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Learning Technologies Group plc

INTERIM REPORT 2022

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For the six month period to 30 June 2022

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Chief Executive Review

Introduction

We are delighted to report that Learning Technologies Group plc ('LTG') has delivered a robust performance in the first half of 2022, in line with expectations at the start of the year, reflecting the resilience in our business model against the backdrop of inflationary pressures and a challenging macroeconomic environment. The commercial transformation of GP Strategies is progressing strongly and the acquired business is on track for material growth and significant margin improvement in 2022. Our Content & Services division continued to perform as organisations maintained focus on how best to deliver effective workforce transformation solutions in a digital, flexible and fast-paced corporate environment. Our Software & Platforms division also demonstrated continued growth with particular strength in Breezy, Rustici and Watershed more than offsetting the expected decline in the more mature PeopleFluent business.

We completed several key acquisitions in 2021, the most prominent being the purchase of GP Strategies in the fourth quarter. The addition of GP Strategies significantly expanded our learning and development service capabilities and global reach, making us a comprehensive performance, learning services, and talent technology company helping organisations transform through their people. The commercial transformation process continues to progress well and we have taken advantage of early opportunities for cross-selling. We are benefitting from the strong margin enhancement opportunities that were expected from GP Strategies and we fully expect these to continue during the second half of the year and beyond.

LTG generated revenue of £281.8 million (2021 H1: £82.6 million). This included organic revenue growth of 5.2% plus the significant contribution from our GP Strategies acquisition. Organic growth in Software & Platforms delivered 6.5% growth (16% excluding PeopleFluent), and 1.6% in Content and Services. GP Strategies revenue contributed £184.9 million including 4.6% organic growth in the first half.

Adjusted EBIT doubled to £44.1 million (2021 H1: £22.0 million), driven by the significant contribution of acquisitions and organic revenue growth. Statutory operating profit was £21.4 million (2021 H1: £5.1 million), including adjusting items of £22.6 million (2021 H1: £17.0 million).

We have a strong track record of cash generation and this remains a priority for us with cash generated from operations of £26.8 million (2021: £19.9 million). Cash conversion¹ of 60% included a normal cyclical H1 working capital investment in GP Strategies masking a 98% cash conversion in the remaining business. This working capital investment is expected to partially reverse in H2 and full year cash conversion is expected to be in the normal mid-80% range.

Net debt was £145.3 million at 30 June 2022 (31 December 2021: £141.4 million), excluding £21.4 million (31 December 2021: £21.8 million) of lease liabilities. Gross cash as at 16 September was £83.3 million. The covenant net debt/adjusted EBITDA ratio was 1.5 times (31 December 2021: 1.8x). We remain confident in achieving our target of deleveraging during the year with a covenant basis net debt/adjusted EBITDA of circa 1.0x by 31 December 2022, excluding the impact of any potential acquisition or further strengthening of the US dollar.

Strategic Update and Acquisitions

LTG's purpose is to help companies keep up with their ever changing workforce development requirements while building a business of scale to capture the growth opportunity in the global digital learning and talent management markets. We intend to achieve this through a combination of organic growth and strategic acquisitions that complement the current business.

As expected, the focus in H1 2022 has remained on the large-scale commercial transformation and integration of GP strategies, and the Group will continue to selectively evaluate a limited number of potential acquisition

¹ Cash conversion calculated as % adjusted operating cash flow / adjusted EBIT. Adjusted operating cash flow is an Alternative Performance Measure (APM) and the calculation is detailed in the Chief Financial Officer's report. The calculation of operating cash flow has been updated to include capital expenditure in cash flow and moved to EBIT as the denominator from EBITDA plus Share Based Payments. On the previously reported basis, this would have been 85%.

opportunities as the year progresses. Since 30 June 2022, two UK based businesses within GP Strategies are identified as non-core assets and LTG will make plans to exit them as soon as practicable.

Corporate Governance

Throughout 2021 and during the first half of 2022, we have continued to focus our efforts on our key ESG initiatives that are integral to our business strategy: Supporting clients in making a positive ESG impact; Taking care of our people; Environmental sustainability; Continuous improvement in data privacy and security; and Meeting stakeholder expectations on governance. Our ESG committee has been focused on putting our framework into practice and monitoring progress to ensure we follow through on our commitments. We have made progress on our 2022 targets, and they continue to be a priority as we head into the second half of the year.

Two specific 2022 targets that we have progressed on include the continued evaluation of our office footprint with clear decisions around reductions in space based on staff desires and their ability to work productively in a virtual or hybrid environment. These actions will have a positive impact on our environment with less people commuting on a regular basis and a reduced office square footage in 2022. In addition, our sustainable procurement policy is underway, and we anticipate it will be completed and rolled out by the end of the year, as part of our 2022 commitment.

Operational Review

Software & Platforms

The Software & Platforms division comprises SaaS and on-premise licenced product solutions as well as hosting, support and maintenance services. Software & Platforms comprised 26% of Group revenue (2021 H1: 74%) with revenue increasing to £73.9 million (2021 H1 60.9 million) reflecting 6.5% organic growth on a constant currency basis, the remaining inorganic contributions from Bridge and Reflektive acquired in Q1 2021 and the strength of the US dollar. Strong growth in Breezy, Rustici and Watershed more than offset the expected decline in PeopleFluent. Excluding the more mature PeopleFluent business, organic constant currency growth was 16%.

PeopleFluent provides cloud based talent management solutions and services to large-enterprise clients that require recruiting, performance, succession, compensation, learning and organisation charting capabilities beyond what is available within their current HR systems. Designed for organisations with complex needs, PeopleFluent provides highly-configurable talent solutions that can be tailored to fit the unique needs of its clients. The performance management module includes the ability to manage outcome-based goals and observational assessments to meet the demands of the healthcare industry. As a result of that deep, relevant functionality, one of the largest healthcare providers in the United States is expanding its use of PeopleFluent's products to its entire organisation of several hundred thousand healthcare workers.

Bridge (acquired in 2021) is an employee-focused learning and performance platform. This modern and popular software suite operates in the high growth, mid-market segment of the market but also has proven potential to move into sectors of the enterprise market. Bridge has integrated the Instilled team within its product division and launched Bridge Advanced Video, a next-generation video capability built specifically for Bridge. The company also integrated the Gomo authoring team to incorporate advanced authoring tools within Bridge, providing many helpful features when creating content and publishing it to the Bridge platform.

Breezy provides the largely self-service SaaS talent acquisition solution targeted at small and medium-sized businesses. Breezy stands out through its endless pursuit of making hiring easier and more approachable for teams without dedicated HR. Being a self-service solution designed to help companies hire employees, Breezy's growth is often a leading indicator of US domestic and macro-economic health. Despite the economic challenges, Breezy achieved a c.50% organic constant currency growth rate, a broadly similar absolute organic constant currency growth to H1 2021.

Proprietary products such as Reflektive (performance management), Gomo (authoring), Instilled (learning experience platform – LXP) and Watershed (analytics) have been or will be integrated as appropriate with

each of the above main market solutions. Watershed saw significant expansions from existing accounts during H1 with continued strong organic growth

Rustici Software, the global experts in e-learning interoperability software, added a number of new clients in the first half of the year reporting continued strong organic revenue growth in H1, which included the upfront benefit from multi-year on-premise contract renewals.

