Learning Technologies Group plc

INTERIM REPORT 2019

For the six month period to 30 June 2019

learning technologies group

Contents **Page Number**

Chairman's Statement

Introduction

The Board is delighted to report that Learning Technologies Group plc ('LTG') has made excellent progress over the period, particularly with its ongoing transition towards a software licence model delivering high margin, recurring revenues. The integration of the transformational acquisition of PeopleFluent Holdings Corp ('PeopleFluent') in May 2018 has been completed successfully and, as planned, the acquired business is on track to return to growth in 2020. It is pleasing to see a significant improvement in Content & Services' performance compared to H2 2018, driven by a greater focus on sales and a number of large contract wins. At the same time the Group has delivered continuing strong operating margins, enabling management to invest further in R&D and incremental sales initiatives, resulting in some notable successes in cross-selling.

Results

With effect from 1 January 2019 LTG has adopted the new accounting standard IFRS16 - Leases. In addition Adjusted EBIT* has been restated to include the impact of share based payments. Further details of these adjustments are provided below.

In the six months ended 30 June 2019, revenues increased by 85% to £62.6 million (H1 2018: £33.8 million) with like-for-like revenues on a constant currency basis (excluding the post-acquisition contribution of BreezyHR, the acquired PeopleFluent businesses, and excluding the exceptional contribution from the Civil Service Learning ('CSL') contract) increased by 2% to £27.0 million. The acquired PeopleFluent businesses contributed £35.1 million of revenue for H1 2019, compared to £36.0 million (3% decline) of revenue had they been owned for the entirety of H1 2018.

With the acquisition of PeopleFluent, Watershed and BreezyHR, as well as the strong organic growth in the Group's other software licencing businesses, recurring licence fee and support contract revenues increased from £16.5 million in H1 2018 to £41.3 million in H1 2019, an increase of 150%.

Adjusted EBIT grew by 134% to £19.4 million (H1 2018: £8.3 million) with margins increasing from 24.5% in H1 2018 to 31.1% in H1 2019 primarily as a result of the inclusion of PeopleFluent for the full period and operational synergies achieved ahead of plan.

Operating profit of £8.2 million (H1 2018: £0.9 million) is stated after amortisation of acquired intangibles, various acquisition earnout charges, share-based payments, and integration costs. Following the acquisition of PeopleFluent, amortisation of acquired intangibles increased to £10.2 million (H1 2018: £5.7 million). The share based payment charge increased to £1.0 million (H1 2018: £0.6 million) as a result of increased grants following the acquisition of PeopleFluent. Acquisition-related deferred consideration and earnout charges declined to £1.1 million (H1 2018: £1.5 million) and relate primarily to the anticipated earnout resulting from Watershed's and BreezyHR's incremental revenue growth during the first year of their respective three-year earnout agreements. There were no integration costs of note in H1 2019 (H1 2018: £0.1 million).

Transaction costs relating to the acquisition of BreezyHR were £0.3 million (H1 2018: £2.6 million) and interest on borrowings, was £0.9 million (H1 2018: £0.5 million). A finance charge of £0.2 million (H1 2018: £nil) relates to the Group's leases following adoption of IFRS16 (see Note 12).

The Group reported a net profit of £6.8 million for the six months ended 30 June 2019 attributable to the owners of the parent company (H1 2018: profit of £1.3 million).

The basic earnings per share in H1 2019 was 1.012 pence (H1 2018: 0.221 pence). Adjusted diluted earnings per share as set out in Note 5 increased by 117% to 2.228 pence (H1 2018: 1.028 pence).

At the time of the acquisition of PeopleFluent in May 2018, LTG entered into a new debt facility with Silicon Valley Bank ('SVB') and Barclays Bank for $63 million. The facility comprises a $42 million term loan repayable in quarterly instalments of $2.1 million, and a $21 million multi-currency revolving credit facility, both available for five years. 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.

LTG maintained strong operating cash flows in the period. Net cash flow from operating activities (excluding deferred consideration payments relating to 2018) was £15.5 million (H1 2018: £11.0 million). Excluding the transaction costs relating to the acquisition of BreezyHR and acquisition related deferred consideration payments, operating cash flow conversion was 79% (H1 2018: 91%).

In H1 2019 approximately 79% of LTG's business was 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 2019 gross cash was £21.1 million and net debt was £13.9 million (31 December 2018: gross cash was £26.8 million and net debt was £11.5 million). Following the period end net debt as at 31 August 2019 had reduced further to £7.8 million and the Group is on track to be unleveraged by the end of the year.

Overall net assets increased to £172.8 million at 30 June 2019 (31 December 2018: £168.8 million) and shareholders' funds increased from 25.3 pence per share to 25.9 pence per share.

