Learning Technologies Group plc

INTERIM REPORT 2021

For the six month period to 30 June 2021

learning technologies group

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Chairman's Statement

Introduction

The Board is delighted to report that Learning Technologies Group plc ('LTG') has delivered a robust performance in the first half of 2021, in line with management expectations at the start of the year, and against a backdrop of significant currency headwinds. As expected, our Content & Services division has bounced back strongly as, following the upheaval created by COVID-19, clients restarted postponed projects and reassessed how to deliver effective workforce transformation solutions in a more digital, flexible and fast-paced corporate environment. Our Software & Platforms division has also demonstrated robust growth and has been substantially augmented through a number of strategic bolt-on acquisitions over the past year.

The COVID-19 pandemic has accelerated the trends that we have witnessed for several years and it is these trends that define our strategy. Demand for workforce transformation solutions is growing as organisations increasingly see themselves not only as profit generators, but as developers of talent and creators of meaningful and rewarding careers. Recruiting, developing and retaining employees is now understood to be a more effective and profitable way of growing than to 'buy-in' skills that have been learned elsewhere. By developing their own talent, organisations are finding more effective and profitable ways to create winning and sustainable cultures.

LTG has combined solid organic revenue growth with a number of strategic acquisitions. In 2020 we completed five acquisitions, most notably the integration of three businesses to form Open LMS, creating the global leader in the open-source Moodle™ market. In the first quarter of 2021 we acquired Bridge and Reflektive, two strategically important SaaS-based talent platforms, and PDT Global, a specialist D&I consultancy that complements our Affirmity business. The combined cash outflow (net of cash acquired) for these first half acquisitions was £52.1 million. All three businesses are performing well and generating profits, although margins at Bridge and Reflektive are currently below the Group average and expected to improve by the year end.

In July, LTG announced the proposed acquisition of GP Strategies, a leading provider of managed learning services and workforce transformation, for $394 million. The strategically compelling combination will create a leading global workforce transformation business focused on learning and talent. LTG has identified significant margin enhancement and cross-sell opportunities, with the proposed transaction expected to be significantly EPS accretive in the first year following completion.

Results

In the six months ended 30th June 2021, revenues increased by 28.9% to £82.6 million (H1 2020: £64.1 million) reflecting the contribution from acquired business and like-for-like constant currency organic growth of c.7% compared with a decline of c.8% in 2020.

Revenue in Software & Platforms increased 26% to £60.9 million (H1 2020: £48.5 million) with the division now representing 74% of overall revenue. On a like-for-like constant currency basis the Software & Platforms division grew by c.5% (2020: 0%) with large increases from Rustici and Breezy in particular, offset as expected, by a decline in PeopleFluent where COVID-19 has delayed large enterprise procurement processes. Acquired businesses including Open LMS and Bridge made a substantial contribution to the year-on-year increase and are both demonstrating strong top line growth.

Revenue in Content & Services ('C&S') increased 39% to £21.6 million (H1 2020: £15.6 million) with the division now accounting for 26% of overall revenue. On a like-for-like constant currency basis the Content & Services division grew by c.14% (2020: -24%). This strong recovery has been led by LEO and we expect to see this continue into the second half of the year. PRELOADED's sales recovery started in Q2 and has accelerated in the last few months which we expect will result in a very strong H2 performance. C&S is firmly underpinned by a strong order book and sales pipeline which shows no signs of diminishing.

Recurring revenues as a proportion of total revenue reduced from 81% in H1 2020 to 77% in the first half of 2021, reflecting the strong growth seen in Content & Services, partly offset by the change in business mix due to the predominantly SaaS businesses acquired over the past 12 months.

Adjusted EBIT[1] increased 19.8% to £22.0 million (H1 2020: £18.4 million). The resulting EBIT margin of 26.7% was down from 28.7% in H1 2020, driven primarily by currency headwinds. Software & Platforms margins reduced from 31.5% in H1 2020 to 26.7% in H1 2021. This was partly due to the temporary impact of the post-acquisition contributions from Reflektive and Bridge which have both been rapidly turned to profit following their integration; these businesses will deliver improved margins in the second half of the year. The three businesses comprising Open LMS acquired during 2020 also deliver lower margins than other parts of the Software & Platforms division and this has changed the margin mix. It is anticipated that underlying margins will improve over the medium term as the division sees the benefits of operational leverage.

Adjusted EBIT margins have increased substantially in the Content & Services division from 19.7% in H1 2020 to 26.4% in the first half of 2021. This is primarily as a result of improved margins in the LEO business as well as the incorporation of the higher margin PDT Global business into the Group.

Group reported operating profit of £5.1 million (H1 2020: £5.1 million) is stated after amortisation of acquired intangibles, various acquisition earn-out charges, and acquisition transaction and integration costs. Amortisation of acquired intangibles increased to £11.7 million (H1 2020: £10.9 million). Acquisition transaction costs increased to £1.6 million (H1 2020: £0.4 million) and integration costs to £0.9 million (H1 2020: £0.2 million) and were primarily related to the first quarter acquisitions of Reflektive, PDT Global and Bridge. The acquisition related contingent consideration charge increased from £0.9 million in H1 2020 to £2.4 million. Contingent consideration arrangements are in place for Breezy, eThink, eCreators and PDT and are all contingent 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 2020: £1.1 million).

Finance expenses of £0.5 million (H1 2020: £0.9 million) include interest on borrowings of £0.3 million (H1 2020: £0.6 million) and £0.2 million (H1 2020: £0.2 million) relating to the Group's leases under IFRS 16.

The Group reported a profit before tax of £4.6 million for the six months ended 30th June 2021 (H1 2020: £4.1 million). The tax credit of £0.6 million (H1 2020: tax credit of £0.8 million) primarily results from taxes on UK and international profits, offset by the anticipated utilisation of brought forward tax losses and the change in the UK deferred tax rate from 19 to 25 per cent (see Note 5.)

Basic earnings per share in H1 2021 was 0.705 pence (H1 2020: 0.710 pence). Adjusted diluted earnings per share as set out in Note 9 was 3% up on the prior year at 2.310 pence (H1 2020: 2.251 pence) reflecting the strong growth in underlying earnings offset by an increase in the effective tax rate, the impact of the May 2020 share placing and the potential dilutive impact of share options.

