learning technologies group

Learning Technologies Group plc

Interim Report

for the six month period to 30 June 2017

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Chairman's Statement

Introduction

The Board is delighted to report that Learning Technologies Group plc ('LTG') has made excellent progress over the period delivering on its strategic ambition of building an international business with annualised revenues in excess of £50 million and strong operating margins. LTG acquired NetDimensions Holdings Limited ('NetDimensions') in March 2017 and has successfully integrated the business on time and to plan as we extend and enhance our full service learning technology offer. This strategic progress has been accompanied by strong underlying organic growth as we harness and integrate these technologies to deliver improved outcomes for our clients.

Results

In the six months ended 30 June 2017, revenues increased by 68% to £21.5 million (H1 2016: £12.8 million) with like-for-like revenues (excluding the post-acquisition contribution of NetDimensions and restating Rustici as if it had been owned for 6 months in both periods) increasing by 33% to £17.6 million. Partly as a result of the acquisition of NetDimensions, but also as a result of the strong organic growth in the Group's other software licencing businesses, recurring licence fee and support contract revenues increased from 24% in H1 2016 to 37% in H1 2017.

Adjusted EBIT* grew by 41% to £4.1 million (H1 2016: £2.9 million). The reduction in EBIT margins from 23.0% in H1 2016 to 19.2% in H1 2017 is as a result of the impact of the post-acquisition contribution of NetDimensions. Following the integration initiatives undertaken during the second quarter we anticipate that the resulting synergies will improve margins substantially in H2 2017.

Operating loss of £0.5 million (H1 2016: loss of £0.4 million) is stated after amortisation of acquired intangibles, various acquisition earnout charges, share based payments, and integration costs. Following the acquisition of NetDimensions, amortisation of acquired intangibles increased to £3.0 million (H1 2016: £1.5 million). Acquisition related deferred consideration and earnout charges decreased to £0.7 million (H1 2016: £1.4 million) and relate primarily to the anticipated earnout resulting from Rustici's incremental revenue growth during the second year of their three year earnout agreement. Integration charges of £0.7 million relate to NetDimensions and are in line with management's expectations.

A net tax charge of £0.1 million (H1 2016: tax credit of £0.4 million) includes a release of deferred tax liabilities, created from acquired intangibles.

The Group reported a net loss of £1.9 million for the six months ended 30 June 2017 attributable to the owners of the parent company (H1 2016: loss of £0.5 million).

The basic earnings per share in H1 2017 were a loss of 0.392 pence (H1 2016: loss of 0.129 pence). Adjusted diluted earnings per share as set out in Note 5 decreased by 7% to 0.523 pence (H1 2016: 0. 597 pence) primarily as a result of movements in deferred taxation in H1 2016.

At the time of the acquisition of NetDimensions, LTG entered into a new debt facility with Silicon Valley Bank ('SVB') for £20 million. The facility comprises a £10 million term loan repayable in quarterly instalments of £0.5 million, and a £10 million revolving credit facility, both available for five years. The new SVB debt facility replaced LTG's previous $16 million debt facility with Barclays Bank PLC. The term loan and majority of the revolving credit facility were drawn down in USD. The facility is subject to various financial covenants and interest is charged at between 160 and 210 basis points above LIBOR based on the covenant results. The net charge for the unrealised foreign exchange loss on the loan was £nil (H1 2016: £0.1 million).

LTG maintained strong operating cash flows in the period. Net cash flow from operating activities (excluding deferred consideration payments relating to 2016) was £3.3 million (H1 2016: outflows of £0.9 million). £44.9 million net of share issue costs was raised through a placing with a further £1.8 million resulting from the exercise of employee share options. £44.2m was invested in NetDimensions (net of cash acquired); a further £1.5 million is held and due to non-controlling shareholders in NetDimensions. The compulsory acquisition of those non-controlling shareholders' interests was completed in July 2017.

Chairman's Statement (Continued)

On a pro forma basis approximately 46% of LTG's business is undertaken for customers outside of the UK and a growing percentage of the Group's revenues are denominated in USD. Net USD cash inflows are used as an internal hedge against the USD loan capital and interest repayments helping to reduce the business' overall exposure to exchange rate volatility. At 30 June 2017 gross cash was £11.5 million and net debt was £6.1million (31 December 2016: gross cash was £5.3 million and net debt was £8.5 million). After adjusting for funds due to remaining NetDimensions' shareholders and net payments due as a result of the exercise of share options just prior to the end of the period, adjusted net debt was £9.8 million at 30 June 2017.

