



Learning Technologies Group plc

INTERIM  
REPORT  
2020



For the six month period to 30 June 2020

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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 2020, in line with management expectations.

Despite the macroeconomic and societal disruption caused by COVID-19, the Group acted swiftly to mitigate against potential adverse impacts on employees, customers and other stakeholders, and the financial health of the company. At the same time the Group built on the achievements of prior years, investing in the business and preparing for the opportunities that will arise as a result of the fundamental changes that we are seeing in the corporate learning and talent management markets.

The acquisition and integration of Open LMS has been completed successfully and we look forward to further building LTG's position in the corporate Moodle market as noted with today's announcement of the proposed acquisition of eCreators. The Group continued to deliver strong operating margins and cash conversion. The strength of LTG's balance sheet, supplemented by the equity placing completed in May leaves the Group in an excellent position to build on these achievements and deliver on our new 2022 financial strategic targets.

### Results

In the six months ended 30<sup>th</sup> June 2020, revenues increased by 2.3% to £64.1 million (H1 2019: £62.6 million). Total recurring revenues increased 10.9% from £46.5 million in H1 2019 to £51.6 million in H1 2020, and recurring revenues now account for 81% of total revenues (H1 2019: 74%). We expect the percentage share of recurring revenue to return to the mid-70s as service revenues recover over the medium term. Underlying revenues fell £1.7 million (4.3%), or 6.7% on an organic constant currency basis (excluding the H1 2020 contribution from Open LMS and assuming a full-period contribution from Breezy HR in H1 2019). This reflects the challenging COVID-19 trading environment, which was more than offset by a £3.2 million contribution from the Open LMS business in the second quarter.

Underlying Adjusted EBIT was up 3.6% to £20.1 million, excluding the net year-on-year increase in non-cash items (H1 2019: £19.4 million). Adjusted EBIT<sup>1</sup> of £18.4 million (28.7% margin) was down on H1 2019 (£19.4 million; 31.1% margin). As previously guided the decline in margins was primarily driven by two non-cash items. Share based payments increased from £1.0 million in H1 2019 to £1.8 million in H1 2020, predominantly as a result of share option awards to management following the acquisition of PeopleFluent in 2018 and the launch of an Employee Stock Purchase Plan ('ESPP') in the US in 2019. Additionally, amortised R&D increased to £1.9 million (H1 2019: £1.0 million) mainly as a result of the post-acquisition capitalisation of PeopleFluent's R&D since May 2018.

Operating profit of £5.1 million (H1 2019: £7.9 million, restated from last year to include acquisition costs) is stated after amortisation of acquired intangibles, various acquisition earn-out charges, foreign exchange movements arising on acquisitions, acquisition and integration costs. Amortisation of acquired intangibles increased to £10.9 million (H1 2019: £10.2 million). A net foreign exchange loss of £1.1 million (H1 2019: nil) arose on the acquisition of Open LMS and reflects the movement in the USD/GBP exchange rate between the \$21.0 million revolving credit facility ('RCF') being drawn for the purposes of the acquisition and completion of the acquisition at the end of March. Acquisition-related contingent consideration and earn-out charges of £0.9 million (H1 2019: £1.1 million) relates primarily to the anticipated earn-outs resulting from the BreezyHR and Watershed acquisitions which are based on demanding incremental revenue growth targets over a three year period. Acquisition costs of £0.4 million (H1 2019: £0.3 million) and integration costs of £0.2 million (H1 2019: nil) relate to the Open LMS integration in the second quarter.

Finance expenses of £0.9 million (H1 2019: £1.1 million) include interest on borrowings of £0.6 million (H1 2019: £0.9 million), charge on contingent consideration of £0.1 million (H1 2019: nil) and a £0.2 million (H1 2019: £0.2 million) charge relating to the Group's leases following adoption of IFRS16.

The Group reported a profit before tax of £4.9 million for the six months ended 30<sup>th</sup> June 2020 attributable to the owners of the parent company (H1 2019: £6.8 million).

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<sup>1</sup> Denotes first instance of an Alternative Performance Measure (APM) term defined and explained in the Glossary on page 24

The basic earnings per share in H1 2020 was 0.710 pence (H1 2019: 1.012 pence). Adjusted diluted earnings per share as set out in Note 8 was in line with the prior year at 2.251 pence (H1 2019: 2.228 pence).