Gross cash of £39.3 million and net cash[1] of £24.9 million at 30th June 2021 compares with gross cash of £88.6 million and net cash of £70.2 million at 31st December 2020. LTG continued to show good operating cash conversion of 79% (H1 2020: 100%; FY 2020: 85%). Net interest payments reduced from £0.8 million to £0.2 million and tax payments increased to £4.3 million (H1 2020: £1.8 million). Net cash outflows due to the acquisition of subsidiaries of £52.1 million (H1 2020: £22.5 million) relate to the acquisition of Bridge, Reflektive and PDT Global. Spend on development of intangible assets increased from £3.1 million to £3.6 million.

At 30th June LTG had a debt facility with Silicon Valley Bank ('SVB') and Barclays Bank for $63.0 million. The facility comprised a $42.0 million term loan and a committed $21.0 million revolving credit facility ('RCF') available for five years. As part of the refinancing for the proposed acquisition of GP Strategies the loan facility was settled in full on 13 July 2021. It has been replaced by a new debt facility with SVB, Barclays Bank, HSBC, Fifth Third Bank and the Bank of Ireland. This new facility comprises a term loan for $265.0 million, a bridging facility for $40.0 million and a $50.0 million committed RCF. At this date the facilities remain undrawn.

Net assets increased to £271.8 million at 30th June 2021 (31st December 2020: £269.1 million) and shareholders' funds[1] increased from 36.4 pence per share to 36.6 pence per share.

[1] Denotes first instance of an Alternative Performance Measure (APM) term defined and explained in the Glossary on page 29

Operational Review

Software & Platforms

The Software & Platforms division comprises SaaS and on-premise licenced product solutions as well as hosting, support and maintenance services. The acquisition of Bridge in Q1 now enables LTG to address the three main segments in the talent development market.

PeopleFluent provides connectable, fully customisable talent development products for the complex organisational needs of large enterprises.

Our new offering, Bridge, is an employee-focused talent development platform. This modern and popular learning and talent management suite operates in the high growth, mid-market segment of the market but also has potential, we believe, to move into certain sectors of the enterprise market.

Breezy provides the largely self-service, out-of-the-box capabilities demanded at the smaller company end of the market and is currently focused on the talent acquisition market.

Other 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. They also operate as stand-alone products or can be integrated with third party solutions.

Open LMS, eCreators and eThink (together 'Open LMS'), all acquired during 2020, have given LTG a large-scale capability in the open-source Moodle™ market. Already with a strong position in the education and government sectors, during the first half of 2021 Open LMS has successfully grown the proportion of corporate clients and has worked alongside other LTG businesses including LEO and Watershed and integrated Instilled into its solutions.

The Software & Platforms division also comprises VectorVMS, a contractor management product and Rustici, the leading global expert in e-learning interoperability software.

Content & Services

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 and strategic learning blend design, and creative content generation. As expected LEO has seen strong demand throughout the second half of 2020 and into 2021 as corporates 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.

PRELOADED, LTG's highly regarded games studio, has seen a slower start to the year but sales have picked up markedly towards the end of Q2 and into Q3. In the first half of the year the PRELOADED management team joined LEO and both businesses are now working ever more closely and successfully to bring blended learning and gamified solutions to their clients.

PDT Global is a leading provider of D&I training solutions, acquired in February. It is now working alongside Affirmity, LTG's existing affirmative action provider, enabling clients to objectively measure and track their D&I performance and then implement the tools, processes and actions to make appropriate changes. Both businesses have demonstrated substantial growth during the first half of the year.

Acquisitions

LTG acquired Reflektive, Bridge and PDT Global in the first half of 2021. All businesses have been successfully integrated and Reflektive and Bridge, which were substantially loss making prior to acquisition have been quickly turned to profit. Further details of the acquisitions are provided in Note 16.

Strategic update and proposed acquisition of GP Strategies

Our purpose is to help companies keep up with changing workforce requirements. We aim to ensure that organisations hire the best people, put them in the right roles, develop the appropriate skills, and then retain their employees so that winning cultures can first be created and then nurtured.

The accelerating pace of change required from all organisations is causing re-skilling demands that cannot be met through recruitment alone. Organisations are realising that they need to become learning enablers, achieved through a combination of learning provision, performance measurement and talent management. This will help them to create the motivational and productive learning environments that they require to maximise employee satisfaction, enjoyment, and performance so that they remain competitive and relevant. LTG is rapidly building a global business to satisfy this growing demand by helping customers to develop their workforces at scale through integration, customisation, and contextualisation. Management believes such workforce transformation can only be achieved through a unique combination of front-end consulting, deep organisational integration, cross-border communication and the application of technology to create complete and embedded solutions.

LTG seeks to achieve these objectives through a combination of organic growth and strategic acquisitions.

On 15th July LTG announced the proposed acquisition of GP Strategies, a global provider of workforce performance solutions, for $394 million. The acquisition of GP Strategies will create the world's largest specialist workforce transformation business, focused entirely on workforce learning and development. LTG shares a vision with GP Strategies that to deliver the integration, customisation and contextualisation needed to develop workforces efficiently and effectively, a special type of offering is required. We believe that to develop effective learning organisations that will thrive in today's business environment, we must provide a unique blend of sector-specific technology and services expertise that is intermeshed with products to produce insights across complex businesses and sectors, and a range of skills and experience that can enhance the customer journey.

GP Strategies' strengths include long-standing client relationships, recurring multi-year revenues with high customer satisfaction, deep industry expertise, global market presence and a proven process for cross-selling. The acquisition will provide a platform for continued organic growth aided by strength in the APAC market, deep client relationships with established account management to enable cross-selling of LTG solutions, and specialist expertise in technology, automotive and finance sectors. GP Strategies also brings significant offshoring capabilities and vendor management services that create vertical integration opportunities for LTG's existing products and services. LTG is bringing together some of the brightest talents in the industry in order to deliver the tools and solutions that can help our customers build the workforce capabilities that they require to prosper.

The acquisition of GP Strategies represents a transformational leap in the creation of the complete solution that we envisage incorporating - a combination of award-winning technology, leading talent development skills and a global delivery capability. This will help our customers become the 'learning organisations' that they need to be to drive up productivity and profitability in a world of increasing complexity and rapid change, including people's changing relationship with the workplace.

The combined business will generate pro-forma revenue of c.£500 million, operate in more than 80 countries and, with over 5,000 employees, will give LTG a truly global presence. We have identified significant margin enhancement and cross-sell opportunities and may consider divesting some non-core assets. The transaction will be financed by an £85 million share placing and $305 million of debt financing, both completed in mid-July. The Company has converted £80 million of the placing proceeds into US Dollars at an effective rate of 1.38 and does not anticipate drawing down on the debt facility until the transaction closes. Debt leverage is anticipated to peak at c1.7x before dropping to less than 1.0x by the end of 2022. Completion of the acquisition is expected to take place in Q4 2021, and is subject to regulatory and GP Strategies' shareholder approval.