Overall net assets increased to £73.8 million at 30 June 2017 (31 December 2016: £30.7 million) and shareholders' funds increased from 7.3 pence per share to 12.8 pence per share.

The results for H1 2016 have been restated to take into account the adjustments made to deferred consideration, tax on share options and merger relief as set out in the 2016 Annual Report. This has resulted in a reduction in profit after tax of £0.9 million and a reduction in net assets of £1.2 million. Further details on the adjustments are provided in Note 31 of the 2016 Annual Report.

Acquisition and integration of NetDimensions

On 20 March 2017, LTG declared its all-cash offer for NetDimensions, the integrated enterprise learning management software platform provider, unconditional in all respects. NetDimensions is a leading global enterprise solutions provider, headquartered in Hong Kong, with operations in the US, Europe and APAC. The business is a strategic fit to LTG and is complementary to its other companies which allows LTG to offer a full suite of services to its customers. The company has approximately 70% recurring revenues through its SaaS and on-premise licence solutions, reseller programs and support services, and has a particular focus on highly regulated industries where compliance and operational requirements are particularly complex.

Of the total consideration of £53.6 million for NetDimensions, as at 30 June 2017 £52.1 million had been paid to the 97.2% of shareholders in NetDimensions who had accepted the offer. With effect from July 2017 the non-controlling shareholders' interests in NetDimensions have been acquired by LTG. There are no deferred consideration obligations.

The offer was financed by way of a placing of 124 million LTG shares issued at 37.5 pence per share and a new debt finance facility, details of which are set out below. Further details are provided in Note 10.

At the time of the offer LTG set out an ambitious integration plan to realise substantial synergies and improve working practices to increase efficiencies and the Board is pleased to report that the integration of NetDimensions into the Group has been successfully completed on time. The transformation program will continue during the second half of 2017, with the full-year synergies and settled cost base being completely realised during Q4 2017. Amongst the measures taken NetDimensions' customer support teams have been relocated to the geographical territories that they serve, hosting services are being migrated to our expert team in Nashville, and we are investing in our core technology team to continue to be at the forefront of innovation in the learning technology sector. We appointed a new Global Head of Sales in April who has already improved the new contract win rate, and we are investing in the development of NetDimensions' reseller network, as well as leveraging Group central services such as marketing, HR and IT support.

Operational Review

The acquisition of NetDimensions brings to LTG a proprietary Learning Management System ('LMS') offering and represents the final key technical capability that enables the Group to offer a comprehensive learning solution to its customers. Ranging from strategic consultancy, domain specific expertise, through a range of tailored content solutions including bespoke e-learning programmes, 'games with purpose', video, virtual and augmented reality solutions, the Group also offers a range of delivery platforms including a multi-device authoring tool, open-source systems and now an industry leading LMS. Through its investment in Watershed LTG is also at the forefront of developing data analytic tools that are increasingly allowing corporates and governments to monitor the effectiveness of their learning programmes.

Chairman's Statement (Continued)

LEO is the primary LTG business through which our clients are able to buy the full range of the Group's products and services. In 2016 we implemented a key account management approach and in H1 2017 we have begun to see the benefits as we broaden and deepen our relationships with clients. Although at an early stage, we are beginning to see the compelling opportunities that the Group's combined offering brings to our clients. For example, the gomo multi-device self-authoring and distribution platform is increasingly being used to underpin several of LEO's solution implementations. This includes the recent contract to deliver interactive point-of-sale information systems to a major automotive business, that enables the company and its local dealership network to update information on the vehicles in their showrooms in real-time.

The Civil Service Learning ('CSL') contract, being delivered alongside our strategic partner KPMG UK LLP is progressing well and in line with expectations. The roll-out of the core-curriculum for over 400,000 UK civil servants was completed in 2016 and CSL has extended the contract by an additional year into 2019. LEO is also working on a number of other government projects.

During H1 2017, LEO's UK and US operations were brought under one management team to allow for improved efficiency and oversight. NetDimensions' e-learning content business in the US has been successfully merged with LEO North America and we have already seen an improvement in margins resulting from LEO's proven working practices.