Open LMS provides the largest scale capability in the global open-source Moodle™ services market and continued to make progress in H1 2022. Its channel partner / reseller strategy enhances its access to market, including its strong footprint in Latin America. In the first half of 2022, excluding service delivery, Open LMS grew by 4.4%, broadly in line with market expectations and officially launched their partnership with Class Technologies. This has added more than 400 additional sites to their production instance of Moodle and made Class one of the largest clients of Open LMS.

VectorVMS, a market-leading SaaS-based technology for the contingent workforce reported good organic growth for the first half of 2022 through a combination of better performance with existing customers and new contracts.

Content & Services

The Content & Services division including LEO, PRELOADED, PDT Global and Affirmity, comprised 8% of 2022 H1 Group revenue (2021 H1: 26%). Revenue increased to £22.9 million (2021 H1: £21.6 million) reflecting the remaining inorganic contribution from PDT Global, 1.6% organic growth and the benefit of the strength of the US dollar.

The primary business in the Content & Services division is LEO, the Group's innovative digital learning specialist which delivers organisational transformation through world-class consultancy, strategic blended learning design, and creative content generation. As expected, LEO has continued to see a good pipeline of opportunities in 2022 as companies continue to reassess their requirements for digital and blended learning solutions as the trend towards flexible and remote workforces accelerates and the competence of extended enterprises becomes ever more critical. However, despite the good pipeline, the time taken to convert opportunities has extended resulting in a moderately subdued revenue performance for the first half.

PRELOADED, LTG's BAFTA-winning immersive games studio, has seen a good start to the year with significant sales in Q1 and Q3. In 2022, PRELOADED alongside LEO have continued to bring games-based and immersive solutions to their clients, most notably for Invesco and Reckitt Benckiser. PRELOADED has recently won contracts for highly innovative projects with significant clients including a global entertainment company and an international social media company.

Affirmity with PDT Global provides a robust portfolio of software, consulting services, and blended learning solutions that help global enterprise and mid-market companies measure diversity and build inclusive workforces so that they can experience long-term business value, while minimising risk, from their D&I and affirmative action programs. During the first half of 2022, Affirmity demonstrated strong growth and added more than 30 new clients to its portfolio. PDT Global added more than 40 new clients and has had a strong sales pipeline in the first half of the year with customers scheduling revenue to take place in the second half.

GP Strategies

GP Strategies achieved greater than expected organic growth in H1 (4.6% on a like for like constant currency basis) and improved EBIT margin from 4.5% in H1 of 2021 to 10.5% in H1 of 2022. Margins improved steadily throughout H1 with the average margin for May/June being 12.6%.

The business has experienced good year-over-year growth particularly in North America and LATAM with strong performance in our defence and aerospace business, and in Effective People EMEA, an SAP SuccessFactors implementation partner. GP Strategies is a global workforce transformation provider of organisational and technical performance learning solutions. GP Strategies' solutions improve the effectiveness of organisations by delivering innovative and superior consulting, training, and business

improvement solutions. Clients include Global 500 companies, automotive, financial services, technology, aerospace and defence industries, and other commercial and government customers.

Dividend

The Board is committed to a progressive dividend policy. On 21 July 2022, the Company paid a final dividend of 0.70 pence per share, giving a total dividend for 2021 of 1.00 pence per share. Given its confidence in the continuing success of the Group, the Board is pleased to declare an interim dividend of 0.45 pence per share (2021: 0.30 pence per share), representing a 50% increase. This dividend will be paid on 27 October 2022 to all shareholders on the register as at 7 October 2022.

Current trading and outlook

We continue to make progress and are delighted with the Group's resilience demonstrated through the strong organic revenue growth delivered during the first half of the year in the midst of a challenging macroeconomic environment as well as continued COVID-19 restrictions that remain in some markets, particularly Asia. With the transformational acquisition of GP Strategies, we have become recognised as the single largest Corporate Learning Experience Design and Development organisation in the world and the Board is excited about the breadth of capabilities we can now offer on a global scale.

LTG is in a strong position as more organisations focus on recruiting, training, motivating, and retaining the best talent. Whilst being mindful of the degree of geopolitical volatility and macroeconomic uncertainty that exists, particularly around increased inflation, but we are confident in our ability to meet 2022 expectations in-line with analyst consensus prior to any adjustment for FX tailwinds.

The commercial transformation of GP has been outstanding, and we want to acknowledge the collaboration and efforts of our GP colleagues. They embraced the principles with alacrity and grit and have truly delivered a remarkable transformation of GP, achieving an outstanding improvement in EBIT margin. Whilst we work towards further improvements, we anticipate the trend will continue but at a more moderate pace throughout next year. Alongside strong results from the wider Group, LTG expects to deliver ahead of company compiled analysts' consensus² for FY2022, with the strength of the US dollar substantially contributing to the increase in Group EBIT.



Jonathan Satchell
Chief Executive
22 September 2022

² Company-compiled analysts' consensus as at 5 July 2022 with a median adjusted EBIT of £94.7 million

Chief Financial Officer's Review:

In the six months ended 30th June 2022, revenues increased by 241% to £281.8 million (H1 2021: 82.6 million) benefitting from the contribution from acquired businesses, including the transformational acquisition of GP Strategies, constant currency organic growth of 5.2% and the FX tailwinds of a stronger US dollar.

Revenue in Software & Platforms ('S&P') increased 21% to £73.9 million (H1 2021: £60.9 million) with the division now representing 26% of Group revenue. On an organic constant currency basis S&P grew by 6.5% (2021: 5%) with strong growth from Breezy, Rustici and Watershed in particular, offset as expected, by a 10% decline in PeopleFluent. Excluding PeopleFluent, S&P increased 16% on an organic constant currency basis in H1 2022.

Revenue in Content & Services ('C&S') increased 6% to £22.9 million (H1 2021: £21.6 million) with the division now accounting for 8% of Group revenue. On an organic constant currency basis C&S grew by 1.6% (2021: 14%). 2021 H1 growth reflected the benefit of a COVID-19 rebound, the more normalised 2022 H1 growth reflects a combination of good growth in PRELOADED and Affirmity, PDT and LEO in line with the segment average and lower service revenue from software businesses due to large implementation contracts in 2021 not repeated in 2022. C&S is firmly underpinned by a strong order book and sales pipeline which shows no signs of diminishing but, in some cases, clients are taking longer to finalise and proceed into the delivery phase.

Revenue in GP Strategies was £184.9 million (H1 2021: £nil) following completion of the acquisition in October 2021, representing 66% of Group revenue. Although excluded from the Group's organic revenue growth, GP Strategies' organic constant currency growth was 4.6% on a like for like basis. Particularly strong growth was experienced in the Americas and Effective People EMEA businesses with some softness in APAC due to continued COVID19 restrictions.

SaaS and Long-term contract revenues as a proportion of total Group revenue reduced from 77% in H1 2021 to 71% in the first half of 2022, reflecting the change in the portfolio mix since the acquisition of GP Strategies partially offset by higher organic growth with long-term clients.

Adjusted EBIT doubled to £44.1 million (H1 2021: £22.0 million). The resulting EBIT margin of 15.6% was down from 26.7% in H1 2021, driven primarily by the change in portfolio mix following the acquisition of GP Strategies. We intend to continue to invest in the business on an organic basis to drive revenue and adjusted EBIT with the aim of delivering Group adjusted EBIT margins of around 20% in the medium term.