An extensive and forensic research effort has been ongoing over recent months with the assistance of GP Strategies' management. Findings to date support LTG's thesis regarding the level of margin improvement that can be achieved. Additionally, there are positive indications that further upside can be delivered thereafter as improved sales and delivery methodologies are embedded and onerous long-term contracts with external vendors come to an end. The transaction is expected to be significantly earnings enhancing from 2022.

The Group will continue to selectively evaluate a limited number of additional bolt-on acquisition opportunities as the year progresses.

Corporate Governance

During 2020, LTG further enhanced its ESG initiatives and reported more fully on measures in place. We have continued on this journey during the first half of 2021 but more importantly, we are empowering our customers to achieve their own ESG priorities. As a business that helps companies to manage and develop their human capital, our technology and services are helping to directly improve the talent development of more than 200 million people around the world.

Our staff have shown incredible dedication and professionalism over the past 18 months as they have worked from home. With appropriate support from management, we have demonstrated that we are able to deliver effectively for our clients and care for our people. As part of a new policy that will continue after the impact of COVID-19 we have embraced a flexible working environment, combining face-to-face activities where it is appropriate and required, but also empowering our staff as much as possible to decide whether they wish to work from home or the office.

Dividend

The Board is committed to a progressive dividend policy. On 25 June 2021, the Company paid a final dividend of 0.50 pence per share, giving a total dividend for 2020 of 0.75 pence per share, in line with the prior year. Given its confidence in the continuing success of the Group, the Board is pleased to announce it has approved an interim dividend of 0.30 pence per share (2020: 0.25 pence per share), representing a 20% increase. This dividend will be paid on 29th October 2021 to all shareholders on the register as at 8th October 2021.

Current trading and outlook

We are making solid progress in our ambition to serve small, mid-size and enterprise tier clients with our targeted, multi-product solutions. We are excited by opportunities to enhance our global offering through the successful integration of GP Strategies. The appreciation by corporates of the necessity, appropriateness and effectiveness of digital learning and talent management solutions will, in the Board's view, continue to drive demand for our solutions and lead to continued strong levels of performance in the second half of 2021.

At the time of the share placing in May 2020, LTG announced a new strategic financial objective to achieve run-rate revenues of circa £230 million and run-rate adjusted EBIT of circa £66 million by the end of 2022 through a combination of organic growth, strategic bolt-on acquisitions and with no further dilution to shareholders. The Board has successfully executed that plan over the past year. In addition to this the transformational acquisition of GP Strategies will propel the Group well past the 2022 financial targets by the end of 2021. The Board will review the progress of the GP Strategies acquisition and will report to shareholders on renewed strategic financial objectives later in 2022.

The Board is delighted with the strong organic revenue growth delivered during the first half of the year, the Group's resilient recovery from the impact of the COVID-19 pandemic and the successful integration of our most recent acquisitions. We have created a strong base, capable of meaningful rates of organic revenue growth whilst delivering industry-leading profit margins and cash generation, which will enable us to realise the significant opportunities that we believe lie ahead in the second half year and beyond. We are confident that we can continue to profitably build on these strong foundations as we remain on target, despite currency headwinds, to deliver on market expectations for the full year.

Andrew Brode
Chairman
21 September 2021

Consolidated statement of comprehensive income	Note	Six months to 30 June 2021 £'000	Six months to 30 June 2020 £'000	Year to 31 Dec 2020 £'000
Revenue	4	82,573	64,082	132,324
Operating expenses		(75,420)	(57,207)	(114,130)
Share based payment charge		(2,090)	(1,815)	(3,340)
Operating profit		5,063	5,060	14,854
Adjusted EBIT		22,037	18,397	40,348
Adjusting items included in Operating profit	6	(16,974)	(13,337)	(25,494)
Operating profit		5,063	5,060	14,854
Net finance expenses	7	(454)	(924)	(1,385)
Profit before taxation		4,609	4,136	13,469
Income tax credit/(expense)	5	613	780	3,935
Profit for the period/year		**5,222**	**4,916**	**17,404**
Other comprehensive income: Exchange differences on translating foreign operations		(4,616)	9,843	(6,616)
Total comprehensive profit for the period		**606**	**14,759**	**10,788**
Earnings per share				
Basic, (pence)	9	0.705	0.710	2.450
Diluted, (pence)	9	0.688	0.696	2.382
Adjusted earnings per share				
Basic, (pence)	9	2.367	2.295	4.417
Diluted, (pence)	9	2.310	2.251	4.294

Consolidated statement of financial position	**Note**	**30 June 2021 £'000**	**30 June 2020 £'000 (Restated)**	**31 Dec 2020 £'000**
NON-CURRENT ASSETS				
Property, plant and equipment		903	1,366	1,025
Right of use assets	11	7,013	10,470	8,806
Intangible assets	10	313,044	262,599	256,284
Deferred tax assets		9,894	4,000	7,614
Other receivables, deposits and prepayments		-	-	76
Amounts recoverable on contracts		849	759	624
		331,703	279,194	274,429
CURRENT ASSETS				
Trade receivables		36,457	22,450	32,984
Other receivables, deposits and prepayments	12	7,395	4,177	4,219
Amounts recoverable on contracts		8,788	3,917	3,879
Amounts due from related parties		-	-	54
Cash and cash equivalents	13	39,322	68,045	88,614
Short-term deposits	13	-	30,000	-
Restricted cash balances	13	1,567	602	682
		93,529	129,191	130,432
TOTAL ASSETS		**425,232**	**408,385**	**404,861**
CURRENT LIABILITIES				
Lease liabilities	15	3,774	2,804	2,536
Trade and other payables	14	87,142	64,245	68,015
Amounts due to related parties		84	82	-
Net restricted cash from the consolidation invoice process (CIP)		-	78	-
Borrowings	15	7,197	6,738	7,339
Corporation tax		2,513	3,403	4,591
ESPP scheme liability		801	381	562
		101,511	77,731	83,043
NON-CURRENT LIABILITIES				
Lease liabilities	15	7,111	9,538	7,722
Deferred tax liabilities		33,035	26,180	25,617
Other long-term liabilities		4,388	5,468	7,635
Borrowings	15	7,260	13,476	11,073
Provisions		122	827	701
		51,916	55,489	52,748
TOTAL LIABILITIES		**153,427**	**133,220**	**135,791**
NET ASSETS		**271,805**	**275,165**	**269,070**
EQUITY				
Share capital		2,865	2,847	2,853
Share premium account		233,779	231,229	231,671
Merger relief reserve		31,983	31,983	31,983
Reverse acquisition reserve		(22,933)	(22,933)	(22,933)
Share based payment reserve		8,096	5,914	7,439
Foreign exchange translation reserve		(11,584)	9,491	(6,968)
Accumulated retained earnings		29,599	16,634	25,025
TOTAL EQUITY		**271,805**	**275,165**	**269,070**