Preloaded, our 'games with purpose' division, has performed strongly and we are encouraged by the diversification of the client base and the growing reputation that the business is building for creating compelling and innovative learning games. Preloaded has rolled-out a global multi-franchise learning games application for an international restaurant group and has worked with a number of world-leading museums and galleries to showcase the effectiveness of VR learning simulations including for the Science Museum and the V&A Museum. Preloaded has also been selected to develop the VR experience for the forthcoming Modigliani exhibition at Tate Modern which commences in November and we look forward to updating shareholders on other exciting high profile projects that are in progress.

Eukleia, the specialist governance, risk and compliance ('GRC') training consultancy in the financial services sector has performed well in the first half of the year. The company set up an office in New York in 2016 and we are seeing an encouraging pipeline of opportunities in the North American market as well as an increase in demand with the introduction of MiFID II regulations. Eukleia has been able to leverage off the expertise of other group companies, including the Zero Threat cyber security game co-developed with Preloaded, which won the Silver Medal at the 2017 International Serious Play Awards, and with LEO in creating video and animation awareness programs on subjects as diverse as MiFID II and competition law.

Our software businesses are performing particularly strongly. gomo, has won a number of key enterprise contracts with its industry leading cloud-based multi-device authoring tool including Boots, L'Oreal, EE and the NHS. The business continues to invest in the product which features improved collaboration, offline use, and inbuilt analytics capabilities.

Rustici, based in Nashville and acquired in January 2016, is the expert in software that supports the e-learning interoperability standards which connect content and platforms. The company has delivered strong top-line growth and continuing high customer retention rates. Content Controller, launched in H2 2016 is proving a successful addition to the Rustici product suite.

As part of the Group's development roadmap we are incorporating other LTG products and services into the NetDimensions talent suite. These include integrating the gomo authoring and distribution platform and enabling the system to tag analytical data using xAPI; a protocol in which LTG is an industry leader.

Chairman's Statement (Continued)

Dividend

On 7 July 2017, the Company paid a final dividend of 0.14 pence per share, giving a total dividend for 2016 of 0.21 pence per share. This represented a 40% increase on the dividend paid compared to 2015. Given its confidence in the continuing success of the Group, the Board is pleased to announce that it has approved an interim dividend of 0.09 pence per share (2016: 0.07 pence per share). This will be paid on 27 October 2017 to shareholders on the register at 6 October 2017.

Current Trading and outlook

The Board is delighted with the progress that the Group has made in the first half of 2017, in particular the strong organic revenue growth seen in all of its businesses as well as the successful integration of NetDimensions in the second quarter. We are delivering this excellent trading momentum, and increased recurring revenues, into the second half giving us confidence in the outlook for the rest of the year and of achieving further significant growth in 2018.

On a pro forma basis the Group has achieved the strategic objectives that it set out when it came to the market in November 2013 of delivering annualised revenues in excess of £50 million and operating margins in excess of 20%. Through M&A and selective investment in R&D the Board believes that LTG now has all the major technical capabilities that allow it to offer a comprehensive end-to-end service to its global customers. The Board continues to pursue acquisition opportunities particularly in the US and in sectors that will extend LTG's domain specific expertise, and in extending its scale in the advisory and content creation capabilities in the large North American market.

The Directors look forward to updating shareholders on progress towards these goals at the end of the year and delivering significant profitable growth in the underlying operating businesses during the remainder of 2017.

Andrew Brode, Chairman
18 September 2017

* 'Adjusted EBIT' is defined as the Group profit or loss before tax, excluding the amortisation of acquisition-related intangible assets, share-based payment charges, acquisition related deferred consideration and earn-outs, finance expenses, the Group's share of profits or losses in associates and joint ventures and other specific items.