LTG maintained strong operating cash flows in the period driven by good cash collection. Approximately £5.7 million of payments have been postponed until later periods including the 2019 final dividend payment, Directors' 2019 performance bonuses and FICA tax payments in the US. The majority of these postponed payments are expected to be made in the second half of 2020 with the balance to follow during 2021-22 (see further details below). Net cash flows from operating activities (excluding contingent consideration payments relating to 2019 of £1.0 million) was £21.1 million (H1 2019: £15.5 million). This combined with the placing in May resulted in gross cash at £98.0 million (including £30.0 million held on 6 month deposit) and net cash<sup>1</sup> at £77.8 million (31<sup>st</sup> December 2019: gross cash was £42.0 million and net cash £3.8 million). Excluding the transaction costs relating to the acquisition of Open LMS and acquisition related deferred consideration payments, operating cash flow conversion was 100% (H1 2019: 79%).

The Company reduced expenditure on property, plant and equipment during the first half of year but increased investment in capitalised R&D to £3.1 million from £2.8 million in H1 2019.

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 \$63.0 million. The facility comprises a \$42.0 million term loan repayable in quarterly instalments of \$2.1 million, a committed \$21.0 million RCF and an uncommitted \$28.0 million accordion facility, all 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. At 30<sup>th</sup> June 2020 the \$21.0 million RCF and \$28.0 million accordion facility were undrawn. At the time of the placing in May 2020 the lenders agreed to postpone the term loan repayments in the second half of 2020; these term loan repayments which total \$4.2 million will be paid in equal quarterly instalments from Q1 2021 until the termination of the loan in 2023.

In H1 2020 approximately 82% (H1 2019: 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.

Overall net assets increased to £273.6 million at 30<sup>th</sup> June 2020 (31<sup>st</sup> December 2019: £174.0 million) and shareholders' funds<sup>1</sup> increased from 26.0 pence per share to 37.1 pence per share.

## **Operational Review**

### ***Software and Platforms (76% Group Revenue)***

The Software & Platforms division (excluding the post-acquisition contribution of Open LMS) increased revenues from £43.7 million in H1 2019 (assuming a full period contribution from Breezy HR acquired in April 2019) to £45.3 million in H1 2020; a 3.6% increase. SaaS and on-premise software licence revenues increased by 6.6% reflecting strength across all businesses. Rustici increased licence and hosting revenues by 24% and Breezy HR (on a like-for-like basis) increased revenues by 32%. Although Breezy HR witnessed a sharp fall in monthly recurring revenues from mid-March as 'lockdowns' commenced the business returned to growth in May and is now trading ahead of pre-COVID levels.

As expected, whilst PeopleFluent has seen a reduction in new sales as corporates delay large enterprise implementations, retention rates have remained largely in line with 2019. SaaS and on-premise revenues have increased 1.4% year-on-year whilst support and maintenance fees reduced by 41%. In May PeopleFluent launched a new mid-market talent acquisition platform based on Breezy HR's award winning platform to deliver a comprehensive solution for faster deployment amongst mid to large sized clients. This has met with early success.

In September LTG acquired the Patheer talent development and analytics software IP for \$0.2 million. This platform will form the foundation of a new PeopleFluent Talent Mobility product which fits well into PeopleFluent's existing talent management and learning portfolio and complements its current capabilities in a number of ways, including automated skill and job matching, recommendations to employees on internal

openings and active projects (promoting internal mobility), recommending learning, mentoring and developmental activities (promoting career advancement).

The Software & Platforms division generated Adjusted EBIT margins of 31.5% in H1 2020 down on prior year's margin of 35.6% primarily as a result of higher hosting costs as more users used LTG's SaaS services, increased R&D amortisation, investment in business development and the inclusion of Open LMS from April.

### **Content & Services (24% Group revenue)**

As expected the Group has seen a reduction in professional services revenues following the impact of COVID-19 with revenues in the Content & Services division declining 22% from £19.8 million in H1 2019 to £15.6 million in H1 2020. Some services projects have been postponed and new sales delayed, particularly in the development of digital learning programs where non-recurring content revenues declined 29% to £6.5 million. Content & Services projects are typically run on a fixed price, non-recurring basis, with a relatively short sales cycle.