Impact of adoption of new accounting policies

With effect from 1 January 2019 the Group has adopted a new accounting standard: IFRS16 – Leases. As a result the Group has recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

Further, with effect from 1 January 2019 the Board has resolved to report Adjusted EBIT inclusive, rather than exclusive, of the share based payment charge. This is to align the Group with guidance from the FRC's Corporate Reporting Thematic Review and to recognise that share based payment charges are a valid cost of the business and relieve the Group of an alternative cash expense.

The financial comparatives used for prior periods in this report are restated to reflect the impact on the financial results for the Group as if the new accounting policy with regards share based payments had been adopted in the prior year. The modified retrospective approach has been applied to the prior period changes in respect of IFRS16 with a net charge to retained earnings as at 1 January 2019 of £2.3 million. There was a net credit to retained earnings in H1 2019 of £0.2 million.

The table below sets out the effect of these adjustments on Adjusted EBIT:

	H1 2018	**H2 2018**	**FY 2018**	**H1 2019**
	£'000	**£'000**	**£'000**	**£'000**
Adjusted EBIT pre accounting policy changes	8,885	18,360	27,245	20,012
Adjusted EBIT margin (%)	*26.3%*	*30.6%*	*29.0%*	*32.0%*
Share Based Payment charge adjustment	(588)	(666)	(1,254)	(997)
IFRS16 adjustment	-	-	-	433
Revised Adjusted EBIT	8,297	17,694	25,991	19,448
Revised Adjusted EBIT margin (%)	*24.5%*	*29.4%*	*27.7%*	*31.1%*

Further details are provided in Note 12.

The full-year 2019 share based payment charge is expected to be approximately £2.8 million as a result of performance related share option grants made to the extended management team following the acquisition of PeopleFluent in May 2018, and the launch of a new Employee Stock Purchase Plan in the US with effect from May 2019.

Operational Review

Following the acquisition and successful integration of PeopleFluent, we have made a number of structural improvements to LTG to support our long-term prospects and performance. PeopleFluent's talent software solutions business has been combined with the NetDimensions' LMS software business (acquired in March 2017) to create a leading best-of-breed integrated platform, operating under the PeopleFluent brand. Together this combined business represents approximately half of LTG's revenue. PeopleFluent's workforce compliance and diversity business has been renamed 'Affirmity' and the company's contingent workforce management solutions provider has been renamed 'VectorVMS'. Both these businesses operate under their own management teams. KZO, an exciting video curation tool, was incorporated into the gomo business and rebranded 'gomo video'.

The acquired PeopleFluent business had experienced declining revenues for a number of years mainly as a result of low client retention rates on some of their products. LTG management guided in H1 2018 that the acquired business was anticipated to deliver annual revenues of c$98.0 million in 2018, declining to c$91.0 million in 2019 (as restated under IFRS15), and that management had the objective to return the acquired business to net sales and revenue growth by 2020. As a result of higher-than-expected retention rates in H1 2019, the substantial improvements being made to the software products, and encouraging new sales, the Board is increasingly confident that the acquired PeopleFluent business will deliver on its revenue targets in 2019 and return to growth in 2020.

Management have sought to address client churn firstly by transferring PeopleFluent's existing LMS customers to the industry leading NetDimensions LMS, and secondly by focussed investment in the talent acquisition platform. LTG has committed significant R&D investment to the acquired and integrated PeopleFluent talent acquisition platform. The acquisition of BreezyHR (see below for further details) whose award winning product features will be incorporated into the PeopleFluent enterprise solution, is further evidence of investment to support long-term organic growth. PeopleFluent will shortly launch the new updated talent acquisition functionality which we are confident will enhance the candidate experience on our platforms. PeopleFluent has invested heavily in developing new product features across its range of products. VectorVMS has also invested substantially in its product features and will launch a new mobile solution this month.

LTG's Software & Platforms division (excluding the acquired PeopleFluent business referenced above) continues to deliver good growth with revenue up 6.8% from £13.0 million in H1 2018 to £14.6 million in H1 2019. Watershed, acquired in November 2018, has grown revenues by 28.5% on a like-for-like basis and its software solutions are increasingly sold as part of integrated sales with other Group companies. The Group launched 'Instilled' in May 2019, a 'Learning Experience Platform' ('LXP') that leverages the capabilities of a number of LTG's software solutions including gomo video, Watershed, and Rustici's SCORM Engine. This LXP places the user experience at its heart, enabling learners to create, share and recommend content, empowering them to create their own 'learning journeys'.

Content & Services division (excluding the acquired PeopleFluent business referenced above and the CSL contract) revenues of £12.5 million were up 15.2% on H2 2018 and declined by 2.6% against tough prior year comparators. Content & Services projects are typically run on a fixed price, non-recurring basis, with a relatively short sales cycle.

Strong sales momentum from LEO and Preloaded has continued from Q4 2018 into H1 2019, with H1 2018 to H1 2019 sales growth of approximately 19% giving confidence that full-year organic revenue growth will be above trend at approximately 8%. Notable sales successes include a large multi-million dollar contract win for LEO in the US which in turn has resulted in a further substantial multi-year contract for the 3 products from the Software & Platforms division.