Consolidated statement of comprehensive income	Note	Six months to 30 June 2017 (unaudited) £'000	Year to 31 Dec 2016 (audited) £'000	Six months to 30 June 2016 (unaudited) £'000
Revenue	3	21,472	28,263	12,785
Operating expenses (excluding acquisition-related deferred consideration and earn-outs)		(21,308)	(25,194)	(11,748)
Operating profit (before acquisition-related deferred consideration and earn-outs)		164	3,069	1,037
Acquisition-related deferred consideration and earn-outs		(683)	(3,211)	(1,434)
Operating (loss)		(519)	(142)	(397)
Adjusted EBIT		4,127	6,952	2,937
Amortisation of acquired intangibles		(3,042)	(3,205)	(1,536)
Acquisition-related deferred consideration and earn-outs		(683)	(3,211)	(1,434)
Share based payment costs		(218)	(605)	(300)
Integration costs		(703)	(73)	(64)
Operating (loss)		(519)	(142)	(397)
Costs of acquisition		(958)	(99)	(105)
Share of losses of associates/joint ventures		(80)	(205)	(102)
Finance expenses:				
Charge on contingent consideration		(24)	(57)	(42)
Interest on borrowings		(343)	(358)	(155)
Net foreign exchange differences on borrowings		22	(333)	(134)
Interest receivable		4	1	-
(Loss) before taxation		(1,898)	(1,193)	(935)
Income tax credit/(expense)	4	(77)	(133)	400
(Loss) after taxation		(1,975)	(1,326)	(535)
(Loss) for the period/year attributable to the owners of the parent		**(1,925)**	**(1,326)**	**(535)**
(Loss) for the period/year attributable to non-controlling interests		(50)	-	-
Earnings per share attributable to owners of the parent:				
Basic, (pence)	5	(0.392)	(0.317)	(0.129)
Diluted, (pence)	5	(0.392)	(0.317)	(0.129)

Consolidated statement of comprehensive income (continued)

Other comprehensive income:			
Exchange differences on translating foreign operations	(2,094)	1,183	455
Total comprehensive (loss) for the period	**(4,069)**	**(143)**	**(80)**
Attributable to:			
The owners of the parent	(3,968)	(143)	(80)
Non-controlling interests	(101)	-	-

Consolidated statement of financial position

	Note	30 June 2017 (unaudited) £'000	31 Dec 2016 (audited) £'000	30 June 2016 (unaudited) £'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		815	708	796
Intangible assets	6	87,492	39,950	39,237
Deferred tax assets		920	1,717	1,094
Investments accounted for under the equity method		1,809	1,890	1,993
Other receivables, deposits and prepayments		497	1,293	-
		91,533	45,558	43,120
CURRENT ASSETS				
Trade receivables		8,454	4,229	4,177
Other receivables, deposits and prepayments	7	5,584	1,995	2,194
Amounts recoverable on contracts		4,744	2,642	2,914
Amounts due from related parties		-	-	45
Cash and bank balances	8	11,498	5,348	4,257
		30,280	14,214	13,587
TOTAL ASSETS		**121,813**	**59,772**	**56,707**
CURRENT LIABILITIES				
Trade and other payables	9	20,744	9,215	8,153
Borrowings		1,922	3,252	2,907
Corporation tax		1,072	546	162
Amounts owing to related parties		-	45	-
		23,738	13,058	11,222
NON CURRENT LIABILITIES				
Deferred tax liabilities		8,235	3,897	4,046
Other long term liabilities		185	1,426	303
Borrowings		15,663	10,582	11,145
Provisions		224	99	99
		24,307	16,004	15,593

Consolidated statement of financial position (continued)

TOTAL LIABILITIES	**48,045**	**29,062**	**26,815**
NET ASSETS	**73,768**	**30,710**	**29,892**
EQUITY			
Share capital	2,133	1,580	1,570
Share premium account	63,839	17,044	16,921
Merger relief reserve	31,983	31,983	31,983
Reverse acquisition reserve	(22,933)	(22,933)	(22,933)
Share-based payment reserve	1,698	3,245	2,483
Foreign exchange translation reserve	(810)	1,233	505
Accumulated retained earnings/(losses)	(2,952)	(1,442)	(637)
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT	**72,958**	**30,710**	**29,892**
Non-controlling interests	810	**-**	**-**
TOTAL EQUITY	**73,768**	**30,710**	**29,892**

Consolidated statement of changes in equity (£'000)