Included within Content & Services non-recurring platform development projects revenues, PeopleFluent has been impacted as new systems implementations have been paused or delayed by clients. However, recurring services revenues were flat year-on-year and include an 8% increase in consulting services driven by Affirmity's diversity and inclusion offerings.

After a weak second quarter, strong sales momentum from LEO, LEO-GRC and Preloaded has built during the third quarter. Eukleia has been rebranded LEO-GRC and now forms the specialist governance, risk and compliance arm of LEO's business. Notable sales successes include a prestigious \$1 million virtual reality healthcare project for PRELOADED and a number of strategic change management programs for LEO. LEO-GRC has had notable success in enabling large banks to convert many of their face-to-face compliance courses into digital formats required as a result of the increase in remote working. Across Content & Services the value of the order book declined during early Spring as clients delayed and postponed projects but has increased since then through stronger sales such that the order book is now only approximately 10% down on the beginning of the year. This combined with an encouraging sales pipeline, gives confidence for the remainder of 2020 and into 2021.

Content & Services saw adjusted EBIT margins decrease marginally from 21.1% in H1 2019 to 19.7% in H1 2020.

Given the breadth of LTG's capabilities, the Group is able to partner and deliver substantial change management programs. LTG is part of the iMast alliance which includes Babcock, QinetiQ, Thales and various academic institutions. The iMast alliance was shortlisted as one of two consortia to bid to partner with the Royal Navy as part of their program to transform and modernise Royal Navy training in innovative ways that will deliver more, better trained Royal Navy personnel to the front line. LTG is also working with KPMG on the latest Civil Service Learning tender. We look forward to being able to update shareholders on these and other opportunities over the coming months, with the Royal Navy contract award announcement due in December 2020.

### **COVID-19 Update**

In light of the potential impact of COVID-19 on the business, management took a number of cautionary proactive measures to prioritise the strong liquidity and cash position of the Group and to follow WHO and government guidance to protect the safety of workers, customers and partners.

The Company implemented a work-from-home policy with effect from 16<sup>th</sup> March for all its staff, putting in place a number of measures to enable effective remote working. These measures have proved to be successful and whilst we have reopened some of our offices for limited use cases we anticipate that the majority of our staff will continue to work remotely into 2021.

In order to sustain LTG's position of financial strength we adopted a number of prudent measures including a freeze on salary increases and new recruits, a postponement of the proposed final dividend distribution and payment of contingent consideration for Breezy HR vendors funded through shares in lieu of cash. Due to the robust financial performance of the Group since then we have been able to reverse some of these precautionary measures including ending a salary deferral scheme for all staff and repaying furlough payments

to the government. Directors agreed to postpone their 2019 performance bonuses until market conditions normalised and these payments will now be honoured at the end of September.

### **Acquisition and integration of Open LMS**

On 31<sup>st</sup> March 2020, LTG completed the acquisition of the business and assets of Open LMS from Blackboard Inc for cash consideration of \$31.7 million (subject to some customary price adjustments) funded from the Group's existing cash and bank facilities. The acquisition of Open LMS adds complementary expertise to the Group's existing proprietary software solutions, through the addition of expertise in the market's leading open-source Learning Management System (LMS), Moodle.

Through simple online tools Moodle allows the creation, personalisation and tracking of learning and examinations programs. Open LMS is a leader in facilitating clients to implement, customise, host and support their Moodle solutions as well as providing additional products and services. LTG supports Open LMS through its existing operational infrastructure and, under a partnership arrangement, LTG resells Blackboard's suite of products that integrate with Moodle.

During the second quarter many universities had to implement digital learning solutions speedily, reliably and to scale, as institutions had to pivot to remote learning and examinations. Open LMS has been able to respond quickly to these needs. In August Open LMS announced a partnership with an invigilation software provider to extend the breadth of the offering, which is gaining considerable traction in the market.

The post-acquisition results for Open LMS are reported in line with LTG's accounting policies. Further details are provided in Note 15.