Recurring revenues have increased from £17.3 million (51.0%) in H1 2018 to £46.5 million (74.3%) in H1 2019. As well as high visibility of revenues, the Software & Platforms division generated adjusted EBIT margins of 35.6% in H1 2019 (H1 2018: 32.1%) primarily as a result of the inclusion of the PeopleFluent business for a full period and the successful integration of the business into LTG during the second half of 2018. Content & Services saw adjusted EBIT margins also increase from 16.7% in H1 2018 to 21.1% in H1 2019. Adjusted EBIT margins for both periods are stated inclusive of the share based payment charge.

Acquisition and integration of BreezyHR

On 17 April 2019, LTG announced that the Company had entered into an agreement to acquire the entire issued and outstanding shares of capital stock of BreezyHR Inc. (‘BreezyHR’) for cash consideration of $12.7 million. Further performance based payments capped at $18.0 million are payable in cash to BreezyHR management and equity investors based on ambitious revenue growth targets in each of the years ending 31 December 2019, 2020 and 2021. Deferred contingent consideration will be charged to the income statement as the qualifying conditions are met.

BreezyHR is a fast-growing talent acquisition software business, providing small to medium sized businesses (‘SMB’) with feature-rich, intuitive and user-friendly recruitment software to optimise their recruitment processes and maximise productivity. The addition of BreezyHR to LTG's best-of-breed talent and learning businesses is expected to enhance the Group's position in the talent acquisition market. The acquisition extends the Group's existing enterprise client-base to include a new SMB audience, with typically faster self-service sales-cycles. Since its founding in 2014, BreezyHR's software has managed the recruitment of 15 million candidates across 10,000 companies in 72 countries.

We are delighted with the revenue growth rate of BreezyHR and expect it to achieve the full amount for the first year of the deferred consideration.

BreezyHR is now a business within PeopleFluent, part of LTG's Software & Platforms division. The post-acquisition results for BreezyHR are reported in line with LTG’s accounting policies. Prior to acquisition, BreezyHR prepared accounts on a cash accounting basis and did not capitalise R&D. Further details are provided in Note 11.

Dividend

On 28 June 2019, the Company paid a final dividend of 0.35 pence per share, giving a total dividend for 2018 of 0.50 pence per share. This represented a 67% increase on the dividend paid compared to 2017. Given its confidence in the continuing success of the Group, the Board is pleased to announce that it has approved an interim dividend of 0.25 pence per share (2018: 0.15 pence per share), representing a 67% increase. This will be paid on 8 November 2019 to shareholders on the register at 18 October 2019.

Current Trading and outlook

The Board is delighted with the progress that the Group has made in the first half of 2019, in particular the acquisition and successful integration of BreezyHR and the launch of ‘Instilled’. The Group’s recurring software revenue base continues to grow alongside strong operating margin performance and cash generation and we are seeing the increasing success of cross-selling initiatives. Whilst we have not yet completed Q3, we are seeing evidence of this excellent trading momentum into the second half. This, together with retention rates in PeopleFluent and expected progress in Content & Services, underpins confidence in the outlook for the rest of the 2019 financial year.

The Board continues to actively pursue acquisition opportunities, particularly in the US, and in sectors that will extend LTG’s domain specific expertise and broaden and increase its scale in markets in which LTG already has a leading presence. With continuing robust operating margins and a strong balance sheet the Board considers LTG well placed to achieve our strategic goal of run-rate revenues of £200 million and run-rate Adjusted EBIT** of at least £55 million by the end of 2021.

Andrew Brode
Chairman
16 September 2019

* 'Adjusted EBIT' is defined as the Group profit or loss before tax, excluding the amortisation of acquisition-related intangible assets, 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 including exceptional foreign exchange movements.
** 'Adjusted EBIT' target prior to accounting policy changes referenced in Note 12.

Consolidated statement of comprehensive income		**Six months to 30 June 2019**	**Six months to 30 June 2018**	**Year to 31 Dec 2018**
	Note	**£'000**	**£'000**	**£'000**
Revenue	3	62,628	33,805	93,891
Operating expenses (excluding acquisition-related deferred consideration and earn-outs and share based payment charge)		(52,360)	(30,765)	(84,917)
Operating profit (before acquisition-related deferred consideration and earn-outs)		10,268	3,040	8,974
Acquisition-related deferred consideration and earn-outs		(1,055)	(1,504)	(3,761)
Share based payment charge		(997)	(588)	(1,254)
Operating profit		8,216	948	3,959
Adjusted EBIT		19,448	8,297	25,991
Amortisation of acquired intangibles		(10,177)	(5,745)	(15,193)
Acquired intangibles written down		-	-	(681)
Acquisition-related deferred consideration and earn-outs		(1,055)	(1,504)	(3,761)
Integration costs		-	(100)	(2,397)
Operating profit		8,216	948	3,959
Fair value movement on contingent consideration		-	-	183
Costs of acquisition		(270)	(2,628)	(2,621)
Share of losses of associates/joint ventures		-	(69)	(132)
Profit/(loss) on disposal of fixed assets		(2)	-	-
Finance expenses:				
Charge on contingent consideration		-	(15)	(54)
Unwinding onerous lease		-	-	-
Interest on borrowings		(921)	(530)	(1,512)
Net foreign exchange differences		-	3,591	3,608
Finance charge		(235)		
Interest receivable		30	9	10
Profit before taxation		6,818	1,306	3,441
Income tax credit/(expense)	4	(61)	43	730
Profit after taxation		6,757	1,349	4,171
Profit for the period/year attributable to the owners of the parent		**6,757**	**1,349**	**4,171**
Profit for the period/year attributable to non-controlling interests		-	-	-