S&P margins reduced from 26.7% in H1 2021 to 25.4% as the operational leverage achieved on faster growing businesses was offset by a reduction in margin from PeopleFluent and incremental central costs from the larger Group operating under normal conditions.

Adjusted EBIT margins in the C&S division reduced marginally from 26.4% in H1 2021 to 25.6% in the first half of 2022. This is primarily as a result of a broadly neutral portfolio mix and incremental central costs from the larger Group operating under normal conditions.

Adjusted EBIT margins in GP Strategies for H1 2022 were 10.5%, an increase from 9.2% during LTG's ownership in 2021. Margins improved steadily throughout H1 with the average margin for May/June being 12.6%. This continued improvement is underpinned by the commercial transformation underway in GP Strategies as the business continues its journey to deliver mid-teen margins by the end of 2022, with further increases in 2023.

The Group reported operating profit of £21.4 million (H1 2021: £5.1 million) which is stated after amortisation of acquired intangibles, various acquisition earn-out charges, loss on disposal of fixed assets, and acquisition transaction and integration costs. Amortisation of acquired intangibles increased to £18.0 million (H1 2021: £11.7 million). Acquisition transaction costs were negligible (H1 2021: £1.6 million) and integration costs increased to £2.3 million (H1 2021: £0.9 million) and related primarily to the acquisition and integration of GP Strategies, including retention bonuses of £0.9 million paid in the period. The acquisition related contingent consideration charge was broadly similar to the prior year at £2.3 million in H1 2022 (H1 2021: £2.4 million). Contingent consideration arrangements are in place for Breezy, eThink, eCreators and PDT and are all

dependent on challenging incremental revenue growth targets. There were no net foreign exchange gains or losses arising as a result of business acquisitions during the period (H1 2021: £0.7 million gain).

Finance expenses of £4.3 million (H1 2021: £0.5 million) include interest on borrowings of £3.1 million (H1 2021: £0.3 million), £0.3 million (H1 2021: £0.2 million) relating to the Group's leases under IFRS 16, £0.9 million arising from net foreign exchange loss arising from term loans (H1 2021: £nil), and £0.2 million interest receivable (H1 2021: £0.03 million).

The Group reported a profit before tax of £18.5 million for the six months ended 30 June 2022 (H1 2021: £4.6 million). The tax charge of £3.9 million (H1 2021: tax credit of £0.6 million) is primarily driven by applying UK and international tax rates to associated results offset by the net favourable impact of tax rate changes on deferred assets and liabilities and net non-deductible foreign exchange adjustments.

Basic earnings per share in H1 2022 was 1.848 pence (H1 2021: 0.705 pence). Adjusted diluted earnings per share as set out in Note 9 was 61% up on the prior year at 3.715 pence (H1 2021: 2.310 pence) reflecting the significant earnings benefit from GP Strategies and strong growth in underlying earnings partially offset by an increase in the effective tax rate and a higher number of shares including the potential dilutive impact of share options.

Gross cash of £71.9 million and net debt of £145.3 million at 30 June 2022 compares with gross cash of £83.9 million and net debt of £141.4 million at 31 December 2021. The strengthened US dollar since year end has increased the reported net debt amount due to the US dollar denominated term loan.

Cash generated from operations was £26.8 million (H1 2021: £19.9 million) and net cash flow from operating activities was £18.6 million (H1 2021: £15.4 million).

Free cash flow³ was £8.2 million (H1 2021: £9.4 million) as set out below.

£m	H1 2022	H1 2021	Variance
Statutory operating profit	21.4	5.1	16.3
Adjusting items	22.7	17.0	5.7
Adjusted EBIT	44.1	22.1	22.0
Depreciation & Amortisation	7.8	3.9	3.9
Share based payment charges	4.1	2.1	2.0
Dec / (Inc) in working capital ⁴	(17.7)	(2.0)	(15.7)
Capital expenditure	(5.0)	(3.9)	(1.1)
Lease liabilities	(4.0)	(2.0)	(2.0)
Other	(3.0)	(2.1)	(0.9)
Adjusted operating cash flow³	26.3	18.1	8.2
Cash Conversion³	60%	82%	(22)%pts
Net Interest paid	(3.7)	(0.2)	(3.5)
Tax paid	(8.2)	(4.3)	(3.9)
Integration & transaction costs	(2.3)	(2.5)	0.2
Earnout & contingent consideration	(6.2)	(1.7)	(4.5)
Proceeds from asset sale	2.3	-	2.3
Free cash flow³	8.2	9.4	(1.2)

³ Alternative Performance Measure (APM) term defined and explained in the Glossary

Adjusted operating cash flow was £8.2 million higher than H1 2021 reflecting higher adjusted EBIT offset by a normal cyclical H1 working capital⁴ investment in GP, expected to partially reverse in H2, masking a 98% cash conversion in the rest of the Group. Cash conversion was 60%.

Net interest payments increased to £3.7 million from £0.2 million and tax payments increased to £8.2 million (H1 2021: £4.3 million) due to increased debt to fund the GP acquisition and the enlarged size of the Group respectively. Integration and transaction costs primarily relate to the GP Strategies acquisition in late 2021. Earnout payments relate to Breezy, PDT Global, eCreators and Watershed. Net cash inflow due to the sale of an investment of £2.3 million related to the sale of the NAS JV completed in April 2021.

Net assets increased to £417.3 million at 30 June 2022 (31 December 2021: £371.3 million) and shareholders' funds³ increased from 47.1 pence per share to 52.9 pence per share.



Kath Kearney-Croft
CFO
22 September 2022

⁴ Excludes integration & transaction costs

Consolidated statement of comprehensive income		Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000	Year to 31 Dec 2021 £'000
	Note			
Revenue	4	281,809	82,573	258,226
Operating expenses		(256,478)	(75,420)	(241,443)
Share based payment charge		(4,061)	(2,090)	(5,244)
Share of profit from equity accounted investment		155	-	124
Operating profit		21,425	5,063	11,663
Adjusted EBIT		44,071	22,037	54,754
Adjusting items included in Operating profit	6	(22,646)	(16,974)	(43,091)
Operating profit		21,425	5,063	11,663
Profit on sale of Joint Venture		1,242	-	-
Finance expenses	7	(4,361)	(454)	(2,582)
Finance income	7	184	-	253
Profit before taxation		18,490	4,609	9,334
Income tax (expense)/credit	5	(3,933)	613	5,586
Profit for the period/year		14,557	5,222	14,920
Other comprehensive income/(loss): Exchange differences on translating foreign operations		34,483	(4,616)	1,736
Total comprehensive profit for the period/year		49,040	606	16,656
Earnings per share				
Basic, (pence)	9	1.848	0.705	1.959
Diluted, (pence)	9	1.798	0.688	1.878
Adjusted earnings per share				
Basic, (pence)	9	3.818	2.367	5.226
Diluted, (pence)	9	3.715	2.310	5.010