The acquisition of Open LMS was the first step in LTG's ambition to build the global leader in the provision of commercial Moodle services. Today the Company has announced the acquisition of eCreators Pty Ltd ('eCreators'). eCreators, Australia's largest regional Moodle provider, enhances LTG's position within the Australian market adding significant corporate and further education clients; the company will be integrated into Open LMS. eCreators is being acquired for initial consideration of A\$5.5 million (circa £3.1 million) funded by the Group's existing cash, with up to a further A\$6.5 million (circa £3.7 million) being payable based on ambitious revenue growth targets over the period 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2023. eCreators reported unaudited revenue of A\$4.6 million (circa £2.6 million) in the 12 months ended 30<sup>th</sup> June 2020. Completion is subject to regulatory approval by the Australian government which is anticipated by the end of October 2020.

### **Update on strategic objectives**

LTG's objective is to build a business of scale to capture the growth opportunity in the global digital learning and talent management markets. We intend to achieve this through a combination of organic growth and strategic acquisitions that complement the current business. On 29<sup>th</sup> May the Company announced the successful placing of 64.4 million shares raising gross proceeds of £81.8 million before expenses. The purpose of the placing is to underpin the Group's ability to accomplish its long term growth strategy and take advantage of opportunities that may be accelerated by the current macroeconomic conditions. It is the Board's intention to finance its current pipeline of near-term acquisition opportunities, broadly over the following 12 months, from the proceeds of the placing.

At the time of the placing the Board set out a new financial strategic target 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 and additional strategic bolt-on acquisitions financed through the placing proceeds, internally generated operating cash flows and prudent debt financing. These financial targets exclude any assumptions of acquisitions of a larger scale.

The Group is managing an active pipeline of acquisition opportunities and I look forward to updating shareholders on progress over the coming months.

### **Corporate Governance**

As part of the Group's commitment to improving LTG's Environmental, Social, Governance ('ESG') disclosures the Company has undertaken a number of benchmarking exercises against which the Group will track its performance in future periods. Key data points include the Group's carbon emissions, staff turnover and

diversity and inclusion metrics. The Company has launched a number of initiatives including the establishment of Employee Resource Groups to champion issues such as multicultural diversity, LGTBQ+, and working families, as well as initiating an annual pay equity review, a global maternity and paternity policy and training on equality, diversity and inclusion compliance. We are also undertaking a review of our flexible working practices.

Further details of the ESG benchmarking and initiatives are provided on the LTG website and we look forward to providing further updates at the time of the Group's full-year results announcement next year.

I am delighted to announce that with effect from 1<sup>st</sup> October Simon Boddie will join the plc Board as a Non-executive Director. Simon is currently CFO at Coats Group plc, the leading FTSE 250 industrial thread manufacturer, and sits on the Board and is Chair of the Audit Committee of PageGroup plc. He brings over 30 years of corporate finance and operational experience to the Group.

Crowe UK LLP ('Crowe') have been the Group's auditors since LTG listed on the London Stock Exchange in November 2013. The Company undertook a competitive tender process for the position of statutory auditor during the period and we mutually agreed with Crowe for them not to participate. There were no reasons for and no other matters connected with Crowe ceasing to hold office as auditors of the Company.

BDO LLP were selected through the tender process and will be appointed as auditor of the Company for the year ending 31<sup>st</sup> December 2020. The appointment of BDO LLP as auditor will be subject to confirmation by the shareholders at the 2021 Annual General Meeting of the Company.

## **Dividend**

The Board is committed to a progressive dividend policy. In April, given the uncertainty for the remainder of the financial year due to the impact of COVID-19, we announced the postponement of the final dividend of 0.50 pence per share until market conditions normalised. Although there remains significant uncertainty ahead for the global economy, given the measures that the Company has taken to mitigate these risks and the robust performance and operating cash flows that the Group has generated in the year-to-date, the Board believes it is appropriate at this time to reinstate the postponed final dividend.

The Board is also pleased to announce that, in line with last year, it has approved an interim dividend of 0.25 pence per share. The resulting dividend of 0.75 pence per share will be paid on 30<sup>th</sup> October 2020 to all shareholders on the register as at 9<sup>th</sup> October 2020.

The Board intends to propose a final dividend at the time of the announcement of its full-year results which will be subject to shareholder approval at the 2021 Annual General Meeting.