Earnings per share attributable to owners of the parent:				
Basic, (pence)	5	1.012	0.221	0.655
Diluted, (pence)	5	0.996	0.216	0.641
Other comprehensive income:				
Exchange differences on translating foreign operations		460	2,001	6,231
Total comprehensive profit for the period		**7,217**	**3,350**	**10,402**
Attributable to:				
The owners of the parent		7,217	3,350	10,402
Non-controlling interests		-	-	-

Consolidated statement of financial position		**30 June 2019**	**30 June 2018**	**31 Dec 2018**
	Note	**£'000**	**£'000**	**£'000**
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		1,910	2,352	2,144
Right of use assets	12	10,871	-	-
Intangible assets	6	244,237	238,851	242,458
Deferred tax assets		3,398	2,605	2,858
Investments accounted for under the equity method		-	1,619	-
Other receivables, deposits and prepayments		421	173	161
Amounts recoverable on contracts		-	-	421
		260,837	245,600	248,042
CURRENT ASSETS				
Trade receivables		30,971	21,205	34,314
Other receivables, deposits and prepayments	7	4,217	5,335	3,897
Amounts recoverable on contracts		5,282	4,561	3,397
Amounts due from related parties		12	6	7
Cash and bank balances	8	21,067	32,062	26,794
Restricted cash balances		215	323	336
		61,764	63,492	68,745
TOTAL ASSETS		**322,601**	**309,092**	**316,787**
CURRENT LIABILITIES				
Lease liabilities	12	2,905	-	-
Trade and other payables	9	63,573	68,182	72,470
Net restricted cash from the consolidation invoice process (CIP)		335	-	-
Borrowings	10	6,587	6,499	6,602
Corporation tax		2,377	526	1,631
Amounts owing to related parties		-	-	-
		75,777	75,207	80,703

NON-CURRENT LIABILITIES				
Lease liabilities	12	10,181	-	-
Deferred tax liabilities		25,229	26,338	26,299
Other long-term liabilities		9,515	3,117	9,008
Borrowings	10	28,333	41,304	31,657
Provisions		803	273	301
		74,061	71,032	67,265
TOTAL LIABILITIES		**149,838**	**146,239**	**147,968**
NET ASSETS		**172,763**	**162,853**	**168,819**
EQUITY				
Share capital		2,506	2,498	2,501
Share premium account		147,998	147,517	147,560
Merger relief reserve		31,983	31,983	31,983
Reverse acquisition reserve		(22,933)	(22,933)	(22,933)
Share-based payment reserve		2,442	983	1,608
Foreign exchange translation reserve		4,401	(289)	3,941
Accumulated retained earnings/(losses)		6,366	3,094	4,159
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**172,763**	**162,853**	**168,819**
Non-controlling interests		-	-	-
TOTAL EQUITY		**172,763**	**162,853**	**168,819**