	Share capital	Share Premium	Merger relief reserve	Reverse acquisition reserve	Share based payments reserve	Foreign exchange reserve	Retained profits/(losses)	Total	Non-controlling interest	Total equity
Balance at 1 January 2016	**1,506**	**15,988**	**28,120**	**(22,933)**	**2,273**	**50**	**140**	**25,144**	**-**	**25,144**
Profit for period	-	-	-	-	-	-	(535)	(535)	-	(535)
Exchange differences on translating foreign operations	-	-	-	-	-	455	-	455	-	455
Total comprehensive income for the period	-	-	-	-	-	455	(535)	(80)	-	(80)
Issue of shares net of share issue costs	64	933	3,863	-	-	-	-	4,860	-	4,860
Share based payment charge / credited to equity	-	-	-	-	300	-	-	300	-	300
Deferred tax on share options	-	-	-	-	33	-	-	33	-	33
Transfer on exercise and lapse of options	-	-	-	-	(123)	-	123	-	-	-
Tax deduction on exercise of share options recognised directly in equity	-	-	-	-	-	-	53	53	-	53
Dividends paid	-	-	-	-	-	-	(418)	(418)	-	(418)
Balance at 30 June 2016	**1,570**	**16,921**	**31,983**	**(22,933)**	**2,483**	**505**	**(637)**	**29,892**	**-**	**29,892**
Profit for period	-	-	-	-	-	-	(791)	(791)	-	(791)
Exchange differences on translating foreign operations	-	-	-	-	-	728	-	728	-	728
Total comprehensive income for the period	-	-	-	-	-	728	(791)	(63)	-	(63)
Issue of shares net of share issue costs	10	123	-	-	-	-	-	133	-	133
Share based payment charge / credited to equity	-	-	-	-	305	-	-	305	-	305
Deferred tax on share options	-	-	-	-	615	-	-	615	-	615
Transfer on exercise and lapse of options	-	-	-	-	(158)	-	158	-	-	-
Tax deduction on exercise of share options recognised directly in equity	-	-	-	-	-	-	122	122	-	122
Dividends paid	-	-	-	-	-	-	(294)	(294)	-	(294)
Balance at 31 December 2016	**1,580**	**17,044**	**31,983**	**(22,933)**	**3,245**	**1,233**	**(1,442)**	**30,710**	**-**	**30,710**
Profit for period	-	-	-	-	-	-	(1,925)	(1,925)	(50)	(1,975)
Exchange differences on translating foreign operations	-	-	-	-	-	(2,043)	-	(2,043)	(51)	(2,094)
Total comprehensive income for the period	-	-	-	-	-	(2,043)	(1,925)	(3,968)	(101)	(4,069)
Issue of shares net of share issue costs	553	46,795	-	-	-	-	-	47,348	-	47,348
Share based payment charge / credited to equity	-	-	-	-	218	-	-	218	-	218
Deferred tax on share options	-	-	-	-	(584)	-	-	(584)	-	(584)
Transfer on exercise and lapse of options	-	-	-	-	(1,181)	-	1,181	-	-	-
Additions on acquisition	-	-	-	-	-	-	-	-	911	911
Dividends payable	-	-	-	-	-	-	(766)	(766)	-	(766)
Balance at 30 June 2017	**2,133**	**63,839**	**31,983**	**(22,933)**	**1,698**	**(810)**	**(2,952)**	**72,958**	**810**	**73,768**

Consolidated statement of cash flows

	Note	Six months to 30 June 2017 (unaudited) £'000	Year to 31 Dec 2016 (audited) £'000	Six months to 30 June 2016 (unaudited) £'000
Cash flow from operating activities				
(Loss)/profit before taxation		(1,898)	(1,193)	(935)
Adjustments for:-				
Share option charge		218	605	300
Cash costs of acquisition		958	99	105
Amortisation of intangible assets		3,322	3,605	1,700
Depreciation of plant and equipment		205	320	146
Share of losses of investments		80	205	102
Finance expense		24	57	42
Finance interest on borrowings		343	358	155
Net foreign exchange difference on borrowings		(22)	333	134
Acquisition-related deferred consideration and earn-outs		683	3,211	1,434
Interest income		(4)	(1)	-
Operating cash flow before working capital changes		**3,909**	**7,599**	**3,183**
(Increase)/decrease in trade and other receivables		1,807	(2,030)	(883)
(Increase) in amount recoverable on contracts		(2,103)	(788)	(1,061)
(Decrease)/increase in payables		666	(1,760)	(1,816)
Payment of acquisition-related deferred consideration and earn-outs		(2,211)	-	-
		2,068	3,021	(577)
Interest paid		(255)	(275)	(157)
Interest received		4	1	-
Income tax paid		(684)	(645)	(151)
Net cash flow from operating activities		**1,133**	**2,102**	**(885)**
Cash flow used in investing activities				
Purchase of property, plant and equipment		(115)	(422)	(382)
Disposal of property, plant and equipment		2	-	-
Development of intangible assets		(667)	(796)	(378)
Acquisition of subsidiaries, net of cash acquired		(44,222)	(12,389)	(12,389)
Payment of deferred consideration		(59)	-	-
Cash costs of acquisition		(958)	(99)	(105)
Investment in associates		-	(2,095)	(2,095)
Net cash flow used in investing activities		**(46,019)**	**(15,801)**	**(15,348)**
Cash flow used in financing activities				
Dividends paid		-	(712)	-
Cash generated from issue of shares, net of share issue costs		46,720	647	72
Proceeds from borrowings		18,000	13,909	13,909
Repayment of bank loans		(13,578)	(2,278)	(683)