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 2020	**2,509**	**148,216**	**31,983**	**(22,933)**	**4,413**	**(352)**	**10,153**	**173,989**
Restatement due to IFRS 15 Rustici application change	-	-	-	-	-	-	1,554	1,554
Profit for period	-	-	-	-	-	-	4,916	4,916
Exchange differences on translating foreign operations	-	-	-	-	-	9,843	-	9,843
Total comprehensive income for the period	-	-	-	-	-	9,843	4,916	14,759
Issue of shares net of share issue costs	338	83,013	-	-	-	-	-	83,351
Share based payment charge / credited to equity	-	-	-	-	1,815	-	-	1,815
Tax credit on share options	-	-	-	-	-	-	(303)	(303)
Transfer on exercise and lapse of options	-	-	-	-	(314)	-	314	-
Dividends payable	-	-	-	-	-	-	-	-
Balance at 30 June 2020	**2,847**	**231,229**	**31,983**	**(22,933)**	**5,914**	**9,491**	**16,634**	**275,165**
Profit for period	-	-	-	-	-	-	12,488	12,488
Exchange differences on translating foreign operations	-	-	-	-	-	(16,459)	-	(16,459)
Total comprehensive income for the period	-	-	-	-	-	(16,459)	12,488	(3,971)
Issue of shares net of share issue costs	6	442	-	-	-	-	-	448
Share based payment charge / credited to equity	-	-	-	-	1,525	-	-	1,525
Tax credit on share options	-	-	-	-	-	-	1,440	1,440
Transfer on exercise and lapse of options	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(5,537)	(5,537)
Balance at 31 December 2020	**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 (refer to reconciliation in Note 17)	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**

Consolidated statement of cash flows

	Note	Six months to 30 June 2021 £'000	Six months to 30 June 2020 £'000	Year to 31 Dec 2020 £'000
Cash flow from operating activities				
Profit before taxation		4,609	4,136	13,469
Adjustments for:-				
(Gain)/loss on disposal of PPE and right-of-use assets		378	(142)	(122)
Share based payment charge		2,090	1,815	3,340
Amortisation of intangible assets		14,173	12,845	25,639
Depreciation of plant and equipment and right-of-use assets		1,380	1,723	3,245
Finance expense (including IFRS 16 charge)		226	332	614
Interest on borrowings		261	598	911
Acquisition-related contingent consideration and earn-outs		2,442	890	3,511
Fair value movement on contingent consideration		-	-	(1,357)
Payment of acquisition-related contingent consideration and earn-outs		(1,180)	(978)	(1,006)
Interest income		(33)	(6)	(140)
Operating cash flow before working capital changes		**24,346**	**21,213**	**48,104**
Decrease in trade and other receivables		462	7,391	(4,736)
Decrease/(increase) in amount recoverable on contracts		(5,894)	895	(3,427)
Increase/(decrease) in payables		976	(6,782)	3,883
		19,890	22,717	43,824
Interest paid		(203)	(781)	(750)
Interest received		33	6	140
Income tax paid		(4,272)	(1,829)	(3,359)
Net cash flow from operating activities		**15,448**	**20,113**	**39,855**
Cash flow used in investing activities				
Purchase of property, plant and equipment		(223)	(53)	(114)
Development of intangible assets		(3,628)	(3,106)	(6,115)
Investment in short-term deposits		-	(30,000)	-
Acquisition of subsidiaries, net of cash acquired	16	(52,089)	(22,486)	(38,988)
Net cash flow used in investing activities		**(55,940)**	**(55,645)**	**(45,217)**
Cash flow used in financing activities				
Dividends paid	8	(3,705)	-	(5,537)
Cash generated from issue of shares, net of share issue costs		2,120	80,208	80,581
Proceeds from borrowings		-	18,182	18,182
Repayment of bank loans		(3,653)	(36,596)	(36,640)
Contingent consideration payments in the period		(520)	(121)	(121)
Cash payments for the principal portion of lease liabilities		(2,011)	(1,510)	(3,317)
Net cash flow from/(used in) financing activities		**(7,769)**	**60,163**	**53,148**
Net increase/(decrease) in cash and cash equivalents		(48,261)	24,631	47,786
Cash and cash equivalents at beginning of the period/year		88,614	42,032	42,032
Effects of foreign exchange rate changes		(1,031)	1,382	(1,204)
Cash and cash equivalents at end of the period/year	13	**39,322**	**68,045**	**88,614**

Notes to the consolidated financial statements for the six months to 30 June 2021

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 2020 annual report.

The interim results for the six months to 30th June 2021 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 31st December 2020 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 are supplemented when required by additional drawings under the Group's committed $21.0 million revolving credit bank loan facilities (RCF) and an uncommitted $28.0 million accordion facility, which were available until 2023. In July, the term loan was repaid in full, new debt facilities were agreed and an equity placing successfully raised gross proceeds of £85.0 million; refer to Note 17 for further details.

The Group continues to hold a strong liquidity position at 30th June 2021, with gross cash and cash equivalents of £39.3 million (Note 13) and net cash of £24.9 million (Note 15) (31st December 2020: gross cash was £88.6 million and net cash £70.2 million). Whilst there are a number of risks to the Group's trading performance, including from the COVID-19 pandemic and its impact on the global economy, as summarised in the 'Principal risks and uncertainties' section on pages 25 – 26 within the 2020 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 31st December 2021 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 detailed reforecast for 2021 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 year adjustment

Following a review of the IFRS 15 revenue recognition policy applied in the Rustici CGU as part of the 2020 annual financial reporting process, the Group has concluded that Rustici contracts include an additional distinct performance obligation, for which the revenue should be recognised at a point in time on delivery, rather than all over time as the more conservative policy previously applied. As a result of this correction in the accounting, the Group has restated the balance sheet at 30th June 2020 as outlined below. There has been no impact on the income statement for the periods ended 31st December 2019 or 2020.