Consolidated statement of changes in equity

	Share capital	Share Premium	Merger relief reserve	Reverse acquisition reserve	Share based payments reserve	Foreign exchange reserve	Retained profits/(losses)	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018	**2,145**	**64,208**	**31,983**	**(22,933)**	**1,092**	**(2,290)**	**1,220**	**75,425**
Profit for period	-	-	-	-	-	-	1,349	1,349
Exchange differences on translating foreign operations	-	-	-	-	-	2,001	-	2,001
Total comprehensive income for the period	-	-	-	-	-	2,001	1,349	3,350
Issue of shares net of share issue costs	353	83,309	-	-	-	-	-	83,662
Share based payment charge / credited to equity	-	-	-	-	588	-	-	588
Tax credit on share options	-	-	-	-	-	-	1,224	1,224
Transfer on exercise and lapse of options	-	-	-	-	(697)	-	697	-
Dividends payable	-	-	-	-	-	-	(1,396)	(1,396)
Balance at 30 June 2018	**2,498**	**147,517**	**31,983**	**(22,933)**	**983**	**(289)**	**3,094**	**162,853**
Profit for period	-	-	-	-	-	-	2,822	2,822
Exchange differences on translating foreign operations	-	-	-	-	-	4,230	-	4,230
Total comprehensive income for the period	-	-	-	-	-	4,230	2,822	7,052
Issue of shares net of share issue costs	3	43	-	-	-	-	-	46
Share based payment charge / credited to equity	-	-	-	-	666	-	-	666
Tax credit on share options	-	-	-	-	-	-	(799)	(799)
Transfer on exercise and lapse of options	-	-	-	-	(41)	-	41	-
Dividends paid	-	-	-	-	-	-	(999)	(999)
Balance at 31 December 2018	**2,501**	**147,560**	**31,983**	**(22,933)**	**1,608**	**3,941**	**4,159**	**168,819**
1 January 2019 restatement due to IFRS 16	**-**	**-**	**-**	**-**	**-**	**-**	**(2,314)**	**(2,314)**
Profit for period	-	-	-	-	-	-	6,757	6,757
Exchange differences on translating foreign operations	-	-	-	-	-	460	-	460
Total comprehensive income for the period	-	-	-	-	-	460	6,757	7,217
Issue of shares net of share issue costs	5	438	-	-	-	-	-	443
Share based payment charge / credited to equity	-	-	-	-	997	-	-	997
Tax credit on share options	-	-	-	-	-	-	(62)	(62)
Transfer on exercise and lapse of options	-	-	-	-	(163)	-	163	-
Dividends payable	-	-	-	-	-	-	(2,337)	(2,337)
Balance at 30 June 2019	**2,506**	**147,998**	**31,983**	**(22,933)**	**2,442**	**4,401**	**6,366**	**172,763**

Consolidated statement of cash flows

	Note	Six months to 30 June 2019	Six months to 30 June 2018	Year to 31 Dec 2018
		£'000	**£'000**	**£'000**
Cash flow from operating activities				
Profit before taxation		6,818	1,306	3,441
Adjustments for:-				
Loss on disposal of PPE		2	-	-
Share options charge		997	588	1,254
Amortisation of intangible assets		11,175	6,162	16,300
Depreciation of plant and equipment		1,841	263	1,000
Share of losses of investments		-	69	132
Finance expense		-	15	54
Finance expense – interest portion of lease liabilities (IFRS 16)		235	-	-
Finance interest on borrowings		921	530	1,512
Net foreign exchange difference on bank loan		-	17	-
Fair value movement on contingent consideration		-	-	(183)
Acquisition-related deferred consideration and earn-outs		1,055	1,504	3,761
Payment of acquisition-related deferred consideration and earn-outs		(2,321)	(2,613)	(3,166)
Impairment of acquired intangibles		-	-	681
Interest income		(30)	(9)	(10)
Operating cash flow before working capital changes		**20,693**	**7,832**	**24,776**
(Increase)/decrease in trade and other receivables		4,098	1,208	(9,740)
(Increase) in amount recoverable on contracts		(1,886)	(182)	424
(Decrease)/increase in payables		(7,171)	(559)	5,064
		15,734	8,299	20,524
Interest paid		(837)	(235)	(1,224)
Interest received		30	9	10
Income tax received/(paid)		(1,700)	299	422
Net cash flow from operating activities		**13,227**	**8,372**	**19,732**
Cash flow used in investing activities				
Purchase of property, plant and equipment		(731)	(262)	(778)
Development of intangible assets		(2,793)	(1,195)	(3,304)
Acquisition of subsidiaries, net of cash acquired		(8,764)	(106,585)	(107,436)
Net cash flow used in investing activities		**(12,288)**	**(108,042)**	**(111,518)**
Cash flow used in financing activities				
Dividends paid		(2,337)	-	(2,395)
Cash generated from issue of shares, net of share issue costs		443	83,662	83,708
Proceeds from borrowings		-	47,219	47,110
Repayment of bank loans		(3,248)	(14,871)	(25,803)
Contingent consideration payments in the period		-	(193)	(193)
Cash payments for the principal portion of lease liabilities (IFRS 16)		(1,655)	-	-
Net cash flow from/(used in) in financing activities		**(6,797)**	**115,817**	**102,427**
Net (decrease)/increase in cash and cash equivalents		(5,858)	16,147	10,641
Cash and cash equivalents at beginning of the year		26,794	15,662	15,662

Effects of foreign exchange rate changes		131	253	491
Cash and cash equivalents at end of the year	8	**21,067**	**32,062**	**26,794**

Notes to the consolidated financial statements for the six months to 30 June 2019

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 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 2019 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 2018 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 except for the adoption of new and amended standards as set out in Note 12.

3. Segment analysis

Geographical information

The Group's revenue from external customers and non-current assets by geographical location are detailed below. The six months to 30 June 2019 include the geographical location of the right of use assets identified as a result of adoption of IFRS 16 from 1 January 2019. These are not included in the prior period comparatives as a result of the use of the modified retrospective approach in application (see Note 12 for detail).