## **Current trading and outlook**

The Board is delighted with the progress that the Group has made in the first half of 2020 despite the difficult market conditions and the disruption caused to our staff and their families by the COVID-19 pandemic. The Group's recurring software revenue base continues to grow, and alongside strong operating margin performance and cash generation the Group is well placed to build on these foundations.

Given the robust performance of the Group in the first half of the year, LTG's high recurring revenues and the encouraging trends that we are seeing in the sales pipeline, the Company has reinitiated guidance for 2020 in line with market expectations.

Following the placing in May, the Board continues to actively pursue bolt-on and strategic acquisition opportunities, that will extend LTG's technical offerings, domain specific expertise and broaden and increase its scale. 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 £230 million and run-rate Adjusted EBIT of £66 million by the end of 2022.



Andrew Brode  
Chairman  
22 September 2020

<b>Consolidated statement of comprehensive income</b>		<b>Six months to 30 June 2020 £'000</b>	<b>Six months to 30 June 2019 £'000</b>	<b>Year to 31 Dec 2019 £'000</b>
	<b>Note</b>			
Revenue	3	64,082	62,628	130,103
Operating expenses (excluding share based payment charge)		(57,207)	(53,687)	(110,602)
Share based payment charge		(1,815)	(997)	(3,111)
<b>Operating profit</b>		<b>5,060</b>	<b>7,944</b>	<b>16,390</b>
<b>Adjusted EBIT</b>		<b>18,397</b>	<b>19,448</b>	<b>41,022</b>
Adjusting items included in Operating profit	5	(13,337)	(11,504)	(24,632)
<b>Operating profit</b>		<b>5,060</b>	<b>7,944</b>	<b>16,390</b>
Finance expenses	6	(924)	(1,126)	(2,092)
<b>Profit before taxation</b>		<b>4,136</b>	<b>6,818</b>	<b>14,298</b>
Income tax credit/(expense)	4	780	(61)	(3,426)
<b>Profit after taxation</b>		<b>4,916</b>	<b>6,757</b>	<b>10,872</b>
<b>Profit for the period/year</b>		<b>4,916</b>	<b>6,757</b>	<b>10,872</b>
Other comprehensive income:				
Exchange differences on translating foreign operations		9,843	460	(4,293)
<b>Total comprehensive profit for the period</b>		<b>14,759</b>	<b>7,217</b>	<b>6,579</b>
Earnings per share				
Basic, (pence)	8	0.710	1.012	1.628
Diluted, (pence)	8	0.696	0.996	1.584



<b>Consolidated statement of financial position</b>				
	<b>Note</b>	<b>30 June 2020 £'000</b>	<b>30 June 2019 £'000</b>	<b>31 Dec 2019 £'000</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		1,366	1,910	1,687
Right of use assets	10	10,470	10,871	9,864
Intangible assets	9	262,599	244,237	228,468
Deferred tax assets		4,546	3,398	4,761
Other receivables, deposits and prepayments		-	421	120
Amounts recoverable on contracts		759	-	713
		<u>279,740</u>	<u>260,837</u>	<u>245,613</u>
<b>CURRENT ASSETS</b>				
Trade receivables		22,450	30,971	28,911
Other receivables, deposits and prepayments	11	4,177	4,217	2,478
Amounts recoverable on contracts		3,917	5,282	4,699
Amounts due from related parties		-	12	18
Cash and cash equivalents	12	68,045	21,067	42,032
Short-term deposits	12	30,000	-	-
Restricted cash balances	12	602	215	330
		<u>129,191</u>	<u>61,764</u>	<u>78,468</u>
<b>TOTAL ASSETS</b>		<b><u>408,931</u></b>	<b><u>322,601</u></b>	<b><u>324,081</u></b>
<b>CURRENT LIABILITIES</b>				
Lease liabilities	14	2,804	2,905	2,880
Trade and other payables	13	64,245	63,573	62,791
Amounts due to related parties		82	-	-
Net restricted cash from the consolidation invoice process (CIP)		78	335	-
Borrowings	14	6,738	6,587	6,344
Corporation tax		3,403	2,377	2,386
ESPP scheme liability		381	-	203
		<u>77,731</u>	<u>75,777</u>	<u>74,604</u>
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities	14	9,538	10,181	9,077
Deferred tax liabilities		26,180	25,229	25,257
Other long-term liabilities		7,568	9,515	8,443
Borrowings	14	13,476	28,333	31,858
Provisions		827	803	853
		<u>57,589</u>	<u>74,061</u>	<u>75,488</u>
<b>TOTAL LIABILITIES</b>		<b><u>135,320</u></b>	<b><u>149,838</u></b>	<b><u>150,092</u></b>
<b>NET ASSETS</b>		<b><u>273,611</u></b>	<b><u>172,763</u></b>	<b><u>173,989</u></b>
<b>EQUITY</b>				
Share capital		2,847	2,506	2,509
Share premium account		231,229	147,998	148,216
Merger relief reserve		31,983	31,983	31,983
Reverse acquisition reserve		(22,933)	(22,933)	(22,933)
Share-based payment reserve		5,914	2,442	4,413
Foreign exchange translation reserve		9,491	4,401	(352)
Accumulated retained earnings		15,080	6,366	10,153
<b>TOTAL EQUITY</b>		<b><u>273,611</u></b>	<b><u>172,763</u></b>	<b><u>173,989</u></b>