	30 Jun 2020 £'000	**Adjustments**	**30 Jun 2020 £'000 (Restated)**
Non-current assets			
Property, plant and equipment	1,366	-	1,366
Right of use assets	10,470		10,470
Intangible assets	262,599	-	262,599
Deferred tax assets	4,546	(546)	4,000
Other receivables, deposits and prepayments	-	-	-
Amounts recoverable on contracts	759	-	759
	279,740	(546)	279,194
Current assets			
Trade receivables	22,450	-	22,450
Other receivables, deposits	4,177	-	4,177
and prepayments		-	
Amounts recoverable on contracts	3,917	-	3,917
Amount owing from related parties	-	-	-
Cash and bank balances	68,045	-	68,045
Short-term deposits	30,000		30,000
Restricted cash balances	602	-	602
	129,191	-	129,191
Total assets	**408,931**	**(546)**	**408,385**
Current liabilities			
Lease Liabilities	2,804		2,804
Trade and other payables	64,245	-	64,245
Amounts due to related parties	82		82
Net restricted cash from the consolidation invoice process (CIP)	78		78
Borrowings	6,738	-	6,738
Corporation tax	3,403	-	3,403
ESPP scheme liability	381	-	381
	77,731	-	77,731
Non-current liabilities			
Lease Liabilities	9,538		9,538
Deferred tax liabilities	26,180	-	26,180
Other long-term liabilities	7,568	(2,100)	5,468
Borrowings	13,476	-	13,476
Provisions	827	-	827
	57,589	(2,100)	55,489
Total liabilities	**135,320**	**(2,100)**	**133,220**
Net assets	**273,611**	**1,554**	**275,165**
Shareholders' equity			
Share capital	2,847		2,847
Share premium account	231,229		231,229
Merger reserve	31,983		31,983
Reverse acquisition reserve	(22,933)		(22,933)
Share-based payment reserve	5,914		5,914
Foreign exchange translation reserve	9,491		9,491
Accumulated profits/(losses)	15,080	1,554	16,634
Total equity attributable to the owners of the parent	**273,611**	**1,554**	**275,165**

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 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
Six months to 30 June 2020							
Revenue	11,590	2,815	44,512	887	2,212	2,066	64,082
Non-current assets	29,480	-	231,569	14,114	31	-	275,194
Year to 31 December 2020							
Revenue	21,501	6,184	92,281	3,508	4,344	4,506	132,324
Non-current assets	28,206	-	223,310	15,267	24	8	266,815

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

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 2021										
Recurring revenue	10,825	46,106	1,731	**58,662**	-	163	4,430	**4,593**	72	**63,327**
Non-recurring revenue	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**
Six months to 30 June 2020										
Recurring revenue	10,285	34,241	1,840	**46,366**	-	569	4,637	**5,206**	50	**51,622**
Non-recurring revenue	1,204	425	463	**2,092**	6,460	2,362	1,546	**10,368**	-	**12,460**
Revenue	**11,489**	**34,666**	**2,303**	**48,458**	**6,460**	**2,931**	**6,183**	**15,574**	**50**	**64,082**
Depreciation and amortisation				(3,163)				(476)	-	(3,639)
Adjusted EBIT				**15,277**				**3,070**	**50**	**18,397**
Amortisation of acquired intangibles				(8,957)				(1,972)	-	(10,929)
Other adjusting items				(2,443)				35	-	(2,408)
Finance expenses				(726)				(198)	-	(924)
Profit before tax				**3,151**				**935**	**50**	**4,136**
Additions to intangible Assets				34,946				-	-	34,946
Total assets				**348,978**				**59,407**	**-**	**408,385**
Year to 31 December 2020										
Recurring revenue	16,643	76,345	3,817	**96,805**	-	1,021	9,212	**10,233**	98	**107,136**
Non-recurring revenue	1,129	1,033	1,053	**3,215**	12,906	3,541	5,526	**21,973**	-	**25,188**
Revenue	**17,772**	**77,378**	**4,870**	**100,020**	**12,906**	**4,562**	**14,738**	**32,206**	**98**	**132,324**
Depreciation and amortisation				(5,626)				(1,811)	-	(7,437)
Adjusted EBIT				**32,224**				**8,026**	**98**	**40,348**
Amortisation of acquired intangibles				(18,132)				(3,315)	-	(21,447)
Other adjusting items				(4,077)				30	-	(4,047)
Finance expenses				(1,095)				(290)	-	(1,385)
Profit before tax				**8,920**				**4,451**	**98**	**13,469**
Additions to intangible Assets				62,433				-	-	62,433
Total assets				**342,941**				**61,920**	**-**	**404,861**

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 30th June 2021 no customer accounted for more than 10 per cent of reported revenues (H1 2020: no customer accounted for more than 10 per cent of reported revenues).

5. Taxation

Current and deferred tax for the six months to 30th June 2021 has been calculated by preparing tax reconciliations incorporating 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 2021 £'000	Six months to 30 June 2020 £'000	Year to 31 Dec 2020 £'000
Current tax:			
Tax on profits for the period/year	2,688	3,147	4,713
Adjustments in respect of prior years	-	-	376
Total current tax	2,688	3,147	5,089
Deferred tax:			
Origination and reversal of temporary differences	(3,254)	(3,587)	(4,703)
Adjustments in respect of prior years	323	(340)	(4,025)
Change in deferred tax rate	(370)	-	(296)
Total deferred tax	(3,301)	(3,927)	(9,024)
Income tax (credit)/expense	(613)	(780)	(3,935)

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 2021 £'000	Six months to 30 June 2020 £'000	Year to 31 Dec 2020 £'000
Adjusting items included in Operating profit:			
Amortisation of acquired intangibles	11,689	10,929	21,447
Loss on disposal of fixed assets	197	1	21
(Profit)/loss on disposal of right-of-use assets	181	(143)	(143)
Acquisition-related contingent consideration and earn-outs	2,442	890	3,511
Fair value movement on contingent consideration	-	-	(1,357)
Net foreign exchange loss arising due to business acquisition	-	1,070	1,070
Acquisition costs	1,581	383	715
Integration costs	884	207	230
Total adjusting items	16,974	13,337	25,494

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 completed acquisitions 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 2021 £'000	**Six months to 30 June 2020 £'000**	Year to 31 Dec 2020 £'000
Charge on contingent consideration	46	110	196
Interest on borrowings	261	598	911
Interest on IFRS 16 lease liabilities	180	222	418
	487	930	1,525
Interest receivable	(33)	(6)	(140)
	454	924	1,385

8. Dividends paid

	Six months to 30 June 2021 £'000	**Six months to 30 June 2020 £'000**	**Year to 31 Dec 2020 £'000**
Final dividends paid	3,705	-	-
Interim dividend paid	-	-	5,537
	3,705	-	5,537

The proposed interim dividend of 0.30 pence per share, amounting to a total dividend payment of £2.4 million, is not included as a liability in these financial statements and will be paid on 29th October 2021 to shareholders on the register at the close of business on 8th October 2021.