Consolidated statement of financial position		30 June 2022	30 June 2021 (restated)	31 Dec 2021
	Note	£'000	£'000	£'000
Property, plant and equipment		3,233	903	3,232
Right of use assets	11	14,235	7,013	17,245
Intangible assets	10	582,252	313,044	546,237
Deferred tax assets	15	19,682	9,894	22,558
Other receivables, deposits and prepayments		3,424	-	3,541
Investments accounted for under the equity method	12	-	-	1,018
Amounts recoverable on contracts		1,362	849	1,200
		624,188	331,703	595,031
CURRENT ASSETS				
Trade receivables		122,536	36,457	122,844
Other receivables, deposits and prepayments	13	18,188	7,395	15,242
Amounts recoverable on contracts		41,800	8,788	31,604
Inventory		4,823	-	1,096
Corporation tax receivable		-	-	2,392
Amounts due from related parties		96	-	241
Cash and cash equivalents	14	71,933	39,322	83,850
Restricted cash balances	14	3,158	1,567	2,987
		262,534	93,529	260,256
TOTAL ASSETS		886,722	425,232	855,287
CURRENT LIABILITIES				
Lease liabilities	17	8,194	3,774	6,755
Trade and other payables	16	178,098	87,142	172,982
Amounts due to related parties		6	84	-
Borrowings	17	23,845	7,197	37,503
Provisions	18	2,975	-	4,855
Corporation tax		3,810	2,513	-
ESPP scheme liability		703	801	507
		217,631	101,511	222,602
NON-CURRENT LIABILITIES				
Lease liabilities	17	13,196	7,111	15,090
Deferred tax liabilities	15	42,178	33,035	52,336
Other long-term liabilities		702	4,388	2,940
Borrowings	17	193,367	7,260	187,759
Corporation tax payable		1,428	-	1,711
Provisions	18	949	122	1,511
		251,820	51,916	261,347
TOTAL LIABILITIES		469,451	153,427	483,949
NET ASSETS		417,271	271,805	371,338
EQUITY				
Share capital		3,037	2,865	3,034
Share premium account		317,406	233,779	317,114
Merger relief reserve		31,983	31,983	31,983
Reverse acquisition reserve		(22,933)	(22,933)	(22,933)
Share based payment reserve		13,322	8,096	11,148
Foreign exchange translation reserve		29,251	(11,584)	(5,232)
Accumulated retained earnings		45,205	29,599	36,224
TOTAL EQUITY		417,271	271,805	371,338

Consolidated statement of changes in equity

	Share capital	Share Premium	Merger relief reserve	Reverse acquisition reserve	Share based payments reserve	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021	2,853	231,671	31,983	(22,933)	7,439	(6,968)	25,025	269,070
Profit for period	-	-	-	-	-	-	5,222	5,222
Exchange differences on translating foreign operations	-	-	-	-	-	(4,616)	-	(4,616)
Total comprehensive income for the period	-	-	-	-	-	(4,616)	5,222	606
Issue of shares net of share issue costs	12	2,108	-	-	-	-	-	2,120
Share based payment charge / credited to equity	-	-	-	-	2,090	-	-	2,090
Tax credit on share options	-	-	-	-	-	-	1,624	1,624
Transfer on exercise and lapse of options	-	-	-	-	(1,433)	-	1,433	-
Dividends paid	-	-	-	-	-	-	(3,705)	(3,705)
Balance at 30 June 2021	2,865	233,779	31,983	(22,933)	8,096	(11,584)	29,599	271,805
Profit for period	-	-	-	-	-	-	9,698	9,698
Exchange differences on translating foreign operations	-	-	-	-	-	6,352	-	6,352
Total comprehensive income for the period	-	-	-	-	-	6,352	9,698	16,050
Issue of shares net of share issue costs	169	83,335	-	-	-	-	-	83,504
Share based payment charge / credited to equity	-	-	-	-	3,154	-	-	3,154
Share-based payment charge treated as consideration, credited to equity	-	-	-	-	120	-	-	120
Tax credit on share options	-	-	-	-	-	-	(935)	(935)
Transfer on exercise and lapse of options	-	-	-	-	(222)	-	222	-
Dividends paid	-	-	-	-	-	-	(2,360)	(2,360)
Balance at 31 December 2021	3,034	317,114	31,983	(22,933)	11,148	(5,232)	36,224	371,338
Profit for period	-	-	-	-	-	-	14,557	14,557
Exchange differences on translating foreign operations	-	-	-	-	-	34,483	-	34,483
Total comprehensive income for the period	-	-	-	-	-	34,483	14,557	49,040
Issue of shares net of share issue costs	3	292	-	-	-	-	-	295
Share based payment charge / credited to equity	-	-	-	-	4,061	-	-	4,061
Share based payment consideration debited to equity	-	-	-	-	(1,887)	-	-	(1,887)
Tax credit on share options	-	-	-	-	-	-	(58)	(58)
Transfer on exercise and lapse of options	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(5,518)	(5,518)
Balance at 30 June 2022	3,037	317,406	31,983	(22,933)	13,322	29,251	45,205	417,271

Consolidated statement of cash flows

	Note	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000	Year to 31 Dec 2021 £'000
Cash flow from operating activities				
Profit before taxation		18,490	4,609	9,334
Adjustments for:-				
Loss on disposal of PPE and right-of-use assets		232	378	202
Share based payment charge		4,061	2,090	5,244
Amortisation of intangible assets		21,359	14,173	31,787
Depreciation of plant and equipment and right-of-use assets		4,474	1,380	3,609
Impairment of right-of-use assets		-	-	2,120
Finance expense (including IFRS 16 charge)		306	226	517
Interest on borrowings		3,297	261	2,065
Net foreign exchange (gain) on borrowings		-	-	(246)
Acquisition-related contingent consideration and earn-outs		2,254	2,442	5,207
Fair value movement on contingent consideration		-	-	22
Payment of acquisition-related contingent consideration and earn-outs		(6,163)	(1,180)	(1,180)
Share of profit in equity accounted investment		(1,397)	-	(124)
Interest income		(108)	(33)	(7)
Operating cash flow before working capital changes		46,805	24,346	58,550
Decrease/(increase) in trade and other receivables		8,113	462	(18,377)
Increase in inventory		(3,727)	-	(64)
Increase in amount recoverable on contracts		(10,222)	(5,894)	(169)
(Decrease)/increase in payables		(14,213)	976	6,988
Cash generated from operations		26,756	19,890	46,928
Interest paid		-	(203)	-
Interest received		-	33	-
Income tax paid		(8,151)	(4,272)	(9,403)
Net cash flow from operating activities		18,605	15,448	37,525
Cash flow used in investing activities				
Purchase of property, plant and equipment		(289)	(223)	(572)
Development of intangible assets		(4,700)	(3,628)	(8,390)
Acquisition of subsidiaries, net of cash acquired		-	(52,089)	(311,234)
Sale of Investment in associates or joint ventures	12	2,300	-	-
Net cash flow used in investing activities		(2,689)	(55,940)	(320,196)
Cash flow (used in)/from financing activities				
Dividends paid	8	-	(3,705)	(6,065)
Cash generated from issue of shares, net of share issue costs		293	2,120	85,624
Proceeds from borrowings		-	-	221,853
Repayment of bank loans		(30,496)	(3,653)	(18,143)
Interest paid ¹		(3,851)	-	(316)
Interest received ¹		108	-	7
Contingent consideration payments in the period		-	(520)	(520)
Interest paid on lease liabilities		(334)	-	(434)
Cash payments for the principal portion of lease liabilities		(3,707)	(2,011)	(4,420)
Net cash flow (used in)/from financing activities		(37,987)	(7,769)	277,586
Net decrease in cash and cash equivalents		(22,071)	(48,261)	(5,085)
Cash and cash equivalents at beginning of the period/year		83,850	88,614	88,614
Effects of foreign exchange rate changes		10,154	(1,031)	321
Cash and cash equivalents at end of the period/year	14	71,933	39,322	83,850

¹ In the year to 31 December 2021 and six months to 30 June 2022, interest paid and received on financial assets and liabilities has been presented within financing activities, whereas in the prior year interim report it was shown partly within operating activities and partly within financing activities.

