0.4m) and the related tax credit of £0.3m (H1 2014: £0.7m).

2 Software and analytics revenues represent revenues generated in our Product Development and Customer Services and Implementation Services segments plus analytics revenues generated in our Professional & Business Solutions segment.

Further Information

A presentation of these results will be made to analysts and investors at 09.30am today at the offices of Weber Shandwick, 2 Waterhouse Square, 140 Holborn, London EC1N 2AE. A copy of the presentation will be available later this morning on the Tribal Group website: www.tribalgroup.com.

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Interim Chief Executive's Statement

Introduction

The first half of 2015 was a challenging period for the Group. We have continued to see longer sales cycles amongst our larger customers. We are also seeing customers adopting a more cautious stance towards the pace of software installation and go-live planning.

We are responding to these market trends. We are embedding operational, go-to-market and management improvements that will both enhance near-term performance and underpin the future development of our strategic focus on student management systems business across international education markets.

Financial performance

Revenue

Revenue for the six months ended 30 June 2015 was £58.0m (H1 2014: £63.4m), a decrease of 8%. Our revenues were held back by slower new deal flow as a result of changing software customer buying cycles, which we believe are likely to become a long-term feature in our markets, and changes to existing software customer programmes. Our software and analytics related revenues were £34.9m (H1 2014: £34.9m), and our other revenues reduced to £23.4m (H1 2014: £28.6m) in line with our planned withdrawal from non-core activities. Callista, which was acquired in March 2015, generated revenue of £2.7m in the period. Excluding Callista, total revenues reduced by 13% to £55.3m.

Adjusted Profit

Adjusted operating profit was £2.4m (H1 2014: £5.6m), a decrease of 57%, with adjusted operating margins of 4% (H1 2014: 9%). We have achieved margin improvement in our non-software activities, and our central overheads are stable. However, lower software-related revenues (and particularly software licence revenues), in part as a result of phasing of revenue recognition points on existing customer arrangements into the second half of the year, have reduced first half profit margins in our Product Development and Customer Services segment. Callista contributed £0.4m to operating profit in the period. Excluding Callista adjusted operating profit was £2.0m, a decrease of 64%.

Our work on the New South Wales Student Administration and Learning Management (SALM) programme has been underway since 2012. The customer programme is now moving from initial deployment to broad roll-out, and our commercial arrangements (subject to formal contract completion) have now been reset to support the future aims of the programme. Our role is expected to extend under the new arrangements. Whilst this should benefit the group going forward, short-term profitability was reduced as order flow paused during the renegotiation period, and we retained our team aligned to the programme in order to preserve continuity. Additionally, approximately £0.6m of costs incurred in relation work undertaken on new customer requirements, but for which formal work orders were not finalised at the period end, have been expensed in the period and are expected to deliver revenues early in the second half of the year.

Adjusted profit before tax was £2.0m (H1 2014: £4.9m), and adjusted earnings per share were 1.6p (H1 2014: 4.3p), a 63% decrease.

Statutory Profit and Loss

As we continue to run-off our contracted work for Ofsted and bring to an end our delivery of careers advice and guidance in prisons, we have again re-assessed the carrying value of goodwill related to these activities. Our assessment at 30 June 2015 led to an impairment charge of £7.3m (H1 2014: £9.2m; FY 2014: £12.9m). After also adjusting for amortisation of IFRS 3 intangibles, and the net effect of other items excluded from adjusted profit, our statutory loss before tax for the period was £6.0m (H1 2014 loss: £8.4m).

Net debt and cash flow

Operating cash flow in the period was weak due to the phasing of a number of key customer cash receipt profiles, and the unwinding of certain large customer advanced payment arrangements. As at 31 December 2014, restricted advance cash receipts were £6.6m, but at 30 June 2014 these had reduced to £0.8m. Cash conversion was (252)% (H1 2014: 205%).

Net debt at 30 June 2015 was £23.1m (30 June 2014: £13.5m; FY 2014: £11.7m), an increase arising from the effects of the operating cash outflow and from the payment of deferred contingent consideration arising on the acquisition of Sky Software of £5.6m, offset by a net inflow of £1.8m on the acquisition of Callista.

Strategy and market review

Strategic progress

Tribal's portfolio of student management systems is at the heart of our strategy, supported by increasing integration of our performance improvement and analytics tools with our student management software. Our software and analytics-related revenues represented 60% of our total revenues in the period (H1 2014: 55%; FY 2014: 63%).

As we build our international capabilities, securing critical mass in each of our regional markets is important. Our international revenues now represent 31% of our total income (H1 2014: 32%; FY 2014 30%). An increasing proportion of our international revenues are recurring in nature, rather than major project revenues, with our recent acquisition of Callista now contributing further to our operational scale in Asia Pacific.

General market trends

In our chosen regional markets, overall activity levels amongst universities and colleges for the replacement or enhancement of their student management systems remain encouraging. The market is proactively exploring ways to reduce the total cost of ownership of a student management system, new functionality which may replace standalone legacy applications, mobile solutions which enhance student engagement and self-service facilities, cloud and Software-as-a-Service options, and analytics-oriented capabilities. As a result, buying decisions are taking a broader view of emerging choices, and procurement processes are taking more time. Deal closure timelines have therefore extended over the past year.

Regional market review

United Kingdom

Tribal's student management systems hold leading market positions in Higher Education, Vocational Learning and Schools / K-12 in the UK. Whilst deal closure timelines have been longer than previous periods, especially in the Higher Education market, we continue to see good activity levels and our new software customer pipeline and existing customer account management activity levels are solid.