Consolidated statement of cash flows (Continued)

Net cash flow from/(used in) in financing activities		**51,142**	**11,566**	**13,298**
Net (decrease)/increase in cash and cash equivalents		6,256	(2,133)	(2,935)
Cash and cash equivalents at beginning of the year		5,348	7,305	7,305
Effects of foreign exchange rate changes		(106)	176	(113)
Cash and cash equivalents at end of the year	8	**11,498**	**5,348**	**4,257**

Notes to the consolidated financial statements for the six months to 30 June 2017

1. General information

Learning Technologies Group plc ("the Company'') and its subsidiaries (together, "the Group'') provide a range of e-learning services and technologies 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 Sherborne House, 119-121 Cannon Street, London, EC4N 5AT. The registered number of the Company is 07176993.

2. Basis of preparation

The unaudited consolidated interim financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU).

The interim results for the six months to 30 June 2017 are neither audited nor reviewed by our auditors and the accounts in this interim report do not therefore constitute statutory accounts in accordance with Section 434 of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2016 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.

3. 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	Other £'000	Total £'000
30 June 2017 (unaudited)						
Revenue	11,575	1,361	7,210	545	781	21,472
Non-current assets	69,144	3	21,675	361	-	91,183
31 December 2016 (audited)						
Revenue	18,205	1,368	7,736	253	701	28,263
Non-current assets	45,270	-	288	-	-	45,558
30 June 2016 (unaudited)						
Revenue	8,669	492	3,077	140	407	12,785
Non-current assets	22,516	-	20,604	-	-	43,120

Revenue by nature

The Group's revenue by nature is analysed as follows:

	Content £'000	Software Licences £'000	Hosting and SaaS Licences £'000	Support and Mainte-nance £'000	Consul-ting £'000	Platform develop-ment £'000	Other £'000	Total £'000
30 June 2017 (unaudited)								
e-Learning recurring	-	4,798	2,878	179	-	-	-	**7,855**
e-Learning non-recurring	9,935	598	5	258	472	1,406	322	**12,996**
Non-e-Learning	-	-	-	-	-	-	621	**621**
	9,935	**5,396**	**2,883**	**437**	**472**	**1,406**	**943**	**21,472**
31 December 2016 (audited)								
e-Learning recurring	-	6,630	689	-	-	-	-	**7,319**
e-Learning non-recurring	14,118	949	8	574	853	1,419	1,147	**19,068**
Non-e-Learning	-	-	-	-	-	-	1,876	**1,876**
	14,118	**7,579**	**697**	**574**	**853**	**1,419**	**3,023**	**28,263**
30 June 2016 (unaudited)								
e-Learning recurring	-	2,792	309	-	-	-	-	**3,101**
e-Learning non-recurring	6,109	487	-	330	440	572	856	**8,794**
Non-e-Learning	-	-	-	-	-	-	890	**890**
	6,109	**3,279**	**309**	**330**	**440**	**572**	**1,746**	**12,785**

Information about major customers

In the six months to 30 June 2017, the Group's customer Civil Service Learning accounted for 11.8 percent of reported revenues. For the year ended 31 December 2016 and the six months to 30 June 2016, no customer accounted for more than 10 percent of reported revenues.