Notes to the consolidated financial statements for the six months to 30 June 2022

1. General information

Learning Technologies Group plc (“the Company”) and its subsidiaries (together, “the Group”) provide a range of learning and talent software and services to corporate customers. The principal activity of the Company is that of a holding company for the Group, as well as performing all administrative, corporate finance, strategic and governance functions of the Group.

The Company is a public limited company, which is listed on the AIM Market of the London Stock Exchange and domiciled in England and incorporated and registered in England and Wales. The address of its registered office is 15 Fetter Lane, London, England, EC4A 1BW. The registered number of the Company is 07176993.

2. Basis of preparation

The unaudited condensed consolidated interim financial information has been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2021 annual report.

The interim results for the six months to 30 June 2022 are unaudited and do not therefore constitute statutory accounts in accordance with Section 434 of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2021 have been filed with the Registrar of Companies and the auditor’s report was unqualified, did not contain any statement under Section 498(2) or 498(3) of the Companies Act 2006 and did not contain any matters to which the auditors drew attention without qualifying their report.

The accounting policies used in preparing the interim results are the same as those applied to the latest audited annual financial statements.

Going concern

The Group meets its day-to-day working capital requirements from the positive cash flows generated by its trading activities and its available cash resources. These may be supplemented, if required, by additional drawings under the Group’s committed \$50.0 million revolving credit facility (RCF) which is available until October 2025; refer to Note 17 for further details.

The Group continues to hold a strong liquidity position at 30 June 2022, with gross cash and cash equivalents of £71.9 million (Note 14). Net debt of £145.3 million includes a fully drawn \$265.0 million term loan which is repayable in quarterly instalments of \$9.6 million commencing in December 2022 (Note 17) (31 December 2021: gross cash was £83.9 million and net debt was £141.4 million). Whilst there are a number of risks to the Group’s trading performance, as summarised in the ‘Principal risks and uncertainties’ section on pages 27 – 28 within the 2021 Annual Report, the Group is confident of its ability to continue to access sources of funding in the medium term.

The directors report that they have re-assessed the principal risks, reviewed current performance and forecasts, combined with expenditure commitments, including capital expenditure, and borrowing facilities. The Group’s forecasts demonstrate it will generate profits and cash in the year ending 31 December 2022 and beyond and that the Group has sufficient cash reserves to enable it to meet its obligations as they fall due, as well as operate within its banking covenants, for a period of at least 12 months from the date of signing of these financial statements.

Going concern (continued)

The Group has also assessed a range of downside scenarios to assess if there was a significant risk to the Group's liquidity position. The forecasts and scenarios prepared consider our trading experience to date and we have modelled downside scenarios such as varying degrees of reductions in revenues and extended customer payment days. The Directors have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the interim financial information, having undertaken a review of a reforecast for 2022 and the impact this forecast has on the Group's gross cash, net debt and ability to meet bank covenants under the existing facilities agreement.

Alternative performance measures

The Group has identified certain alternative performance measures ("APMs") that it believes will assist the understanding of the performance of the business. The Group believes that Adjusted EBIT, adjusting items, recurring and non-recurring revenue, Shareholders' funds and net cash / debt provide useful information to users of the financial statements. The terms are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures.

Adjusting items

The Group has chosen to present an adjusted measure of profit and earnings per share, which excludes certain items which are separately disclosed due to their size, nature or incidence, and are not considered to be part of the normal operating costs of the Group. These costs may include the financial effect of adjusting items such as, inter alia, restructuring costs, impairment charges, amortisation of acquired intangibles, costs relating to business combinations, one-off foreign exchange gains or losses, integration costs, acquisition related contingent consideration and earn-outs, joint venture profits and losses and fixed asset and right-of-use asset disposal gains or losses.

3. Prior period adjustment

In December 2021 the Company identified the need to make a correction to the 2020 and 2019 balance sheets where trade receivables and contract liabilities (deferred income) should have been presented net in accordance with the requirements of IFRS15 but had been presented gross. This relates to non-cancellable trade receivable balances at the end of period which are not due for payment until after period end. The correction amounted to £2.8 million as at 30 June 2021, which has been reflected as a reduction in trade receivables and contract liabilities within trade and other payables.

4. Segment analysis

Geographical information

The Group's revenue from external customers and non-current assets by geographical location are detailed below.

	UK £'000	Europe £'000	United States £'000	Asia Pacific £'000	Canada £'000	Rest of world £'000	Total £'000
Six months to 30 June 2022							
Revenue	34,330	26,463	183,985	18,859	5,398	12,774	281,809
Non-current assets	44,268	662	538,378	20,631	129	438	604,506
Six months to 30 June 2021							
Revenue	10,864	4,302	57,865	4,088	2,481	2,973	82,573
Non-current assets	29,371	-	277,239	15,171	18	10	321,809
Year to 31 December 2021							
Revenue	32,493	18,779	175,102	17,026	5,636	9,190	258,226
Non-current assets	46,638	439	504,689	20,442	153	112	572,473

The total non-current assets figure is exclusive of deferred tax assets in each of the periods above.

4. Segment analysis (continued)

Information about reported segment revenue, profit or loss and assets

Six months to 30 June 2022

	Software & Platforms			Total	Content	Content & Services			Global services	GP Strategies		Total	Other Rental Income	Grand Total
	On-Premise Software Licences	Hosting & SaaS	Support and Maintenance			Platform Development	Consulting and other	Total		Regional services	Other technical			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Saas and long term contracts	12,328	55,599	3,935	71,862	620	0	6,888	7,508	40,106	74,092	7,187	121,385	70	200,825
Transactional	1,047	232	807	2,086	9,407	3,250	2,740	15,397	3,698	43,052	16,751	63,501	0	80,984
Revenue	13,375	55,831	4,742	73,948	10,027	3,250	9,628	22,905	43,804	117,144	23,938	184,886	70	281,809
Depreciation and amortisation				(3,278)				(1,016)				(2,242)	-	(6,537)
Adjusted EBIT				18,746				5,855				19,400	70	44,071
Amortisation of acquired intangibles				(9,274)				(1,717)				(6,999)	-	(17,990)
Acquisition related adjusting items				(1,996)				(888)				(1,694)	-	(4,578)
Other adjusting items				(740)				-				998	-	257
Finance (expenses)/income				(2,295)				(1,042)				66	-	(3,270)
Profit before tax				4,441				2,208				11,771	70	18,490
Additions to intangible Assets				119,911				41,132				76,278	-	237,320
Total assets				448,035				153,684				285,003	-	886,722
Six months to 30 June 2021														
Saas and long term contracts	10,825	46,106	1,731	58,662	-	163	4,430	4,593	-	-	-	-	72	63,327
Transactional	422	1,136	668	2,226	8,960	2,153	5,907	17,020	-	-	-	-	-	19,246
Revenue	11,247	47,242	2,399	60,888	8,960	2,316	10,337	21,613	-	-	-	-	72	82,573
Depreciation and amortisation				(2,852)				(1,012)				-	-	(3,864)
Adjusted EBIT				16,270				5,695				-	72	22,037
Amortisation of acquired intangibles				(9,808)				(1,881)				-	-	(11,689)
Other adjusting items				(5,163)				(122)				-	-	(5,285)
Finance expenses				(347)				(107)				-	-	(454)
Profit before tax				952				3,585				-	72	4,609
Additions to intangible Assets				59,998				12,172				-	-	72,170
Total assets				340,109				85,123				-	-	425,232