Asia Pacific

Our activities in Asia Pacific have now achieved critical mass. Since the beginning of 2014 we have completed three acquisitions, each of which are increasingly integrated with our pre-existing operations in Australia. As a result, Tribal has good market positions in each of Higher Education, Vocational Learning and Schools / K-12 across Australia.

Our medium term pipeline of new Higher Education deals in Asia Pacific is good. Our pipeline has been complemented by the extension of our university customer base in Australia through the acquisition of Callista in March 2015. We are increasing our reach outside Australia and New Zealand, and have recently been awarded our first deal for our SITS university student management system in Malaysia.

Tribal's strong positions in Asia Pacific in the Schools / K-12 and Vocational Learning markets have been achieved through a combination of large new customer contracts and acquisitions. Large new wins enabled our strong early growth in Australia, but we see fewer major opportunities in these segments in Asia Pacific in the near term. Our attention is now directed towards enhancement of our account management capabilities in the region, supporting our customer base into the future.

North America

We have established our credentials in quality assurance services in the US, and have won beachhead deals in Canada for our student management systems. The North American market for new student management systems is highly active, particularly in the US. North America offers attractive opportunities for our software business although the barriers to entry are relatively high. Whilst we remain cautious as we enter this large market, and our new business pipeline in Canada has not developed as quickly as we had hoped, we are currently augmenting our business development capabilities in North America with emphasis on the Higher Education and Vocational Learning markets in Canada.

Other international regions

In the Middle East, we have established a good early stage presence in the quality assurance / performance improvement market. Alongside this work, attractive medium term opportunities are emerging for our software business as leading Middle East economies invest heavily to develop their local university infrastructure. Likewise, in southern Africa, where we have recently secured our second university customer, we see good opportunities to build our market share in student management systems over the medium term although the development of our pipeline is taking time.

Actions to improve performance

We are re-aligning Tribal's resources to take advantage of the opportunities we see before us, and to improve short-term performance. The principal elements of our current actions are:

- Accelerating the refresh of our sales and marketing functions to increase the focus and sophistication of our go-to-market strategy;
- Enhancing our senior management capacity to ensure improved co-ordination across our international operations;
- Simplifying and streamlining our activities and organisational structure, providing better management focus and improved accountability; and
- Cost reduction and efficiency actions to improve the flexibility and shape of our cost base.

We expect to see the benefits of these actions start to come through in the second half of 2015.

Divisional Performance

Product Development and Customer Services

Six months ended 30 June	**2015** **£m**	2014 £m
Revenue		
Licence and development fees	4.2	11.8
Maintenance	15.3	11.0
Other	4.7	1.0
	24.2	**23.8**
Adjusted operating profit	**1.3**	**5.0**
Adjusted operating profit margin	*5%*	*21%*
Capitalised product development investment	£2.7m	£2.3m
As a % of software-related revenues (software-related revenues represent those generated in our Product Development and Customer Services and Implementation Services segments)	*8%*	*7%*

Product Development and Customer Services (PD&CS) revenues grew by 2% to £24.2m (H1 2014: £23.8m). Callista, which was acquired in March 2015, generated revenue of £2.7m in the period. Excluding Callista, revenues reduced by 10% to £21.5m.

PD&CS adjusted operating profit was £1.3m (H1 2014: £5.0m), and the adjusted operating margin was 5% (H1 2014: 21%). Callista contributed £0.4m to operating profit. Excluding Callista, PD&CS operating profit reduced by 82% to £0.9m. Reduced profit margins reflect the effect of the renegotiation of the SALM programme commercial arrangements in the period, phasing of software licence recognition and weak trading for our k2 asset management product.

Software licence revenue recognition points were deferred on a number of larger new customer contracts that were awarded in the first half of the year. In particular, revenue recognition is expected in the second half in relation to software licence revenues from Massey University, New Zealand and Botswana International University of Science and Technology. Certain revenue elements of the SALM programme reset are also expected to become recognisable in the second half of the year. Whilst we have seen these deferrals reduce revenues and profits in H1 2015, comparatively we had previously experienced strong software revenue recognition in H1 2014, during which time new customer contracts with the British Council and UNISA were concluded alongside the existing SALM programme.

We are currently undertaking a periodic review of our entitlement to software license income arising from our installed base. Frequently our license arrangements provide for adjustment as a result of changes in our customers' enrolled student numbers. We anticipate that this review will provide benefits in the course of the second half of the year and into FY16.

Our annuity maintenance income base has continued to grow, with maintenance fees in the period of £15.3m (H1 2014: £11.0m), an increase of 39%. We are benefiting from our increasing installed customer base, as well as strong maintenance income from the acquired Human Edge and Callista customer bases.

Other revenues increased to £4.7m (H1 2014: £1.1m) primarily as a result of the inclusion of other software-related service revenue streams earned by Callista which are included within this operating segment.

Implementation Services

Six months ended 30 June	**2015 £m**	2014 £m
Revenue	**8.5**	9.3
Adjusted operating profit	**0.6**	0.8
Adjusted operating profit margin	*7%*	*9%*

Implementation Services revenues reduced by 9% to £8.5m (H1 2014: £9.3m). International revenues represented 46% (H1 2014: 54%) of revenues. Adjusted operating profit was £0.6m (H1 2014: £0.8m), and the adjusted operating margin was 7% (H1 2014: 9%).

We have achieved improved underlying utilisation levels in our implementation team, and average fee levels have remaining solid. However, the effect of the slowdown in activity levels on the SALM programme during the aforementioned renegotiation period held back overall performance.