**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
<b>Balance at 1 January 2019</b>	<b>2,501</b>	<b>147,560</b>	<b>31,983</b>	<b>(22,933)</b>	<b>1,608</b>	<b>3,941</b>	<b>4,159</b>	<b>168,819</b>
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)
<b>Balance at 30 June 2019</b>	<b>2,506</b>	<b>147,998</b>	<b>31,983</b>	<b>(22,933)</b>	<b>2,442</b>	<b>4,401</b>	<b>6,366</b>	<b>172,763</b>
Revision of 1 January 2019 restatement due to IFRS 16*	-	-	-	-	-	-	(215)	(215)
Profit for period	-	-	-	-	-	-	4,115	4,115
Exchange differences on translating foreign operations	-	-	-	-	-	(4,753)	-	(4,753)
Total comprehensive income for the period	-	-	-	-	-	(4,753)	4,115	(638)
Issue of shares net of share issue costs	3	218	-	-	-	-	-	221
Share based payment charge / credited to equity	-	-	-	-	2,114	-	-	2,114
Tax credit on share options	-	-	-	-	-	-	1,414	1,414
Transfer on exercise and lapse of options	-	-	-	-	(143)	-	143	-
Dividends paid	-	-	-	-	-	-	(1,670)	(1,670)
<b>Balance at 31 December 2019</b>	<b>2,509</b>	<b>148,216</b>	<b>31,983</b>	<b>(22,933)</b>	<b>4,413</b>	<b>(352)</b>	<b>10,153</b>	<b>173,989</b>
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 (refer to reconciliation in Note 17)	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	-
<b>Balance at 30 June 2020</b>	<b>2,847</b>	<b>231,229</b>	<b>31,983</b>	<b>(22,933)</b>	<b>5,914</b>	<b>9,491</b>	<b>15,080</b>	<b>273,611</b>

\*The detailed IFRS 16 implementation was concluded at year-end and this resulted in a change to the 1<sup>st</sup> January 2019 restatement. We have not restated the 30<sup>th</sup> June 2019 consolidated statement of financial position comparatives on the basis that the quantum of the change was not material.