	UK £'000	Europe £'000	United States £'000	Asia Pacific £'000	Canada £'000	Other £'000	Total £'000
Six months to 30 June 2019							
Revenue	13,216	5,713	37,864	1,693	2,322	1,820	62,628
Non-current assets	32,829	-	206,615	17,488	86	-	257,018
Six months to 30 June 2018							
Revenue	14,025	3,132	13,928	1,006	812	902	33,805
Non-current assets	31,751	-	191,446	19,530	95	-	242,822
Year to 31 December 2018							
Revenue	24,859	7,263	52,912	2,253	3,766	2,838	93,891
Non-current assets	28,412	-	197,969	18,735	68	-	245,184

Information about reported segment revenue, profit or loss and assets

	Software & Platforms				Content & Services				Other	
	On-premise Software Licenses £'000	Hosting & SaaS £'000	Support and Maintenance £'000	**Total £'000**	Content £'000	Platform development £'000	Consulting and other £'000	**Total £'000**	Rental Income £'000	**Grand Total £'000**
Six months to 30 June 2019										
Recurring revenue	**7,484**	**30,827**	**2,991**	**41,302**	**-**	**868**	**4,311**	**5,179**	**59**	**46,540**
Non-recurring revenue	**796**	**226**	**404**	**1,426**	**9,111**	**3,239**	**2,312**	**14,662**	**-**	**16,088**
Revenue	**8,280**	**31,053**	**3,395**	**42,728**	**9,111**	**4,107**	**6,623**	**19,841**	**59**	**62,628**
Depreciation and amortisation				(2,256)				(583)	-	(2,839)
EBIT				**15,203**				**4,186**	**59**	**19,448**
Amortisation of acquired intangibles				(8,047)				(2,130)	-	(10,177)
Profit before tax				**5,061**				**1,698**	**59**	**6,818**
Additions to intangible Assets				12,723				-	-	12,723
Total assets				**257,888**				**61,315**	**-**	**319,203**
Six months to 30 June 2018										
Recurring revenue	**6,333**	**8,992**	**1,138**	**16,463**	**-**	**793**	**-**	**793**	**-**	**17,256**
Non-recurring revenue	**441**	**2**	**298**	**741**	**11,311**	**2,584**	**1,913**	**15,808**	**-**	**16,549**
Revenue	**6,774**	**8,994**	**1,436**	**17,204**	**11,311**	**3,377**	**1,913**	**16,601**	**-**	**33,805**
Depreciation and amortisation				(557)				(122)	-	(679)
EBIT				**5,525**				**2,772**	**-**	**8,297**
Amortisation of acquired intangibles				(4,890)				(855)	-	(5,745)
Share of losses of associates				(69)				-	-	(69)
Profit/(Loss) before tax				**(2,136)**				**3,442**	**-**	**1,306**
Investments accounted for under the equity method				1,619				-	-	1,619
Additions to intangible Assets				121,285				37,395	-	158,680
Total assets				**215,132**				**93,960**	**-**	**309,092**
Year to 31 December 2018										
Recurring revenue	**12,572**	**41,328**	**4,088**	**57,988**	**-**	**1,071**	**4,963**	**6,034**	**58**	**64,080**
Non-recurring revenue	**1,166**	**4**	**676**	**1,846**	**19,262**	**5,765**	**2,938**	**27,965**	**-**	**29,811**
Revenue	**13,738**	**41,332**	**4,764**	**59,834**	**19,262**	**6,836**	**7,901**	**33,999**	**58**	**93,891**
Depreciation and amortisation				(1,746)				(361)	-	(2,107)
EBIT				**18,997**				**6,936**	**58**	**25,991**
Amortisation of acquired intangibles				(11,873)				(3,320)	-	(15,193)
Share of losses of associates				(132)				-	-	(132)
Profit/(Loss) before tax				**(274)**				**3,657**	**58**	**3,441**
Additions to intangible Assets				162,071				3,972	-	166,043
Total assets				**279,928**				**36,859**	**-**	**316,787**

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

The total assets figure for 30 June 2019 is exclusive of deferred tax assets.

Information about major customers

In the six months to 30 June 2019 no customer accounted for more than 10 percent of reported revenues (H1 2018: no customer accounted for more than 10 percent of reported revenues).

4. Taxation

Taxation for the six months to 30 June 2019 has been calculated by applying the estimated tax rate for the current financial year ending 31 December 2019 to an estimated tax adjusted profit figure.

5. Earnings per share

	Six months to 30 June 2019 £'000	Six months to 30 June 2018 £'000	Year to 31 Dec 2018 £'000
Profit after tax attributable to owners of the Group:	6,757	1,349	4,171
Weighted average number of shares:			
Basic	667,503,571	609,427,992	637,325,890
Diluted	678,469,771	623,998,444	650,592,819
Basic earnings per share (pence)	1.012	0.221	0.655
Diluted earnings per share (pence)	0.996	0.216	0.641
Adjusted diluted earnings per share (pence)	2.228	1.028	3.040

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.