Professional and Business Solutions

Six months ended 30 June	**2015 £m**	2014 £m
Revenue		
Analytics	2.2	1.8
Careers advice	0.8	4.0
Other	4.4	5.0
	7.4	**10.8**
Adjusted operating loss	**(0.1)**	**(0.3)**
Adjusted operating profit margin	*(1)%*	*(3)%*

Our Professional and Business Solutions (PBS) revenue in the period was £7.4m (H1 2014: £10.8m), a reduction of 31% as our planned withdrawal from careers advice delivery was completed during the period. International revenues represented 6% (H1 2014: 6%) of total income. PBS' adjusted operating loss was £(0.1)m (H1 2014: £(0.3)m), and adjusted operating margins were (1)% (H1 2014: (3)%).

Our analytics work, comprising student experience analytics and performance benchmarking, has continued to perform well. Other services include our Specialist Learning Solutions business, which continues to experience weak demand as Further Education college budget pressures remain. Our early stage Transformation and Change offering is gaining momentum although current activity levels are modest.

Quality Assurance Solutions

Six months ended 30 June	**2015 £m**	2014 £m
Revenue		
Ofsted contract revenues	12.0	12.7
Other	6.2	6.9
	18.2	**19.6**
Adjusted operating profit	**2.6**	**2.2**
Adjusted operating profit margin	*14%*	*11%*

Our Quality Assurance Solutions (QAS) revenue in the period was £18.2m (H1 2014: £19.6m), a reduction of 7%. International revenues represented 18% (H1 2014: 17%) of total income. QAS adjusted operating profit was £2.6m (H1 2014: £2.2m), and adjusted operating margins were 14% (H1 2014: 11%).

As we move into the run-off stages of the Ofsted contracts, we have focussed on optimising delivery efficiencies, the benefit of which is reflected in our improved operating margins. Our schools quality assurance work with Ofsted has now concluded successfully, and our work with Ofsted at the “Early Years” level is expected to continue until March 2017.

Our other work includes quality assurance contracts in North America and the Middle East, which continue to trade well.

Central overheads

Six months ended 30 June	**2015 £m**	2014 £m
Central overheads	**1.9**	2.1
As a % of revenue	***3%***	*3%*

Central overheads have been maintained in our target range of below 4% of revenue.

Risks and uncertainties

Our risk management policies and key risks are set out on pages 12-17 of the Group’s report and accounts for the year ended 31 December 2014, which can be found at www.tribalgroup.com/investors.

Our key risks remain materially unchanged since that report, although the uncertainties arising from the changing market conditions which have affected our business, and the on-going change of Chief Executive, mean that our broad risk profile has increased in the period.

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

- Resource allocation and contract delivery - which may cause substandard delivery of large contracts and customer programmes, reputational damage, and excessive resource and management stretch;
- People - which may lead to inability to attract and retain staff, destabilise morale and create shortfalls in operational capabilities;
- Geographic distribution - which may cause over-stretch of management control, resource capacity challenges, foreign exchange currency risk and damage from unforeseen local market conditions;
- Competitive positioning - which may arise from aggressive commercial action by competitors or inappropriate pricing strategies in new markets;
- Innovation and technology - which may render existing software products and solutions obsolete;

- Reputation - which may cause loss of key contracts, or loss of customer confidence and trust;
- Customer demands - which may change unpredictably as a result of political, economic or policy change. Changing customer demands may impact existing contracted activity, and can create uncertainty in the timing of new business wins; and
- Intellectual property - which may result in loss of control over or infringement of key elements of our intellectual property.

Going concern

The Group has sufficient financial resources for its foreseeable requirements. Tribal maintains appropriate cash balances, and has a revolving credit facility of £45m that is committed until June 2018, and an annually renewable £5m overdraft facility.

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

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

Taxation

The corporation tax charge on continuing operations was £0.5m (H1 2014: £0.8m). Our adjusted effective tax rate was 24% (H1 2014: 16%). The tax charge for H1 2014 includes a deferred tax credit of £0.2m that arose from the unwinding of deferred tax liabilities arising from share scheme credits. As the Group continues to grow its activities in international jurisdictions that typically operate with a higher rate of corporation tax, it is anticipated that the tax charge on profits over the medium-term future is likely to be higher than the standard UK corporation tax rate.

Dividend

The Board has declared a dividend of 0.70p in respect of the six months ended 30 June 2015 (H1 2014: 0.60p). This will be paid on 16 October 2015 to shareholders on the register on 18 September 2015.

Related parties

Transactions with related parties during the period are set out in note 21.

Outlook

We remain focussed on the development of our student management systems business across international education markets, where we see good opportunities for long-term growth. Therefore we are acting to strengthen management to focus on sales, marketing and product development, and we are implementing cost saving initiatives that will improve short-term performance.

As highlighted at the time of our AGM in May, our profits in 2015 are expected to be strongly weighted towards the second half of the year. With second half performance supported by the anticipated benefit of revenues deferred from the first half, our expectations for the full year are unchanged.

11 August 2015

Condensed consolidated income statement
For the six months to 30 June 2015

Unaudited	Note	Adjusted £'000	Other (see note 5) £'000	Six months ended 30 June 2015 Total £'000	Adjusted £'000	Other (see note 5) £'000	Six months ended 30 June 2014 Total £'000
Continuing operations							
Revenue	4	58,048	-	58,048	63,390	-	63,390
Cost of sales		(37,103)	-	(37,103)	(39,459)	-	(39,459)
Gross profit		20,945	-	20,945	23,931	-	23,931
Other administrative expenses		(18,500)	(6,847)	(25,347)	(18,288)	(12,018)	(30,306)
Amortisation of IFRS 3 intangibles		-	(833)	(833)	-	(906)	(906)
Total administrative expenses		(18,500)	(7,680)	(26,180)	(18,288)	(12,924)	(31,212)
Operating profit/(loss)	4	2,445	(7,680)	(5,235)	5,643	(12,924)	(7,281)
Investment income		2	-	2	2	-	2
Finance costs	6	(478)	(293)	(771)	(755)	(384)	(1,139)
Profit/(loss) before tax		1,969	(7,973)	(6,004)	4,890	(13,308)	(8,418)
Tax	7	(476)	202	(274)	(788)	699	(89)
Profit/(loss) for the period from continuing operations		1,493	(7,771)	(6,278)	4,102	(12,609)	(8,507)
Discontinued operations							
Loss from discontinued operations	8	-	(81)	(81)	-	(124)	(124)
Profit/(loss) for the period		1,493	(7,852)	(6,359)	4,102	(12,733)	(8,631)
Earnings per share							
From continuing operations							
Basic and diluted	9	1.6p	(8.2)p	(6.6)p	4.3p	(13.3)p	(9.0)p
From continuing and discontinued operations							
Basic and diluted	9	1.6p	(8.3)p	(6.7)p	4.3p	(13.0)p	(9.1)p