9. Earnings per share

	Six months to 30 June 2021 £'000	Six months to 30 June 2020 £'000	Year to 31 Dec 2020 £'000
Profit after tax attributable to owners of the Group:	5,222	4,916	17,404
Weighted average number of shares:			
Basic	740,599,837	692,823,974	710,348,462
Diluted	759,140,001	706,492,868	730,619,530
Basic earnings per share (pence)	0.705	0.710	2.450
Diluted earnings per share (pence)	0.688	0.696	2.382
Adjusted basic earnings per share (pence)	2.367	2.295	4.417
Adjusted diluted earnings per share (pence)	2.310	2.251	4.294

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 2021			Six months to 30 June 2020			Year to 31 Dec 2020		
	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	**5,222**	**740,600**	**0.705**	**4,916**	**692,824**	**0.710**	**17,404**	**710,348**	**2.450**
Effect of adjustments:									
Amortisation of acquired intangibles	11,689			10,929			21,447		
Integration costs	884			207			230		
Acquisition costs	1,581			383			715		
Fair value movement on contingent consideration	-			-			(1,357)		
Acquisition earn-out	2,442			890			3,511		
Net foreign exchange differences on business acquisitions	-			1,070			1,070		
Interest receivable	(33)			(6)			(140)		
Finance expense on contingent consideration	46			110			196		
Finance expense on lease liabilities (IFRS 16)	180			222			418		
Income tax (credit)/expense	(613)			(780)			(3,935)		
Effect of adjustments	16,176	-	2.184	13,025	-	1.880	22,155	-	3.119
Adjusted profit before tax	**21,398**	-	-	**17,941**	-	-	**39,559**	-	-
Tax impact after adjustments	(3,865)	-	(0.522)	(2,040)	-	(0.295)	**(8,183)**	-	**(1.152)**
Adjusted basic earnings per ordinary share	**17,553**	**740,600**	**2.367**	**15,901**	**692,824**	**2.295**	**31,376**	**710,348**	**4.417**
Effect of dilutive potential ordinary shares:	-	-	-	-	-	-	-	-	-
Share options	-	18,540	(0.057)	-	13,669	(0.044)	-	20,271	(0.123)
Deferred consideration payable (conditions met)	-	-	-	-	-	-	-	-	-
Deferred consideration payable (contingent)	-	-	-	-	-	-	-	-	-
Adjusted diluted earnings per ordinary share	**17,533**	**759,140**	**2.310**	**15,901**	**706,493**	**2.251**	**31,376**	**730,619**	**4.294**

10. 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 2020	134,985	92,532	2,524	39,680	12,289	282,010
Additions on acquisition	18,105	10,221	-	3,514	-	31,840
Additions	-	-	-	-	3,106	3,106
Foreign exchange differences	6,854	2,793	96	1,834	453	12,030
At 30 June 2020	159,944	105,546	2,620	45,028	15,848	328,986
Additions on acquisition	9,285	8,533	-	6,660	-	24,478
Additions	-	-	-	-	3,009	3,009
Foreign exchange differences	(12,369)	(4,764)	(135)	(2,986)	(754)	(21,008)
At 31 December 2020	156,860	109,315	2,485	48,702	18,103	335,465
Additions on acquisition (see note 15)	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
Accumulated amortisation						
At 1 January 2020	-	38,894	968	8,703	4,977	53,542
Amortisation charged in period	-	7,913	145	2,871	1,916	12,845
At 30 June 2020	-	46,807	1,113	11,574	6,893	66,387
Amortisation charged in period	-	7,547	115	2,856	2,276	12,794
At 31 December 2020	-	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
Carrying amount						
At 30 June 2020	**159,944**	**58,739**	**1,507**	**33,454**	**8,955**	**262,599**
At 31 December 2020	**156,860**	**54,961**	**1,257**	**34,272**	**8,934**	**256,284**
At 30 June 2021	**187,317**	**60,426**	**2,447**	**52,884**	**9,970**	**313,044**

11. Right-of-use assets

	Computer equipment £'000	Property £'000	Total £'000
Cost			
At 1 January 2020	83	12,255	12,338
Additions on acquisitions	-	-	-
Additions	-	2,219	2,219
Foreign exchange differences	-	370	370
Disposals	-	(1,002)[1]	(1,002)
At 30 June 2020	83	13,842	13,925
Additions on acquisitions	-	36	36
Additions	-	-	-
Foreign exchange differences	-	(491)	(491)
Disposals	-	-	-
At 31 December 2020	83	13,387	13,470
Additions on acquisitions	-	-	-
Additions	271	79	350
Foreign exchange differences	(5)	(188)	(193)
Disposals	-	(1,335)[2]	(1,335)
At 30 June 2021	349	11,943	12,292
Accumulated Depreciation			
At 1 January 2020	60	2,414	2,474
Charge for the year	23	1,244	1,267
Disposals	-	(286)	(286)
At 30 June 2020	83	3,372	3,455
Charge for the year	-	1,209	1,209
Disposals	-	-	-
At 31 December 2020	83	4,581	4,664
Charge for the year	37	1,089	1,126
Disposals	-	(511)	(511)
At 30 June 2021	120	5,159	5,279
Net book value			
At 30 June 2020	-	10,470	10,470
At 31 December 2020	-	8,806	8,806
At 30 June 2021	229	6,784	7,013

[1] 2020 disposal relates to a sub-lease amendment whereby the Rustici business agreed to consolidate two separate leases part of which was held by Watershed.

[2] 2021 disposal relates to the sub-lease of the Waltham property within PeopleFluent. The right-of-use asset was disposed and a corresponding finance lease receivable has been recognised within Sundry receivables in Note 12.