4. Segment analysis (continued)

Information about reported segment revenue, profit or loss and assets

Year to 31 December 2021

	Software & Platforms			Total	Content	Content & Services		Total	Global services	GP Strategies		Total	Other Rental Income	Grand Total
	On-Premise Software Licences	Hosting & SaaS	Support and Maintenance			Platform Development	Consulting and other			Regional services	Other technical			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
SaaS and long term contracts	21,441	101,348	3,293	126,082	-	1,039	9,687	10,726	17,627	35,268	3,234	56,129	143	193,080
Transactional	1,046	1,979	1,367	4,392	19,151	4,916	9,962	34,029	1,742	18,324	6,659	26,725	-	65,146
Revenue	22,487	103,327	4,660	130,474	19,151	5,955	19,649	44,755	19,369	53,592	9,893	82,854	143	258,226
Depreciation and amortisation				(6,169)				(2,117)				(928)	-	(9,214)
Adjusted EBIT				36,365				10,591				7,655	143	54,754
Amortisation of acquired intangibles				(9,274)				(1,717)				(6,999)	-	(17,990)
Acquisition related adjusting items				(6,220)				(1,078)				(8,158)	-	(15,456)
Other adjusting items				(2,322)				-				869	-	(1,453)
Finance expenses				(1,938)				(637)				246	-	(2,329)
Profit before tax				5,759				5,053				(1,621)	143	9,334
Additions to intangible Assets				65,175				12,549				240,066	-	317,790
Total assets				348,741				75,665				430,881	-	855,287

Adjusted EBIT is the main measure of profit reviewed by the Chief Operating Decision Maker.

The total assets figure is inclusive of deferred tax assets in each of the periods above.

Information about major customers

In the six months to 30 June 2022 no customer accounted for more than 10 per cent of reported revenues (H1 2021: no customer accounted for more than 10 per cent of reported revenues).

5. Taxation

Current and deferred tax for the six months to 30 June 2022 has been calculated by preparing tax reconciliations incorporating material permanent and temporary differences on an entity-by-entity basis to derive the Group's total income tax expense/ (credit). This is allocated to current and deferred tax as outlined below.

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000	Year to 31 Dec 2021 £'000
Current tax:			
Tax on profits for the period/year	1,860	2,688	926
Adjustments in respect of prior years	134	-	(4,678)
Foreign current tax on profits for the year	11,091	-	9,598
Total current tax	13,085	2,688	5,846
Deferred tax:			
Origination and reversal of temporary differences	(5,830)	(3,254)	(3,711)
Adjustments in respect of prior years	(87)	323	(7,611)
Change in deferred tax rate	(3,235)	(370)	(110)
Total deferred tax	(9,152)	(3,301)	(11,432)
Income tax expense / (credit)	3,933	(613)	(5,586)

6. Adjusting items

These items are included in normal operating costs of the business, but are significant cash and non-cash expenses that are separately disclosed because of their size, nature or incidence. It is the Group's view that excluding them from Operating Profit gives a better representation of the underlying performance of the business in the period. Further details of the adjusting items are included below.

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000	Year to 31 Dec 2021 £'000
Adjusting items included in Operating profit:			
Amortisation of acquired intangibles	17,990	11,689	26,182
Loss on disposal of fixed assets	-	197	272
Loss/(profit) on disposal of right-of-use assets	232	181	(70)
Acquisition-related contingent consideration and earn-outs	2,254	2,442	5,207
Acquisition-related share based payment charge	-	-	123
Fair value movement on contingent consideration	-	-	22
Net foreign exchange gain arising due to business acquisition	-	-	(745)
Impairment of right-of-use assets	-	-	2,120
Share of profit of joint venture	(155)	-	(124)
Acquisition costs	43	1,581	6,067
Integration costs	2,282	884	4,037
Total adjusting items	22,646	16,974	43,091

6. Adjusting items (continued)

As outlined above, the material adjustments during the period are made in respect of:

- Amortisation of acquired intangibles – these costs are excluded from the adjusted results of the Group since the costs are non-cash charges arising from investment activities. As such, they are not considered reflective of the core trading performance of the Group.
- Acquisition-related contingent consideration and earn-outs – these costs are excluded from the adjusted results since these costs are also associated with business acquisitions and represent post-combination remuneration, which is not included in the calculation of goodwill and not considered part of the core trading performance of the Group.
- Costs of acquisition and integration - costs associated with the integration of completed acquisitions into the Group, as well as transaction costs from completed and aborted acquisition (if any) are excluded from the adjusted results on the basis they are directly attributable to investment activities, rather than the core trading activities of the Group.

7. Finance expenses

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000	Year to 31 Dec 2021 £'000
Charge on contingent consideration	-	46	82
Interest on borrowings	3,148	261	2,065
Interest on IFRS 16 lease liabilities	305	180	435
Interest receivable	-	(33)	-
Foreign exchange loss	908	-	-
Finance expense	4,361	454	2,582
Foreign exchange gain	-	-	(246)
Interest receivable	(184)	-	(7)
Finance income	(184)	-	(253)

8. Dividends paid

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000	Year to 31 Dec 2021 £'000
Final dividends paid	5,518	3,705	3,705
Interim dividend paid	-	-	2,360
	5,518	3,705	6,065

The proposed interim dividend of 0.45 pence per share, amounting to a total dividend payment of £3.5 million, is not included as a liability in these financial statements and will be paid on 27 October 2022 to shareholders on the register at the close of business on 7 October 2022.

9. Earnings per share

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000	Year to 31 Dec 2021 £'000
Profit after tax attributable to owners of the Group:	14,557	5,222	14,920
Weighted average number of shares:			
Basic	787,764,593	740,599,837	761,626,694
Diluted	809,571,500	759,140,001	794,430,521
Basic earnings per share (pence)	1.848	0.705	1.959
Diluted earnings per share (pence)	1.798	0.688	1.878
Adjusted basic earnings per share (pence)	3.818	2.367	5.226
Adjusted diluted earnings per share (pence)	3.715	2.310	5.010

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options that are dilutive potential ordinary shares.

In order to give a better understanding of the underlying operating performance of the Group, an adjusted earnings per share comparative has been included. Adjusted earnings per share is stated after adjusting the profit after tax attributable to equity holders of the Group for certain charges as set out in the table below.