Condensed consolidated income statement
For the six months to 31 December 2014

Audited	Note	Adjusted £'000	Other (see note 5) £'000	Year ended 31 December 2014 £'000
Continuing operations				
Revenue	4	123,703	-	123,703
Cost of sales		(74,028)	-	(74,028)
Gross profit		49,675	-	49,675
Other administrative expenses		(35,166)	(17,079)	(52,245)
Amortisation of IFRS 3 intangibles		-	(1,729)	(1,729)
Total administrative expenses		(35,166)	(18,808)	(53,974)
Operating profit	4	14,509	(18,808)	(4,299)
Investment income		58	-	58
Finance costs	6	(1,149)	(876)	(2,025)
Profit before tax		13,418	(19,684)	(6,266)
Tax	7	(2,830)	1,348	(1,482)
Profit for the period from continuing operations		10,588	(18,336)	(7,748)
Discontinued operations				
(Loss)/profit from discontinued operations	8	-	(196)	(196)
Profit/(loss) for the year		10,588	(18,532)	(7,944)
Earnings per share				
From continuing operations				
Basic and diluted	9	11.3p	(19.7)p	(8.4)p
From continuing and discontinued operations				
Basic and diluted	9	11.3p	(19.7)p	(8.4)p

Condensed consolidated statement of comprehensive income and expense
For the six months to 30 June 2015

	Six months ended 30 June 2015 (unaudited) £'000	Six months ended 30 June 2014 (unaudited) £'000	Year ended 31 December 2014 (audited) £'000
Loss for the period	(6,359)	(8,631)	(7,944)
Items that will not be reclassified subsequently to profit of loss:			
Remeasurement of net defined benefit pension asset	-	-	(773)
Items that may be reclassified subsequently to profit of loss:			
Deferred tax	(218)	73	(204)
Exchange differences on translation of foreign operations	(1,079)	(10)	(674)
Total comprehensive expense for the period attributable to equity holders of the parent	(7,656)	(8,568)	(9,595)

Condensed consolidated balance sheet
at 30 June 2015

	Note	**30 June 2015 (unaudited) £'000**	30 June 2014 (unaudited) £'000	31 December 2014 (audited) £'000
Non-current assets				
Goodwill	11	69,708	79,695	77,810
Other intangible assets	12	23,226	24,638	23,249
Property, plant and equipment		3,137	2,763	2,982
Investments		1	1	1
Retirement benefit surplus	17	137	778	121
Deferred tax assets		2,021	2,898	2,469
		98,230	110,773	106,632
Current assets				
Inventories		817	918	611
Trade and other receivables	13	31,458	32,561	28,137
Cash and cash equivalents	19	4,499	15,885	9,345
		36,774	49,364	38,093
Total assets		135,004	160,137	144,725
Current liabilities				
Trade and other payables	14	(11,787)	(19,221)	(15,076)
Accruals		(11,975)	(13,713)	(12,228)
Deferred income		(25,711)	(27,100)	(23,684)
Tax liabilities		(2,664)	(2,248)	(3,368)
Provisions	15	(2,493)	(8,527)	(10,170)
		(54,630)	(70,809)	(64,526)
Net current liabilities		(17,856)	(21,445)	(26,433)
Non-current liabilities				
Bank loans	19	(27,589)	(29,338)	(21,023)
Deferred tax liabilities		(2,328)	(2,188)	(2,631)

Provisions	15	(4,904)	(1,504)	(1,898)
		(34,821)	(33,030)	(25,552)
Total liabilities		(89,451)	(103,839)	(90,078)
Net assets		45,553	56,298	54,647
Equity				
Share capital		4,743	4,743	4,743
Share premium		21	20	21
Other reserves		26,823	25,826	25,757
Retained earnings		13,966	25,709	24,126
Total equity attributable to equity holders of the parent		45,553	56,298	54,647

Condensed consolidated cash flow statement
for the six months to 30 June 2015

	Note	**Six months ended 30 June 2015 (unaudited) £'000**	Six months ended 30 June 2014 (unaudited) £'000	Year ended 31 December 2014 (audited) £'000
Net cash (outflow)/inflow from operating activities	18	(3,161)	12,528	19,717
Investing activities				
Interest received		2	2	58
Proceeds on disposal of discontinued operations		-	321	321
Purchases of property, plant and equipment		(584)	(560)	(1,345)
Expenditure on product development and business systems		(3,081)	(2,509)	(5,156)
Acquisition of investment in subsidiaries		(3,773)	(15,160)	(15,100)
Net cash outflow from investing activities		(7,436)	(17,906)	(21,222)
Financing activities				
Interest paid		(364)	(280)	(571)
Purchase of own shares		-	(2,792)	(2,735)
Proceeds on issue of own shares		-	78	21
Equity dividend paid		-	-	(1,587)
Draw down of borrowings and loan arrangement fees		6,451	16,747	8,332
Net cash from financing activities		6,087	13,753	3,460
Net (decrease)/increase in cash and cash equivalents		(4,510)	8,375	1,955
Cash and cash equivalents at beginning of period		9,345	7,555	7,555
Effect of foreign exchange rate changes		(336)	(45)	(165)
Cash and cash equivalents at end of period	19	4,499	15,885	9,345