12. Other receivables, deposits and prepayments

	30 June 2021 £'000	30 June 2020 £'000	31 Dec 2020 £'000
Sundry receivables	2,080	145	371
Prepayments	5,315	4,032	3,848
	7,395	4,177	4,219

13. 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 2021 £'000	30 June 2020 £'000	31 Dec 2020 £'000
Cash and cash equivalents	39,322	68,045	88,614

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

	30 June 2021 £'000	30 June 2020 £'000	31 Dec 2020 £'000
Restricted cash	1,567	602	682

Short-term deposits comprise term deposits with an original maturity greater than three months:

	30 June 2021 £'000	30 June 2020 £'000	31 Dec 2020 £'000
Short-term deposits	-	30,000	-

14. Trade and other payables

	30 June 2021 £'000	30 June 2020 £'000	31 Dec 2020 £'000
Trade payables	3,221	3,127	2,335
Contract liabilities	63,269	49,409	51,679
Tax and social security	1,132	982	1,687
Contingent consideration and earn-outs payable	4,425	965	1,698
Accruals and other payables	15,095	9,762	10,616
	87,142	64,245	68,015

15. Borrowings

As at 30 June 2021 the Group had in place a $63 million debt facility with Silicon Valley Bank and Barclays Bank. This facility comprised a committed $42 million multicurrency term loan and a committed $21 million multicurrency revolving credit facility, both available to the Group until April 2023. The facility attracted 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 was repayable with quarterly instalments of $2.5 million with the balance repayable on the expiry of the loan in April 2023.

The bank loan was secured by a fixed and floating charge over the assets of the Group and was subject to various financial covenants that were tested quarterly. The financial covenants were that the Group must ensure that its cash flow cover ratio was at least 1.1 times and its leverage ratio did not exceed 2.75. The cash flow 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 as at 30th June 2021. At that date the Group's cash flow cover was 3.60 and its leverage ratio was -0.70.

The term loan balance was repaid in full in July 2021 and new debt facility agreed. Refer to Note 17 for further details.

	30 June 2021 £'000	30 June 2020 £'000	31 Dec 2020 £'000
Current interest-bearing loans and borrowings	7,197	6,738	7,339
Non-current interest-bearing loans and borrowings	7,260	13,476	11,073
Current lease liabilities	3,774	2,804	2,536
Non-current lease liabilities	7,111	9,538	7,722
	25,342	**32,556**	**28,670**

Net debt / cash reconciliation

Net debt / cash can be analysed as follows:

	30 June 2021 £'000	30 June 2020 £'000	31 Dec 2020 £'000
Cash and cash equivalents	39,322	68,045	88,614
Short-term deposits	-	30,000	-
Borrowings:			
- Revolving credit facility	-	-	-
- Term loan	(14,457)	(20,214)	(18,412)
Net cash / (debt)	**24,865**	**77,831**	**70,202**

16. Acquisitions

In the period, the Group acquired three businesses - Reflektive, PDT Global and Bridge. We have outlined below a summary of the consideration paid, the provisional fair value of acquired intangible assets, the fair value of other acquired assets and liabilities assumed at the acquisition date and the resulting goodwill for each acquisition in the period, with further detail provided for each acquisition below.

Acquisition	Goodwill	Acquired customer relationships	Acquired software and IP	Acquired brand	Acquired deferred tax liabilities	Fair value of other identifiable assets and liabilities	Consideration paid	Cash acquired	Net cash outflow
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reflektive	4,280	3,051	4,497	-	(2,035)	191	9,984	3,322	6,662
PDT Global	7,512	4,060	430	170	(932)	2,177	13,417	2,148	11,269
Bridge	21,273	7,306	18,348	1,243	(7,263)	(6,749)	34,158	-	34,158
Total	**33,065**	**14,417**	**23,275**	**1,413**	**(10,230)**	**(4,381)**	**57,559**	**5,470**	**52,089**

Reflektive

On 1 February 2021, Learning Technologies Group Plc completed the acquisition of Reflektive Inc ("Reflektive"), a leading performance management software provider, from a group of institutional investors for cash consideration of $13.7 million (c.£10.0 million), funded from LTG's cash resources.

Headquartered in San Francisco, Reflektive specialises in engagement and analytics tools. It offers a collaborative goal setting, continuous feedback and analytics platform used by corporate teams and individuals to provide measurable results for boosting productivity, engagement, and retention. Reflektive has joined LTG's PeopleFluent business, integrating its solution with the existing PeopleFluent talent management portfolio. The combination with LTG's other software solutions provides opportunities for cross-sell and upsell-led growth.

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

Consideration	**Fair Value £'000**
Cash paid	5,840
Adjustments and hold backs	(513)
Payment for cash acquired	4,657
Total consideration	**9,984**

Recognised amounts of identifiable assets acquired and liabilities assumed	**Fair value £'000**
Cash and cash equivalents	3,322
Restricted cash	1,168
Property, plant and equipment	59
Trade and other receivables	2,954
Trade and other payables	(5,192)
Net IFRS 16 liability	(2,120)
Deferred tax liabilities on acquisition	(2,035)
Customer relationships identified on acquisition	3,051
Software and intellectual property identified on acquisition	4,497
Total identifiable net assets	**5,704**
Goodwill	**4,280**
Total	**9,984**

16. Acquisitions (continued)

The total consideration and fair value adjustments to the assets and liabilities assumed are provisional and are management's best estimates at this time. These estimates may be refined in the second half of the financial year.

Acquisition-related intangible assets of £3.1 million relate to the valuation of the customer relationships which are amortised over a period of eight years, and £4.5 million relates to the value of the acquired intellectual property and software development which is amortised over ten years.

Acquisition costs of £0.2 million have been charged to the statement of comprehensive income in the year relating to the acquisition of Reflektive.

Reflektive contributed £4.3 million of revenue for the period between the date of acquisition and the balance sheet date and £0.7 million of profit before tax attributable to equity holders of the parent. As a preliminary assessment, had the acquisition of Reflektive been completed on the first day of the period Group revenues would have been approximately £0.9 million higher and group profit before tax attributable to equity holders of the parent would have been approximately £0.5 million lower.

PDT Global

On 5 February 2021, Learning Technologies Group Plc acquired UK-based The People Development Team Limited ('PDT Global'), a leading provider of online Diversity and Inclusion (D&I) training solutions, for cash consideration of £13.4 million funded from LTG's cash resources.

Further performance based payments, capped at £6.1 million are payable in cash to the PDT Global sellers based on ambitious revenue growth targets in each of the years ending 31 December 2021, 2022 and 2023. These payments are linked to continuous employment so are excluded from the acquisition consideration and instead are recognised as an expense over the service period within the Statement of Comprehensive Income.