4. Taxation

Taxation for the six months to 30 June 2017 has been calculated by applying the estimated tax rate for the current financial year ending 31 December 2017 to an estimated tax adjusted profit figure.

5. Earnings per share

	30 June 2017 (unaudited) £'000	31 Dec 2016 (audited) £'000	30 June 2016 (unaudited) £'000
Profit after tax attributable to owners of the Group :	(1,914)	(1,326)	(535)
Weighted average number of shares:			
Basic	491,485,506	418,619,004	413,821,957
Diluted	523,025,550	454,881,150	444,317,045
Basic earnings per share (pence)	(0.392)	(0.317)	(0.129)
Diluted earnings per share (pence)	(0.392)	(0.317)	(0.129)
Adjusted diluted earnings per share (pence)	0.523	1.184	0.597

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:

	30 June 2017			31 Dec 2016			30 June 2016		
	Profit after tax	**Weighted average number of shares**	**Pence per share**	**Profit after tax**	**Weighted average number of shares**	**Pence per share**	**Profit after tax**	**Weighted average number of shares**	**Pence per share**
	£'000	**'000**		**£'000**	**'000**		**£'000**	**'000**	
Basic earnings per ordinary share	**(1,925)**	**491,486**	**(0.392)**	**(1,326)**	**418,619**	**(0.317)**	**(535)**	**413,822**	**(0.129)**
Effect of adjustments:									
Amortisation of acquired intangibles	3,042	-	-	3,200	-	-	1,536	-	-
Share based payment costs	218	-	-	605	-	-	300	-	-
Integration costs	703	-	-	73	-	-	64	-	-
Cost of acquisitions	958	-	-	99	-	-	105	-	-
Acquisition earnout	683	-	-	3,211	-	-	1,434	-	-
Net foreign exchange differences on borrowings	(22)	-	-	333	-	-	134	-	-
Interest receivable	(4)	-	-	(1)	-	-	-	-	-
Finance expense on contingent consideration	24	-	-	57	-	-	42	-	-
Income tax (credit)/expense	77	-	-	133	-	-	(400)	-	-
Effect of adjustments	5,679	-	1.155	7,710	-	1.842	3,215	-	0.777
Adjusted profit before tax	**3,754**	-	-	**6,384**	-	-	**2,680**	-	-
Tax impact after adjustments	(1,019)	-	(0.207)	(1,000)	-	(0.239)	(28)	-	(0.007)
Adjusted basic earnings per ordinary share	**2,735**	**491,486**	**0.556**	**5,384**	**418,619**	**1.286**	**2,652**	**413,822**	**0.641**
Effect of dilutive potential ordinary shares:									
Share options	-	28,207	(0.030)	-	30,031	(0.086)	-	30,495	(0.044)
Deferred consideration payable (conditions met)		-			1,819	(0.005)			
Deferred consideration payable (contingent)		3,333	(0.003)		4,412	(0.011)			
Adjusted diluted earnings per ordinary share	**2,735**	**523,026**	**0.523**	**5,384**	**454,881**	**1.184**	**2,652**	**444,317**	**0.597**

6. Intangible assets

	Goodwill	Customer contracts and relationships	Branding	Acquired IP and Software development	Internally generated IP and Software development	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2016	12,379	6,291	428	-	1,127	20,225
Additions on acquisition	12,233	8,584	256	-	249	21,322
Additions	-	-	-	-	378	378
Foreign exchange differences	754	455	98	-	-	1,307
At 30 June 2016 (unaudited)	25,366	15,330	782	-	1,754	43,232
Additions				-	418	418
Foreign exchange differences	1,242	862	27	-	69	2,200
At 31 December 2016 (audited)	26,608	16,192	809	-	2,241	45,850
Additions on acquisition	20,967	30,059	1,069	1,432	-	53,527
Additions	-	-	-	-	667	667
Foreign exchange differences	(1, 544)	(1,612)	(65)	(71)	(38)	(3,330)
At 30 June 2017 (unaudited)	46,031	44,639	1,813	1,361	2,870	96,714
Accumulated amortisation						
At 1 January 2016	-	1,609	164	-	522	2,295
Amortisation charged in period	-	1,471	65	-	164	1,700
At 30 June 2016 (unaudited)	-	3,080	229	-	686	3,995
Amortisation charged in period	-	1,589	75	-	241	1,905
At 31 December 2016 (audited)	-	4,669	304	-	927	5,900
Amortisation charged in period	-	2,809	120	113	280	3,322
At 30 June 2017 (unaudited)	-	7,478	424	113	1,207	9,222
Carrying amount						
At 30 June 2016 (unaudited)	**25,366**	**12,250**	**553**	**-**	**1,068**	**39,237**
At 31 December 2016	**26,608**	**11,523**	**505**	**-**	**1,314**	**39,950**
At 30 June 2017 (unaudited)	**46,031**	**37,161**	**1,389**	**1,248**	**1,663**	**87,492**