Condensed consolidated statement of changes in equity
For the six months to 30 June 2015

	Share capital £'000	Share Premium £'000	Other reserves £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2014 (audited)	4,685	-	28,042	35,503	68,230
Total comprehensive expenses for the period	-	-	-	(8,568)	(8,568)
Movement in own shares	-	-	(1,967)	-	(1,967)
Issue of share capital	58	20	-	-	78
Dividends	-	-	-	(1,031)	(1,031)
Charge to equity for share-based payments	-	-	(249)	(195)	(444)
Balance at 30 June 2014 (unaudited)	4,743	20	25,826	25,709	56,298
Total comprehensive expenses for the period	-	-	-	(1,027)	(1,027)
Issue of share capital	-	1	-	-	1
Dividends	-	-	-	(556)	(556)
Charge to equity for share-based payments	-	-	(69)	-	(69)
Balance at 31 December 2014 (audited)	4,743	21	25,757	24,126	54,647
Total comprehensive expenses for the period	-	-	-	(7,656)	(7,656)
Movement in own shares	-	-	1,970	-	1,970
Dividends	-	-	-	(1,138)	(1,138)
Charge to equity for share-based payments	-	-	(904)	(1,366)	(2,270)
Balance at 30 June 2015 (unaudited)	4,743	21	26,823	13,966	45,553

Notes to the condensed consolidated financial information
for the six months to 30 June 2015

1. General information

The condensed consolidated financial information for the six months ended 30 June 2015 was approved by the Board of Directors on 11 August 2015.

The information for the year ended 31 December 2014 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor reported on those accounts: its report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

The annual financial statements of Tribal Group plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union, and does not include all of the information required for a full annual financial report. As a result, it is to be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2014, which were prepared in accordance with International Financial Reporting Standards adopted for use by the European Union (IFRS). As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2014. The condensed financial statements are unaudited and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

3. Going concern

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

4. Segmental analysis

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

	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
Geographical information: revenue from external customers	£'000	£'000	£'000
UK	40,184	43,385	86,599
Asia Pacific	12,350	13,715	25,972
North America and rest of world	5,514	6,290	11,132
	58,048	63,390	123,703

The principal activities are as follows:

Product Development and Customer Services ("PD & CS"), representing revenues from sales of software and subsequent maintenance revenues, and the costs of developing and maintaining that software;

Implementation Services ("IS"), representing the results of activities through which we deploy and configure our software for our customers;

Professional and Business Solutions ("PBS"), representing a portfolio of performance improvement tools and services, including analytics, benchmarking and transformation services; and

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

	Total Revenue			**Adjusted segment operating profit**		
	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000	Year ended 31 December 2014 £'000	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000	Year ended 31 December 2014 £000
PD & CS	24,217	23,805	49,675	1,296	4,975	11,192
IMP	8,508	9,291	19,495	582	824	2,871
PBS	7,391	10,756	20,377	(143)	(270)	515
QAS	18,184	19,639	34,621	2,605	2,171	4,039
Inter-segment	(252)	(101)	(465)	-	-	-
Total	58,048	63,390	123,703	4,340	7,700	18,617
Unallocated corporate expenses				(1,895)	(2,057)	(4,108)
Adjusted operating profit				2,445	5,643	14,509
Amortisation of IFRS 3 intangibles				(833)	(906)	(1,729)
Other items				(6,847)	(12,018)	(17,079)

Operating loss	(5,235)	(7,281)	(4,299)

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.

Revenues of approximately 21% (31 December 2014: 19%) have arisen within our QAS segment from the Group's largest customer and revenues of approximately 6% (31 December 2014: 10%) have arisen within our PD & CS and IS segments from the Group's second largest customer.

Included within other items is goodwill impairment of £7.3m, of which £4.2m arises in respect of the QAS segment, and the remaining £3.1m arises in respect of the PBS segment (see note 11).

5. Other items

	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000	Year ended 31 December 2014 £'000
Operating loss from closed business	-	-	(100)
Other items:			
Acquisition costs	(218)	(345)	(397)
Property related	81	(630)	(543)
Impairment of goodwill	(7,260)	(9,232)	(12,849)
Gain on bargain purchase	403	-	-
Impairment of development costs and related charges	-	(1,811)	(2,630)
Onerous contracts	233	-	(788)
Movement in deferred contingent consideration	(86)	-	228
Other administrative costs	(6,847)	(12,018)	(17,079)
Amortisation of IFRS 3 intangibles	(833)	(906)	(1,729)
Total administrative costs	(7,680)	(12,924)	(18,808)

Unwinding of discount on deferred contingent consideration	(293)	(384)	(876)
	(7,973)	(13,308)	(19,684)
Tax on other items	202	699	1,348
	(7,771)	(12,609)	(18,336)

Other items have arisen throughout the period, which are not part of the Group's underlying activities. This principally includes impairment of goodwill (see note 11) as well as onerous contracts, direct costs arising on acquisition activity, onerous contracts ,adjustments to deferred consideration in respect of acquisitions and amortisation of intangible assets fair valued at acquisition by the Group. Onerous contracts arise where the Group has chosen to withdraw from products or markets, but where contracts remain to provide multi-year maintenance services, which are expected to result in costs in excess of revenue.