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

Consideration	**Fair Value £'000**
Cash paid	13,417
Total consideration	**13,417**

Recognised amounts of identifiable assets acquired and liabilities assumed	**Fair value £'000**
Cash and cash equivalents	2,148
Property, plant and equipment	30
Trade and other receivables	1,862
Trade and other payables	(1,863)
Net deferred tax assets/liabilities on acquisition	(932)
Customer relationships identified on acquisition	4,060
Intellectual property identified on acquisition	430
Brand name identified on acquisition	170
Total identifiable net assets	**5,905**
Goodwill	**7,512**
Total	**13,417**

16. Acquisitions (continued)

The total consideration and fair value adjustments to the assets and liabilities assumed are provisional and are management's best estimates at this time. These estimates may be refined in the second half of the financial year.

Acquisition-related intangible assets of £4.1 million relate to the valuation of the customer relationships which are amortised over a period of four years, £0.4 million relates to the value of the acquired intellectual property which is amortised over five years and £0.2 million relates to the value of the acquired PDT Global brand, which is amortised over two years.

Acquisition costs of £0.1 million have been charged to the statement of comprehensive income in the year relating to the acquisition of PDT Global.

PDT Global contributed £2.2 million of revenue for the period between the date of acquisition and the balance sheet date and £0.9 million of profit before tax attributable to equity holders of the parent. As a preliminary assessment, had the acquisition of PDT Global been completed on the first day of the financial period Group revenues would have been approximately £0.4 million higher and group profit before tax attributable to equity holders of the parent would have been approximately £0.2 million higher.

Bridge

On 1 March 2021, Learning Technologies Group plc, acquired getBridge LLC and related assets ("Bridge"), a leading learning and talent development software provider, from Instructure Inc for a cash consideration of $47.5 million (c.£34.2 million), funded from LTG's existing cash resources.

Bridge is a learning, performance and skills development platform for mid-enterprise organisations, headquartered in the US with operations in the UK and Hungary. Bridge provides a learning management system in addition to performance, engagement and skills development products, on a single, easy-to-use, SaaS-based platform.

The acquisition of Bridge significantly extends LTG's mid-enterprise learning and talent offering. Bridge is highly complementary to PeopleFluent, which serves the large enterprise market, and BreezyHR, which serves the small and medium-sized business market. The acquisition is strategically important because it enables LTG to provide a holistic learning and talent development offering to meet the needs of small, mid-size and large enterprises, three distinct groups with varying requirements. The combination and integration of Bridge with LTG's other portfolio offerings, including the recently acquired Reflektive engagement and analytics platform, will create opportunities for cross-sell and upsell-led growth within the Group.

16. Acquisitions (continued)

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

Consideration	**Fair Value £'000**
Cash paid	33,764
Adjustments and hold backs	394
Total consideration	**34,158**

Recognised amounts of identifiable assets acquired and liabilities assumed	**Fair value £'000**
Trade and other receivables	796
Trade and other payables	(7,545)
Net deferred tax assets/liabilities on acquisition	(7,263)
Brand name identified on acquisition	1,243
Technology identified on acquisition	18,348
Customer relationships identified on acquisition	7,306
Total identifiable net assets	**12,885**
Goodwill	**21,273**
Total	**34,158**

The total consideration and fair value adjustments to the assets and liabilities assumed are provisional and are management's best estimates at this time. These estimates may be refined in the second half of the financial year.

Acquisition-related intangible assets of £7.3 million relate to the valuation of the customer relationships which are amortised over a period of eleven years, £18.3 million relates to the value of the acquired intellectual property and software development which is amortised over ten years and £1.2m relates to the value of the acquired Bridge brand which is amortised over five years.

Acquisition costs of £0.7 million have been charged to the statement of comprehensive income in the year relating to the acquisition of Bridge.

Bridge contributed £5.6 million of revenue for the period between the date of acquisition and the balance sheet date and £0.4 million of profit before tax attributable to equity holders of the parent. As a preliminary assessment, had the acquisition of Bridge been completed on the first day of the financial period Group revenues would have been approximately £2.8 million higher and group profit before tax attributable to equity holders of the parent would have been approximately £0.1 million higher.

Prior year acquisition measurement period adjustments

Outlined below are the retrospective adjustments to the provisional amounts recognised as goodwill in relation to the acquisitions that occurred in 2020. These adjustments have been made to reflect new information obtained about the circumstances that existed at each respective acquisition date and would have affected the measurement of goodwill at the time.

eCreators

Increase/(decrease) to recognised amounts	Liabilities assumed £'000	Goodwill £'000
Trade and other payables	272	272

eThink

Increase/(decrease) to recognised amounts	Liabilities assumed £'000	Goodwill £'000
Trade and other payables	(196)	(196)

17. Events since the reporting date

Proposed acquisition of GP Strategies

On 15th July the Company announced it had agreed to acquire GP Strategies Corporation ('GP Strategies') a leading global workforce transformation provider with significant offerings in learning services, custom content and consulting for $20.85 per GP Strategies share, representing a market capitalisation of $394 million (£284 million) (the "Consideration") and an enterprise value of $343 million (£247 million).

The Consideration and transaction costs for the Acquisition are intended to be part-funded by a conditional underwritten placing of new ordinary shares outlined below, with the balance being part-funded by up to c.$305 million in incremental debt financing (of which $40 million is to be repaid from GP Strategies' cash shortly after the Acquisition) and out of existing cash resources.

Equity Placing

On 15th July the Company successfully placed a total of 44,300,000 new ordinary shares in the capital of the Company of 0.375 pence each at a price of 192 pence per Placing Share, raising gross proceeds of approximately £85.0 million (before expenses of c.£2.2 million).

Repayment of existing term loan and agreement of new debt facilities

On 13th July the Group repaid the outstanding balance of the existing term loan and associated accrued interest totalling $20.2 million (£14.6 million). The Group has also agreed to a new multicurrency senior term and revolving facilities agreement. This new debt facility which is with Silicon Valley Bank ('SVB'), Barclays Bank, Fifth Third Bank, HSBC UK Bank and the Bank of Ireland, comprises two committed term loans, Term Facility A of $265.0 million, Term Facility B of $40.0 million, a $50.0 million committed RCF and a $50.0 million uncommitted accordion facility.

There have been no other significant events since the reporting date.

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.
Recurring revenue	Revenue	Refer to Note 4	Recurring revenue is defined as the revenue streams of the Group that are predictable and expected to continue into the future upon customer renewal.
Non-recurring revenue	Revenue	Refer to Note 4	Non-recurring 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 15	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 31st December 2020 were 739,297,410 (based on Note 27 of the 2020 Annual report) and 742,515,875 at 30th June 2021.

Company information

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Simon Boddie, Non-executive Director
Andrew Brode, Non-Executive Chairman
Aimie Chapple, Non-Executive Director
Neil Elton, 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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