Adjusted EBIT in the adjusted earnings per share calculation is now inclusive, rather than exclusive, of the share based payment charge. The prior period comparatives have also been restated on a consistent basis, with share based payment charges included within the adjusted EBIT figure.

	Six months to 30 June 2019			Six months to 30 June 2018			Year to 31 Dec 2018		
	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	**6,757**	**667,504**	**1.012**	**1,349**	**609,428**	**0.221**	**4,171**	**637,326**	**0.655**
Effect of adjustments:									
Amortisation of acquired intangibles	10,177			5,745			15,193		
Acquired intangibles written down	-			-			681		
Integration costs	-			100			2,397		
Cost of acquisitions	270			2,628			2,621		
Fair value movement on contingent consideration	-			-			(183)		
Acquisition earnout	1,055			1,504			3,761		
Net foreign exchange differences on financing activities	-			(3,591)			(3,608)		
Interest receivable	(30)			(9)			(10)		
Finance expense on contingent consideration	-			15			54		
Finance expense on lease liabilities (IFRS 16)	235			-			-		
Income tax (credit)/expense	61			(43)			(730)		
Effect of adjustments	11,768	-	1.763	6,349	-	1.042	20,176	-	3.166
Adjusted profit before tax	**18,525**	-	-	**7,698**	-	-	**24,347**	-	-
Tax impact after adjustments	(3,408)	-	(0.510)	(1,285)	-	(0.211)	(4,572)	-	(0.717)
Adjusted basic earnings per ordinary share	**15,117**	**667,504**	**2.265**	**6,413**	**609,428**	**1.052**	**19,775**	**637,326**	**3.103**
Effect of dilutive potential ordinary shares:									

Share options	-	10,966	(0.037)	-	14,061	(0.023)	-	13,267	(0.063)
Deferred consideration payable (conditions met)	-	-	-	-	-	-	-	-	-
Deferred consideration payable (contingent)	-	-	-	-	509	(0.001)	-	-	-
Adjusted diluted earnings per ordinary share	**15,117**	**678,470**	**2.228**	**6,413**	**623,998**	**1.028**	**19,775**	**650,593**	**3.040**

6. Intangible assets

	Goodwill	Customer contracts and relationships	Branding	Acquired IP	Internal software developme nt	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2018	46,050	45,020	1,788	1,445	3,410	97,713
Additions on acquisition	79,009	43,280	1,723	33,473	-	157,485
Additions	-	-	-	-	1,195	1,195
Foreign exchange differences	1,351	1,143	39	339	52	2,924
At 30 June 2018	126,410	89,443	3,550	35,257	4,657	259,317
Additions on acquisition	1,959	1,355	-	1,940	-	5,254
Additions	-	-	-	-	2,109	2,109
Disposals/Impairment	-	-	(1,048)	-	(178)	(1,226)
Foreign exchange differences	3,889	1,941	75	1,235	101	7,241
At 31 December 2018	132,258	92,739	2,577	38,432	6,689	272,695
Additions on acquisition	6,232	1,454	-	2,244	-	9,930
Additions	-	-	-	-	2,793	2,793
Foreign exchange differences	209	(64)	(2)	19	69	231
At 30 June 2019	138,699	94,129	2,575	40,695	9,551	285,649
Accumulated amortisation						
At 1 January 2018	-	11,813	590	464	1,437	14,304
Amortisation charged in period	-	5,004	192	533	433	6,162
At 30 June 2018	-	16,817	782	997	1,870	20,466
Amortisation charged in period	-	6,952	255	2,257	674	10,138
Disposals/Impairment	-	-	(367)	-	-	(367)
At 31 December 2018	-	23,769	670	3,254	2,544	30,237
Amortisation charged in period	-	7,433	153	2,590	999	11,175
At 30 June 2019	-	31,202	823	5,844	3,543	41,412
Carrying amount						
At 30 June 2018	**126,410**	**72,626**	**2,768**	**34,260**	**2,787**	**238,851**
At 31 December 2018	**132,258**	**68,970**	**1,907**	**35,178**	**4,145**	**242,458**
At 30 June 2019	**138,699**	**62,927**	**1,752**	**34,851**	**6,008**	**244,237**

7. Other receivables, deposits and prepayments

	30 June 2019 £'000	30 June 2018 £'000	31 Dec 2018 £'000
Sundry receivables	1,099	1,368	1,118
Prepayments	3,118	3,967	2,779
	4,217	5,335	3,897

8. Cash and cash equivalents

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

	30 June 2019 £'000	30 June 2018 £'000	31 Dec 2018 £'000
Cash and bank balances	21,067	32,062	26,794

9. Trade and other payables

	30 June 2019 £'000	30 June 2018 £'000	31 Dec 2018 £'000
Trade payables	1,322	1,597	924
Payments received on account	54,048	52,919	56,417
Tax and social security	597	1,437	2,109
Contingent consideration	-	182	8
Acquisition-related deferred consideration and earn-outs	-	1,219	3,205
Accruals and others	7,606	10,828	9,807
	63,573	68,182	72,470

10. Borrowings

On the acquisition of PeopleFluent Holdings Corp. the existing debt facility with Silicon Valley Bank was repaid and a new debt facility with Silicon Valley Bank was entered into for a total of $63 million. This is made up of a $42 million multicurrency term loan and a $21 million multicurrency revolving credit facility, both available to the Group for 5 years. The facility attracts variable interest between 1.6% and 2.1%, based on the Group's leverage, above LIBOR for the currency of the loan. The term loan is repaid with quarterly instalments of $2.1 million with the balance repayable on the expiry of the loan in April 2023.