6. Finance costs

	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000	Year ended 31 December 2014 £'000
Interest on bank overdrafts and loans	401	378	749
Write off of loan arrangement fees	-	338	338
Other interest payable	77	39	62
	478	755	1,149
Unwinding of discount on deferred contingent consideration	293	384	876
	771	1,139	2,025

7. Tax

	Continuing operations			Discontinued operations			Total		
	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000	Year ended 31 December 2014 £'000	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000	Year ended 31 December 2014 £'000	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000	Year ended 31 December 2014 £'000
Current tax									
UK corporation tax	(41)	(36)	100	-	36	15	(41)	-	115
Overseas tax	371	958	2,456	-	-	-	371	958	2,456
Adjustments in respect of prior years	(325)	(9)	(104)	-	-	-	(325)	(9)	(104)
	5	913	2,452	-	36	15	5	949	2,467
Deferred tax									
Current year	93	(833)	(962)	-	-	-	93	(833)	(962)
Adjustments in respect of prior years	176	9	(8)	-	-	-	176	9	(8)
	269	(824)	(970)	-	-	-	269	(824)	(970)
Tax charge	274	89	1,482	-	36	15	274	125	1,497

In addition to the amount charged to the income statement, a deferred tax charge of £218,000 (30 June 2014: credit of £73,000; 31 December 2014: charge of £204,000) has been taken directly to equity.

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

8. Discontinued operations

Discontinued operations include the Health & Government, Resourcing and Communications businesses which were disposed of during 2010 and 2011. The Resourcing and Communication sales were trade and assets deals and so there continue to be transactions, for example as leases associated with those businesses wind down.

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

	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000	Year ended 31 December 2014 £'000
Operating profit before other items	-	18	18
Other items	(81)	46	61
Operating (loss)/profit	(81)	64	79
Attributable tax charge	-	(36)	(15)
Loss on the disposal of discontinued operations	-	(152)	(260)
Net loss attributable to discontinued operations	(81)	(124)	(196)
Operating cash flows for discontinued operations	(22)	36	34
Investing cash flows for discontinued operations	-	321	321
Total cash flows for discontinued operations	(22)	357	355

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	Six months	Year

	ended	ended	ended
	30 June	30 June	31 December
	2015	2014	2014
	£'000	£'000	£'000
Basic weighted average number of shares in issue	94,435	94,769	94,061
Employee share options	-	-	-
Weighted average number of shares outstanding for dilution calculations	94,435	94,769	94,061

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 nil (December 2014: 1,712,593).

The adjusted earnings per share figures shown on the condensed consolidated income statement are included as the directors believe that they provide a better understanding of the underlying trading performance of the Group.

A reconciliation of how these figures are calculated is set out below.

	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000	Year ended 31 December 2014 £'000
Earnings			
From continuing operations			
Net loss from continuing operations attributable to equity holders of the parent	(6,278)	(8,507)	(7,748)
Earnings per share			
Basic and diluted	(6.6)p	(9.0)p	(8.4)p

From continuing and discontinued operations			
Net loss from continuing operations attributable to equity holders of the parent	(6,359)	(8,631)	(7,944)

Earnings per share			
Basic and diluted	(6.7)p	(9.1)p	(8.4)p

	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000	Year ended 31 December 2014 £'000
Adjusted earnings			
From continuing operations			
Net loss from continuing operations attributable to equity holders of the parent	(6,278)	(8,507)	(7,748)
Amortisation of IFRS 3 intangibles (net of tax)	593	698	1,233
Impairment of goodwill	7,260	9,232	12,849
Gain on bargain purchase	(403)	-	-
Impairment of development costs (net of tax)	-	1,422	2,028
Unwinding of discount on deferred consideration	293	384	876
Other items (net of tax)	(58)	873	1,578
Movement in deferred contingent consideration	86	-	(228)
Adjusted earnings from continuing operations	1,493	4,102	10,588
Adjusted earnings per share from continuing operations			
Basic and diluted	1.6p	4.3p	11.3p
From continuing and discontinued operations			
Net loss from continuing and discontinued operations attributable to equity holders of the parent	(6,359)	(8,631)	(7,945)
Amortisation of IFRS 3 intangibles (net of tax)	593	698	1,233
Impairment of goodwill	7,260	9,232	12,849
Gain on bargain purchase	(403)	-	-
Impairment of development costs (net of tax)	-	1,422	2,028

Unwinding of discount on deferred consideration	293	384	876
Other items (net of tax)	(26)	836	1,585
Movement in deferred contingent consideration	86	-	(228)
Discontinued operations and associated tax adjustments	49	161	190
Adjusted earnings from continuing and discontinued operations	1,493	4,102	10,588
Adjusted earnings per share from continuing and discontinued operations			
Basic and diluted	1.6p	4.3p	11.3p

10. Dividends

	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000	Year ended 31 December 2014 £'000
Amounts recognised as distributions to equity holders in the period:			
Interim dividend for the year ended 31 December 2014 of 0.60 pence per share	-	-	556
Final dividend for the year ended 31 December 2014 of 1.20 pence per share (2013: 1.10 pence per share)	1,138	1,031	1,031
	1,138	1,031	1,587

The Board has declared an interim dividend of 0.70 pence per share (2014: 0.60 pence per share), which will result in a cash outflow of £0.7m (2014: £0.6m). The interim dividend was approved by the Board on 11 August 2015 and has not been included as a liability as at 30 June 2015.

The dividend is payable on 16 October 2015 to ordinary shareholders who are on the register on 18 September 2015. The shares will be quoted ex-dividend on 16 September 2015.