	Six months to 30 June 2022			Six months to 30 June 2021			Year to 31 Dec 2021		
	Profit after tax £'000	Weighted average number of shares '000	Pence per share	Profit after tax £'000	Weighted average number of shares '000	Pence per share	Profit after tax £'000	Weighted average number of shares '000	Pence per share
Basic earnings per ordinary share	14,557	787,765	1.848	5,222	740,600	0.705	14,920	761,627	1.959
Effect of adjustments:									
Amortisation of acquired intangibles	17,990			11,689			26,182		
Impairment of right-of-use assets	-			-			2,120		
Integration costs	2,282			884			4,037		
Acquisition costs	43			1,581			6,067		
Fair value movement on contingent consideration	-			-			22		
Acquisition earn-out	2,254			2,442			5,207		
Shared based payment charge from acquisitions	-			-			123		
Net foreign exchange differences on business acquisitions	-			-			(745)		
Interest receivable	(184)			(33)			(7)		
Share of profit of joint venture	(155)			-			-		
Profit on disposal of joint venture	(1,242)			-			-		
Net foreign exchange loss/(gain) on borrowings	907			-			(246)		
Finance expense on contingent consideration	-			46			82		
Finance expense on lease liabilities (IFRS 16)	305			180			435		
Income tax (credit)/expense	3,933			(613)			(5,586)		
Effect of adjustments	26,133	-	3.317	16,176	-	2.184	37,691	-	4.949
Adjusted profit before tax	40,690	-	-	21,398	-	-	52,611	-	-
Tax impact after adjustments	(10,613)	-	(1.347)	(3,865)	-	(0.522)	(12,811)	-	(1.682)
Adjusted basic earnings per ordinary share	30,077	787,765	3.818	17,553	740,600	2.367	39,800	761,627	5.226
Effect of dilutive potential ordinary shares:									
Share options	-	21,807	(0.103)	-	18,540	(0.057)	-	32,804	(0.216)
Adjusted diluted earnings per ordinary share	30,077	809,572	3.715	17,553	759,140	2.310	39,800	794,431	5.010

10. Intangible assets

	Goodwill	Customer contracts and relationships	Branding	Acquired IP	Internal software development	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2021	156,860	109,315	2,485	48,702	18,103	335,465
Additions on acquisition	33,065	14,417	1,413	23,275	-	72,170
Measurement period adjustments	76	-	-	-	-	76
Additions	-	-	-	-	3,628	3,628
Foreign exchange differences	(2,684)	(1,445)	(23)	(681)	(108)	(4,941)
At 30 June 2021	187,317	122,287	3,875	71,296	21,623	406,398
Additions on acquisition	143,476	64,951	11,231	17,572	-	237,230
Measurement period adjustments	69	-	-	-	-	69
Additions	-	-	-	-	4,762	4,762
Foreign exchange differences	5,757	1,622	171	1,446	(186)	8,810
At 31 December 2021	336,619	188,860	15,277	90,314	26,199	657,269
Measurement period adjustments	(2,236)	-	-	-	-	(2,236)
Additions	-	-	-	-	4,700	4,700
Foreign exchange differences	34,404	10,808	1,396	7,100	1,202	54,910
At 30 June 2022	368,787	199,668	16,673	97,414	32,101	714,643
Accumulated amortisation						
At 1 January 2021	-	54,354	1,228	14,430	9,169	79,181
Amortisation charged in period	-	7,507	200	3,982	2,484	14,173
At 30 June 2021	-	61,861	1,428	18,412	11,653	93,354
Amortisation charged in period	-	9,086	640	4,767	3,121	17,614
Transfers in	-	-	-	-	64	64
At 31 December 2021	-	70,947	2,068	23,179	14,838	111,032
Amortisation charged in period	-	10,760	1,466	5,764	3,369	21,359
At 30 June 2022	-	81,707	3,534	28,943	18,207	132,391
Carrying amount						
At 30 June 2021	187,317	60,426	2,447	52,884	9,970	313,044
At 31 December 2021	336,619	117,913	13,209	67,135	11,361	546,237
At 30 June 2022	368,787	117,961	13,139	68,471	13,894	582,252

11. Right-of-use assets

	Computer equipment	Property	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2021	83	13,387	-	13,470
Additions	271	79	-	350
Foreign exchange differences	(5)	(188)	-	(193)
Disposals	-	(1,335)	-	(1,335)
At 30 June 2021	349	11,943	-	12,292
Additions on acquisitions	181	12,429	134	12,744
Additions	44	903	-	947
Foreign exchange differences	(15)	224	-	209
Impairments	-	(2,120)	-	(2,120)
Disposals	-	(32)	-	(32)
At 31 December 2021	559	23,347	134	24,040
Additions	-	587	-	587
Foreign exchange differences	21	475	(13)	483
Disposals	(67)	(3,331)	-	(3,398)
At 30 June 2022	513	21,078	121	21,712
Accumulated Depreciation				
At 1 January 2021	83	4,581	-	4,664
Charge for the period	37	1,089	-	1,126
Disposals	-	(511)	-	(511)
At 30 June 2021	120	5,159	-	5,279
Charge for the period	66	1,624	13	1,703
Disposals	-	(187)	-	(187)
At 31 December 2021	186	6,596	13	6,795
Charge for the period	86	2,366	34	2,486
Disposals	(14)	(1,790)	-	(1,804)
At 30 June 2022	258	7,172	47	7,477
Net book value				
At 30 June 2021	229	6,784	-	7,013
At 31 December 2021	373	16,751	121	17,245
At 30 June 2022	255	13,906	74	14,235

12. Sale of investment in Joint Venture

On 18th April 2022, the Group sold its 10% investment in National Aerospace Solutions LLC for proceeds of \$3.0 million (£2.3 million), realizing a gain on sale of £1.2 million.

13. Other receivables, deposits and prepayments

	30 June 2022	30 June 2021	31 Dec 2021
	£'000	£'000	£'000
Sundry receivables	4,570	2,080	4,287
Prepayments	13,618	5,315	10,955
	<u>18,188</u>	<u>7,395</u>	<u>15,242</u>

14. Cash and cash equivalents, restricted cash and short-term deposits

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less:

	30 June 2022	30 June 2021	31 Dec 2021
	£'000	£'000	£'000
Cash and cash equivalents	<u>71,933</u>	<u>39,322</u>	<u>83,850</u>

Restricted cash balances comprise amounts held on behalf of third parties and employees as part of the Employee Stock Purchase Plan ('ESPP'):

	30 June 2022	30 June 2021	31 Dec 2021
	£'000	£'000	£'000
Restricted cash	<u>3,158</u>	<u>1,567</u>	<u>2,987</u>

15. Deferred tax assets / (liabilities)

Deferred Tax Assets	Share options	Tax losses	Short-term timing differences	Intangibles	Total
	£'000	£'000	£'000	£'000	£'000
At 31 December 2021	5,659	1,782	9,880	5,237	22,558
Deferred tax charged directly to the income statement	(874)	192	(600)	(561)	(1,843)
Deferred tax charged directly to equity	(2,223)	-	-	-	(2,223)
Exercise of share options	-	-	-	-	-
Exchange rate differences	2	89	360	618	1,069
Changes in tax rate	111	(118)	140	(12)	121
At 30 June 2022	<u>2,675</u>	<u>1,945</u>	<u>9,780</u>	<u>5,282</u>	<u>19,682</u>