7. Other receivables, deposits and prepayments

	30 June 2017 (unaudited) £'000	31 Dec 2016 (audited) £'000	30 June 2016 (unaudited) £'000
Sundry receivables	633	238	-
Prepayments	4,951	1,757	2,194
	5,584	1,995	2,194

8. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:-

	30 June 2017 (unaudited) £'000	31 Dec 2016 (audited) £'000	30 June 2016 (unaudited) £'000
Cash and bank balances	11,498	5,348	4,257

9. Trade and other payables

	30 June 2017 (unaudited) £'000	31 Dec 2016 (audited) £'000	30 June 2016 (unaudited) £'000
Trade payables	854	871	628
Payments received on account	9,478	2,711	2,921
Tax and social security	5,041	1,002	767
Contingent consideration	216	59	-
Acquisition-related deferred consideration and earn-outs	985	2,824	1,173
Accruals and others	4,170	1,748	2,664
	20,744	9,215	8,153

10. Acquisitions

On 3 February 2017 LTG announced an all cash Offer for the issued and to be issued share capital of NetDimensions (Holdings) Limited ('NetDimensions') for £53.6 million (£1 per share and share option).

NetDimensions is a leading global enterprise solutions provider of talent and learning management systems, headquartered in Hong Kong and with operations in the USA, UK, Germany, Australia and the Philippines.

On 9 February 2017, the Group announced the purchase of 1,000,000 ordinary shares in NetDimensions (representing 1.95%) for total consideration of £0.984 million. On 20 March 2017, the Offer was declared unconditional in all respects; this is the date that the Group obtained control and is the date used for the acquisition accounting. At this date and at the balance sheet date the Group had a 97.16% holding of NetDimensions.

At the balance sheet date 2.84% of NetDimensions' shares had not been acquired by LTG, equivalent to £1.5 million at the Offer price; this represents the reconciling difference between the £52.1 million total consideration shown in the table below and the £53.6 million cash Offer. The compulsory acquisition of those non-controlling shareholders' interests was completed in July 2017. The non-controlling interest has been measured on the proportionate basis of net assets acquired.

None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for NetDimensions, the fair value of assets acquired and liabilities assumed at the acquisition date.

10. Acquisition (continued)

Consideration	Fair Value £'000
Cash paid to NetDimensions shareholders	49,793
Cash paid to NetDimensions share options holders	2,311
Total consideration	**52,104**
Non-controlling interest on acquisition	911
	53,015

Recognised amounts of identifiable assets acquired and liabilities assumed	Book value £'000	Fair value £'000
Cash and cash equivalents	7,881	7,881
Property, plant and equipment	198	198
Trade and other receivables	8,825	8,825
Trade and other payables	(11,375)	(11,972)
Deferred tax liabilities on acquisition		(5,444)
Intangible assets identified on acquisition		32,560
Total identifiable net (liabilities)/assets	**5,529**	**32,048**
Goodwill		**20,967**
Total		**53,015**

The fair value adjustments to the assets and liabilities assumed are provisional and are management's best estimates at this time.

NetDimensions contributed £3.9 million of revenue for the period between the date of acquisition and the balance sheet date and £0.3 million of loss before tax attributable to equity holders of the parent. Had the acquisition of NetDimensions had been completed on the first day of the financial year Group revenues would have been £3.4 million higher and group profit before tax attributable to equity holders of the parent would have been £1.4 million lower.

Company information

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Harry Hill, Non-Executive Deputy Chairman
Jonathan Satchell, Chief Executive Officer
Neil Elton, Group Finance Director and Company Secretary
Piers Lea, Chief Strategy Officer
Dale Solomon, Chief Operating Officer
Leslie-Ann Reed, Non-Executive Director

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