11. Goodwill

	£'000
Cost	
At 1 January 2015	120,239
Exchange differences	(842)
At 30 June 2015	119,397
Accumulated impairment losses	
At 1 January 2015	42,429
Impairment charge in the period	7,260
At 30 June 2015	49,689
Net book value	
At 30 June 2015	69,708
At 31 December 2014	77,810

The Group tests annually for impairment, or more frequently if there are indicators that goodwill could be impaired. In 2014, Ofsted announced its intention to in-source one of the two inspections contracts held by the Group with effect from the end of the current contract in August 2015. As a result, the Group recognised an impairment in 2014 of goodwill held in respect of the contract. The Group has also revisited the impairment calculation as at 30 June 2015 and, given the recognition of ongoing cash flows under the contract during the period, a further impairment of £4.2m arises as at the reporting date. In addition, the Professional and Business Solutions division recognised an impairment in 2014 as a result of the cessation of contracts in non-core areas. An updated discounted cash flow valuation for this division was performed for the purposes of the half year, and as a result of our withdrawal from careers advice delivery and weakness in certain markets, an additional impairment was identified of £3.1m. All else being equal the loss of the Ofsted Schools inspection contract in the second half of 2015 will drive a further impairment in this area.

The recoverable amounts of cash generating unit (CGU) groups are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, longer term growth rates and expected changes to selling prices, sales volumes and direct costs during the period. The assumptions made reflect a cautious view of short-term trading. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU groups. The growth rates are based on internal two-year budgets or latest forecasts in the short-term and general market rates thereafter. Changes in selling prices, sales volumes and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial forecasts approved by management for the next two years and has extrapolated cash flows in perpetuity based on an estimated growth rate of 2% (other than PBS, where a 0% rate has been used to reflect the greater uncertainty in that business). These rates do not exceed the average long-term growth rate for the relevant market. The rates used to discount the forecast cash flows are 16% for PBS and 14% for the other CGU groups (2014: 16% for PBS and 14% for other CGU groups) and have been chosen to reflect the directors' assessment of the relative degree of risk associated with the CGU groups.

12. Other intangible assets

	Software	Customer contracts and relationships	Development costs	Business systems	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2015	6,747	6,600	26,365	4,724	44,436
Additions	292	185	2,651	430	3,558
Exchange differences	(487)	(207)	(51)	(13)	(758)
At 30 June 2015	6,552	6,578	28,965	5,141	47,236
Amortisation					
At 1 January 2015	925	3,422	12,832	4,008	21,187
Charge for the period	613	219	1,757	245	2,834
Exchange differences	-	-	(4)	(7)	(11)
At 30 June 2015	1,538	3.641	14,585	4,246	24,010
Carrying amount					
At 30 June 2015	5,014	2,937	14,380	895	23,226
At 31 December 2014	5,822	3,178	13,533	716	23,249

Software and customer contract and relationships have arisen from acquisitions, and are amortised over their estimated useful lives, which is over 3-6 years and 3-12 years respectively. The amortisation period for development costs incurred on the Group's software development and product development is three to seven years, based on the expected life-cycle of the product. The Group' corporate business systems software is amortised over an average of five years from the date it first comes into use.

13. Trade and other receivables

	30 June 2015 £'000	30 June 2014 £'000	31 December 2014 £'000
Trade receivables	15,531	17,937	13,064
Amounts recoverable on contracts	111	106	115
Other receivables	341	550	294
Prepayments	3,591	3,482	3,822
Accrued income	11,884	10,486	10,842
	31,458	32,561	28,137

14. Trade and other payables

	30 June 2015 £'000	30 June 2014 £'000	31 December 2014 £'000
Trade payables	4,121	3,849	2,774
Other taxation and social security	4,509	6,557	4,834
Other payables	3,157	8,815	7,468
	11,787	19,221	15,076

15. Provisions

	30 June 2015 £'000	30 June 2014 £'000	31 December 2014 £'000

At beginning of period	12,068	4,827	4,827
Addition to provision in period	375	271	(1,525)
Reduction to provision in period	(450)	-	241
On acquisition of subsidiary	1,733	7,312	8,430
Exchange rate movement	(412)	101	(291)
Unwinding of discount on deferred consideration	293	384	876
Utilisation of provision	(6,360)	(2,864)	(3,058)
At end of period	7,397	10,031	12,068

The provisions are split as follows:

	30 June 2015 £'000	30 June 2014 £'000	31 December 2014 £'000
Future lease costs	221	-	342
Deferred contingent consideration	5,894	9,264	10,242
Onerous contracts	624	-	726
Potential litigation claims	658	767	758
	7,397	10,031	12,068

Less than one year:	30 June 2015 £'000	30 June 2014 £'000	31 December 2014 £'000
Future lease costs	221	-	342
Deferred contingent consideration	990	7,760	8,786
Onerous contracts	624	-	284

Potential litigation claims	658	767	758
	2,493	8,527	10,170

More than one year:	30 June 2015 £'000	30 June 2014 £'000	31 December 2014 £'000
Deferred contingent consideration	4,904	1,504	1,456
Onerous contracts	-	-	442
	4,904	1,504	1,898

The potential litigation claims are expected to be resolved within one year and are therefore shown within current liabilities. However, it is possible that these claims may take longer to resolve, or the Group may not be promptly notified that the claim has been dropped. The claim may be settled at amounts higher or lower than that provided, depending on the outcome of the commercial or legal arguments. The provision made is management's best estimate of the Group's liability based on past experience, commercial judgement and legal advice. Further details are contained in note 20.

16. Acquisition of subsidiary

On 6 March 2015, the Group acquired 100% of the issued share capital of Callista Software Services Pty Ltd (Callista), a company incorporated in Australia that is a leading provider of student management systems to the Australian university market.

This transaction has been accounted for by the purchase method of accounting. The total expected cost of acquisition is £1.7m, with payment being made indirectly by payment of maintenance fees for Callista software services on behalf of the vendor for a 3 year period.