Deferred Tax Liability	Intangibles	Accelerated tax depreciation	Short-term timing differences	Total
	£'000	£'000	£'000	£'000
At 31 December 2021	(51,244)	(889)	(203)	(52,336)
Deferred tax on acquired intangibles and via acquisition	-	-	(500)	(500)
Deferred tax charge directly to the income statement	4,441	1,066	2,253	7,760
Exchange rate differences	-	(174)	(41)	(215)
Changes in tax rate	2,741	(19)	391	3,113
At 30 June 2022	(44,062)	(16)	1,900	- (42,178)

16. Trade and other payables

	30 June 2022	30 June 2021	31 Dec 2021
	£'000	£'000	£'000
Trade payables	31,539	3,221	43,216
Contract liabilities	80,431	63,269	70,154
Tax and social security	23,188	1,132	21,931
Contingent consideration	-	-	749
Acquisition-related contingent consideration and earn-outs	4,776	4,425	6,427
Accruals and other payables	38,164	15,095	30,505
	178,098	87,142	172,982

17. Borrowings

As at 30 June 2022 the Group had in place a \$265 million debt facility with Silicon Valley Bank, Barclays Bank, Fifth Third Bank, HSBC UK Bank and the Bank of Ireland. This facility comprised committed term loan, Term Facility A of \$265.0 million (£218.5 million at the period-end exchange rate) available to the Group until October 2025, which was fully drawn down in October 2021. The facilities available also include a \$50.0 million committed (£41.2 million at the period-end exchange rate) RCF and a \$50.0 million uncommitted accordion facility (£41.2 million at the period-end exchange rate), both available until July 2025. The term facility attracts variable interest based on LIBOR plus a margin of between 1.25% and 2.00% per annum, based on the Group's leverage to December 2022, following this it attracts SOFR plus the margin discussed above and an adjusted credit spread until repaid. The Term Facility A is repayable with quarterly instalments of \$9.6 million (c £7.9 million) with the balance repayable on the expiry of the loan in October 2025.

Term Facility B of \$40.0 million which was available to the Group until April 2022, and which was fully drawn down in October 2021, was repaid in full in March 2022.

The bank loan is secured by a fixed and floating charge over the assets of the Group and is subject to various financial covenants that are tested quarterly based on a calendar year. The financial covenants are that the Group must ensure that its interest cover ratio is at least 4.0 times and its leverage ratio does not exceed 3.0 times. The interest cover and leverage ratio is not a statutory measure and so its basis and composition may differ from other leverage measures published by other companies.

The Group was compliant with all financial covenants throughout the period and as at 30 June 2022. At that date the Group's interest cover was 20.53 and its leverage ratio was 1.47.

The lease liabilities have arisen on adoption of IFRS 16 and are secured by the related underlying assets.

	30 June 2022 £'000	30 June 2021 £'000	31 Dec 2021 £'000
Current interest-bearing loans and borrowings	23,845	7,197	37,503
Non-current interest-bearing loans and borrowings	193,367	7,260	187,759
Current lease liabilities	8,194	3,774	6,755
Non-current lease liabilities	13,196	7,111	15,090
	238,602	25,342	247,107

Net debt / cash reconciliation

Net debt / cash can be analysed as follows:

	30 June 2022 £'000	30 June 2021 £'000	31 Dec 2021 £'000
Cash and cash equivalents	71,933	39,322	83,850
Borrowings:			
- Term loan	(217,212)	(14,457)	(225,262)
Net cash / (debt)	(145,279)	24,865	(141,412)

18. Provisions

	Property provisions £'000	Litigation and regulation provisions £'000	Onerous contract provisions £'000	Total £'000
At 1 January 2021	121	580	-	701
Release to the income statement	-	(580)	-	(580)
Foreign exchange movement	1	-	-	1
At 30 June 2021	122	-	-	122
Additions arising from acquisitions	1,139	4,225	1,134	6498
Released to the income statement	-	-	(121)	(121)
Paid in the year	(284)	-	-	(284)
Additions	90	-	-	90
Foreign exchange movements	8	42	11	61
At 31 December 2021	1,075	4,267	1,024	6,366
Adjustment arising from acquisitions	-	(1,988)	-	(1,988)
Released to the income statement	(242)	-	(212)	(454)
At 30 June 2022	833	2,279	812	3,924
Current	35	2,279	661	2,975
Non-current	798	-	151	949
At 30 June 2022	833	2,279	812	3,924

19. Acquisitions

GP Strategies Corporation ('GP Strategies'), acquired in 2021

In the period, the process to measure the fair values of the assets and liabilities acquired continued in respect of the GP Strategies acquisitions.

A decrease in goodwill of £2.2 million was recognised in the period mainly as a result of the revision of litigation provisions, which includes the release of a £3.5 million provision for potential penalties for health and safety claims arising in a subsidiary of GP Strategies prior to acquisition, and associated deferred tax.

In accordance with IFRS 3 the allocation period will remain open up to a maximum of 12 months from the acquisition date so long as information remains outstanding.

Glossary

Alternative Performance Measures

In reporting financial information, the Group presents alternative performance measures, “APMs”, which are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional useful information on the underlying trends, performance and position of the Group and are consistent with how business performance is measured internally. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies’ alternative performance measures. The key APMs that the Group uses are outlined below.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Income Statement Measures			
Adjusted EBIT	Operating profit	Adjusting items	Adjusted EBIT excludes adjusting items. A reconciliation from Adjusted EBIT to Operating profit is provided in the Consolidated statement of comprehensive income.
Adjusting items	None	Refer to definition	Items which are not considered part of the normal operating costs of the business, are separately disclosed because of their size, nature or incidence are treated as adjusting. The Group believes the separate disclosure of these items provides additional useful information to users of the financial statements to enable a better understanding of the Group’s underlying financial performance. An explanation of the nature of the items identified as adjusting is provided in Note 6 to the financial statements.
Saas and long term contracts	Revenue	Refer to Note 4	Saas and long-term contracts are defined as the revenue streams of the Group that are predictable and expected to continue into the future upon customer renewal.
Transactional	Revenue	Refer to Note 4	Transactional revenue is defined as the revenue streams of the Group that arise from one-off fees or services that may or may not happen again.
Balance Sheet Measures			
Net cash or debt	None	Refer to Note 17	Net cash / debt is defined as Cash and cash equivalents and short-term deposits, less Bank overdrafts and other current and non-current borrowings. A reconciliation is provided in Note 15 to the financial statements.
Shareholders’ funds	None	Refer to definition	Calculated as Total Equity at the end of the period/year divided by the number of shares in issue at the end of the period/year, The shares in issue at 31 December 2021 were 787,642,975 (based on Note 27 of the 2021 Annual report) and 788,220,161 at 30 June 2022.
Cash Flow Measures			
Adjusted operating cash flow	None	Refer to definition	Cash flow in the period after accounting for operating activities and capital expenditure.
Cash conversion	None	Refer to definition	Adjusted operating cash flow as a percentage of Adjusted EBIT.
Free cash flow	None	Refer to definition	Cash flow in the period after accounting for operating activities, investing activities, lease payments, interest and tax.

Company information

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Simon Boddie, Non-executive Director
Andrew Brode, Non-Executive Chairman
Aimie Chapple, Non-Executive Director
Kath Kearney-Croft, Chief Financial Officer
Piers Lea, Chief Strategy Officer
Leslie-Ann Reed, Non-Executive Director
Jonathan Satchell, Chief Executive Officer

Company Secretary

Claire Walsh

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