The bank loan is secured by a fixed and floating charge over the assets of the Group and is subject to various financial covenants.

	30 June 2019 £'000	**30 June 2018 £'000**	**31 Dec 2018 £'000**
Current interest-bearing loans and borrowings	6,587	6,499	6,602
Non-current interest-bearing loans and borrowings	28,333	41,304	31,657
	34,920	**47,803**	**38,259**

11. Acquisitions

On 17 April 2019, LTG announced the acquisition of Breezy HR ('BreezyHR') for initial cash consideration of $12.7 million funded by the Group's existing cash and bank facilities. The acquisition supported LTG's strategic goal to achieve run-rate EBIT** of at least £55 million by the end of 2021.

BreezyHR is a fast-growing talent acquisition software business, providing small to medium sized businesses (SMB) with feature-rich, intuitive and user-friendly recruitment software to optimise their recruitment processes and maximise productivity. Breezy will become a business within PeopleFluent, part of LTG's Software & Platforms division.

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

11. Acquisitions (continued)

Consideration	**Fair Value £'000**
Cash paid	9,726
Total consideration	**9,726**

Recognised amounts of identifiable assets acquired and liabilities assumed	**Fair value £'000**
Cash and cash equivalents	962
Property, plant and equipment	20
Trade and other receivables	147
Trade and other payables	(572)
Net deferred tax assets/liabilities on acquisition	(751)
Intangible assets identified on acquisition	3,698
Impact of IFRS 16 adjustments on acquisition	(9)
Total identifiable net assets	**3,495**
Goodwill	**6,231**
Total	**9,726**

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

BreezyHR contributed £923,000 of revenue for the period between the date of acquisition and the balance sheet date and £114,000 of profit before tax attributable to equity holders of the parent. As a preliminary assessment, had the acquisition of BreezyHR been completed on the first day of the financial year Group revenues would have been approximately £1,036,000 higher and group profit before tax attributable to equity holders of the parent would have been approximately £25,000 lower.

12. Changes in accounting policies

i. IFRS 16 - Leases

The Group has adopted IFRS 16 *Leases* from 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.5%.

The incremental borrowing rate used is based on the 3 month LIBOR rates in the respective asset territories (98% US and UK) plus a 1.6% margin included in the Group's current banking facility as at 1 January 2019.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- i) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- ii) Reliance on previous assessments on whether leases are onerous
- iii) The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- iv) The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- v) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

A modified retrospective approach has been used meaning comparatives have not been restated but an adjustment has been made to opening equity.

The Group has taken the accounting policy choice to measure the right of use assets as if IFRS 16 had applied since the inception of the lease.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	£'000
Right of use assets increase	11,847
Lease liabilities increase	14,161
Of which:	
Current liability	2,806
Non-current liability	11,355

The net impact on retained earnings on 1 January 2019 was a decrease of £2.3 million.

ii. Share Based Payment Charge

The share based payment charge is now included within the Group's EBIT figure. Prior year results, including the earnings per share calculation have been restated to provide a consistent comparative.

13. Events since the reporting date

No significant events noted since the reporting date.

Company information

Directors
Andrew Brode, Non-Executive Chairman
Leslie-Ann Reed, Non-Executive Director
Aimie Chapple, Non-Executive Director
Jonathan Satchell, Chief Executive Officer
Neil Elton, Chief Financial Officer and Company Secretary
Piers Lea, Chief Strategy Officer

Company number
07176993

Registered address
15 Fetter Lane
Ground Floor
London
England
EC4A 1BW

Independent auditors
Crowe U.K. LLP
Chartered Accountants and Statutory Auditors
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

Nominated adviser and joint broker
Numis Securities Limited
10 Paternoster Square
London
EC4M 7LT

Joint broker
Goldman Sachs
Peterborough Court
133 Fleet Street
London
EC4A 2BB

Legal advisers
DWF LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DY

Principal Bankers
Silicon Valley Bank
Alphabeta
14-18 Finsbury Square
London
EC2A 1BR

Registrars
Computershare Investor Services plc
The Pavilions
Bridgewater Road
Bristol
BS13 8AE

Communications consultancy
FTI Consulting LLP
200 Aldersgate
Aldersgate Street
London
EC1A 4HD