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

	Book value £'000	Alignment of Accounting policies £'000	Provisional fair value adjustments £'000	Provisional fair value £'000
Intangible assets	-	-	477	477
Tangible assets	335	-	-	335
Deferred tax asset	-	316	-	316

Trade and other receivables	3,176	-	-	3,176
Cash and cash equivalents	1,819	-	-	1,819
Trade and other payables	(3,905)	-	-	(3,905)
Deferred tax liabilities	-	-	(143)	(143)
Net assets acquired	1,425	316	334	2,075
Gain on bargain purchase				(403)
Consideration				1,672
Satisfied by:				
Initial cash consideration				-
Deferred consideration				1,672
				1,672

The acquisition led to a net cash in-flow, taking into account of the cash acquired of £1.8m.

The acquisition resulted in a gain on acquisition of £0.4m. This reflected the low price paid for acquisition, which arose because of the maturity of the technology which Callista supplies to its customer base and the non-core nature of the company for the vendor.

Intangible assets arising on acquisition are in respect of software (£0.3m) and customer relationships and contracts (£0.2m).

Callista Software Pty Limited contributed revenue of £2.7m and operating profit of £0.3m to the Group for the period between the date of acquisition and the balance sheet date. Acquisition related costs amounted for £0.2m.

Had the acquisition occurred on 1 January 2015, the Group's revenue would have increased by £1.2m and its operating profit by £0.1m.

17. Defined benefit schemes

Two of the Group's subsidiary undertakings participate in defined benefit pension schemes: Tribal Technology Limited participates in the TfL Pension Fund, and Tribal Education Limited participates in the Federated Pension Plan. During the period the final member of the TfL Fund left the company, resulting in the full settlement of all outstanding obligations in respect of the fund. As a result, a settlement gain of £0.02m has been recognised in the Income Statement.

Payments to pension schemes in the period were £0.3m (2014: £0.5m).

18. Note to the cash flow statement

	Six months ended	Six months ended	Year ended

	30 June 2015 £'000	30 June 2014 £'000	31 December 2014 £'000
Operating loss from continuing operations	(5,235)	(7,281)	(4,299)
Operating (loss)/profit from discontinued operations	(30)	64	79
Depreciation of property, plant and equipment	748	823	1,446
Impairment of goodwill	7,260	9,232	12,849
Amortisation and impairment of other intangible assets	2,834	4,649	8,129
Other non cash items	450	244	26
Operating cash flows before movements in working capital	6,027	7,811	18,229
(Increase)/decrease in inventories	(206)	(204)	177
Decrease in receivables	182	1,170	5,780
(Decrease)/increase in payables and provisions	(8,793)	5,648	(1,898)
Net cash (used in)/from operating activities before tax	(2,790)	14,425	22,288
Tax paid	(371)	(1,897)	(2,571)
Net cash (used in)/from operating activities	(3,161)	12,528	19,717
Net cash (used in)/from operating activities before tax can be analysed as follows:			
Continuing operations (excluding restricted cash)	3,097	11,526	20,401
(Decrease)/increase in restricted cash	(5,865)	2,863	1,853
	(2,768)	14,389	22,254
Discontinued operations	(22)	36	34
	(2,790)	14,425	22,288

19. Analysis of net debt

	30 June 2015 £'000	30 June 2014 £'000	31 December 2014 £'000
Non restricted cash	3,748	8,258	2,729
Restricted cash[1]	751	7,627	6,616
Cash	4,499	15,885	9,345
Syndicated bank facility (net of bank arrangement fees)	(27,589)	(29,338)	(21,023)
Net debt	(23,090)	(13,453)	(11,678)

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

Analysis of changes in net debt.

	30 June 2015 £'000	30 June 2014 £'000	31 December 2014 £'000
Opening net debt	(11,678)	(4,559)	(4,559)
Net (decrease)/increase in cash and cash equivalents	(4,510)	8,375	1,955
Effect of foreign exchange rate changes	(336)	(45)	(165)
Increase in bank loans	(6,566)	(17,224)	(8,909)
Closing net debt	(23,090)	(13,453)	(11,678)

20. Contingent liabilities

The Group has received notification of a number of potential litigation claims, the majority of which relate to discontinued activities. On the basis of legal advice, claims are being robustly contested as to the liability and quantum. A provision of

£0.7m (30 June 2014: £0.8m, 31 December 2014: £0.8m) has been made for defending these claims, where appropriate (see note 15).

A cross-guarantee exists between Group companies in respect of bank facilities totalling £28.0m (30 June 2014: £20.2m, 31 December 2014: £14.5m).

In addition, the Company and its subsidiaries have provided performance guarantees issued by their banks on their behalf, in the ordinary course of business totally £8.0m (30 June 2014: £8.9m, 31 December 2014: £8.5m). These are not expected to result in any material financial loss.

21. Related party disclosures

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. No material contract or arrangement has been entered into during the period, nor subsisted at 30 June 2015, in which a director had a material interest. See note 17 for details of amounts paid to the Group's pension schemes in the period.

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

	30 June 2015 £'000	30 June 2014 £'000	31 December 2014 £'000
Short-term employee benefits	521	488	1,106
Share-based payments[1]	(141)	219	482
	380	707	1,588

[1]Remuneration in respect of share-based payments reflects the IFRS2 charge/(credit) to the income statement during the relevant period in respect of the directors' outstanding share options.

Responsibility statement

We confirm that to the best our knowledge:

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

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

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

By order of the Board

Rob Garner
Interim Chief Executive

Steve Breach
Group Finance Director

11 August 2015

Independent review report to Tribal Group plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015, which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 21. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condenses set of financial statements.

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

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

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

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

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months end 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom
11 August 2015