**Consolidated statement of cash flows**

	Note	Six months to 30 June 2020 £'000	Six months to 30 June 2019 £'000	Year to 31 Dec 2019 £'000
<b>Cash flow from operating activities</b>				
Profit before taxation		4,136	6,818	14,298
Adjustments for:-				
(Gain)/loss on disposal of PPE, right-of-use assets and lease liabilities		(142)	2	2
Share options charge		1,815	997	3,111
Amortisation of intangible assets		12,845	11,175	23,305
Depreciation of plant and equipment and right-of-use assets		1,723	1,841	3,672
Finance expense (including IFRS 16 charge)		332	235	716
Interest on borrowings		598	921	1,487
Acquisition-related contingent consideration and earn-outs		890	1,055	3,509
Payment of acquisition-related contingent consideration and earn-outs		(978)	(2,321)	(2,321)
Interest income		(6)	(30)	(111)
<b>Operating cash flow before working capital changes</b>		<b>21,213</b>	<b>20,693</b>	<b>47,668</b>
Decrease in trade and other receivables		7,391	4,098	7,392
Decrease/(increase) in amount recoverable on contracts		895	(1,886)	(1,593)
Decrease in payables		(6,782)	(7,171)	(10,633)
		<u>22,717</u>	<u>15,734</u>	<u>42,834</u>
Interest paid		(781)	(837)	(1,449)
Interest received		6	30	111
Income tax paid		(1,829)	(1,700)	(4,518)
<b>Net cash flow from operating activities</b>		<b>20,113</b>	<b>13,227</b>	<b>36,978</b>
<b>Cash flow used in investing activities</b>				
Purchase of property, plant and equipment		(53)	(731)	(687)
Development of intangible assets		(3,106)	(2,793)	(5,690)
Investment in short-term deposits		(30,000)	-	-
Acquisition of subsidiaries, net of cash acquired	15	(22,486)	(8,764)	(8,764)
<b>Net cash flow used in investing activities</b>		<b>(55,645)</b>	<b>(12,288)</b>	<b>(15,141)</b>
<b>Cash flow used in financing activities</b>				
Dividends paid	7	-	(2,337)	(4,007)
Cash generated from issue of shares, net of share issue costs	17	80,208	443	664
Proceeds from borrowings		18,182	-	16,057
Repayment of bank loans		(36,596)	(3,248)	(15,468)
Contingent consideration payments in the period		(121)	-	-
Cash payments for the principal portion of lease liabilities (IFRS 16)		(1,510)	(1,655)	(3,275)
<b>Net cash flow from/(used in) in financing activities</b>		<b>60,163</b>	<b>(6,797)</b>	<b>(6,029)</b>
Net increase/(decrease) in cash and cash equivalents		24,631	(5,858)	15,808
Cash and cash equivalents at beginning of the period/year		42,032	26,794	26,794
Effects of foreign exchange rate changes		1,382	131	(570)
<b>Cash and cash equivalents at end of the period/year</b>	12	<b>68,045</b>	<b>21,067</b>	<b>42,032</b>

## Notes to the consolidated financial statements for the six months to 30 June 2020

### 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 2019 annual report.

The interim results for the six months to 30<sup>th</sup> June 2020 are unaudited and do not therefore constitute statutory accounts in accordance with Section 434 of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2019 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 are available until 2023. During the period, the Group drew down the RCF facilities to fund the acquisition of Open LMS in March. In May, following the successful equity placing raising gross proceeds of £81.8 million (£79.6 million net of fees, refer note 17), the RCF drawdown was fully repaid and the lenders agreed to postpone the term loan repayments in the second half of 2020; these term loan repayments which total \$4.2 million will be paid in equal quarterly instalments from Q1 2021 until the termination of the loan in 2023.

Despite the impact on trading cash flows caused by COVID-19, the Group continues to hold a strong liquidity position overall at 30 June 2020, with gross cash and cash equivalents of £68.0 million, with £30.0 million held on 6 month deposit (refer note 12) and net funds of £77.8 million (refer note 14) (31<sup>st</sup> December 2019: gross cash was £42.0 million and net funds £3.8 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 23 – 24 within the 2019 Annual Report, the Group is confident of its ability to continue to access sources of funding in the medium term.

The directors report that they have re-assessed the principal risks, reviewed current performance and forecasts, combined with expenditure commitments, including capital expenditure, and borrowing facilities. The Group’s forecasts demonstrate it will generate profits and cash in the year ending 31<sup>st</sup> December 2020 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 during the pandemic to date and we have modelled downside scenarios such as varying degrees of reductions in content & services project revenues, delay in new sales wins, extended customer payment days and various cost reductions. 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, 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, right-of-use asset and lease liability disposal gains or losses.

### 3. Segment analysis

#### Geographical information

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

	UK £'000	Europe £'000	United States £'000	Asia Pacific £'000	Canada £'000	Rest of world £'000	Total £'000
<b>Six months to 30 June 2020</b>							
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
<b>Six months to 30 June 2019</b>							
Revenue	13,216	5,713	37,864	1,693	2,322	1,820	62,628
Non-current assets	32,872	-	206,993	17,488	86	-	257,439
<b>Year to 31 December 2019</b>							
Revenue	25,808	8,738	84,454	2,459	5,165	3,479	130,103
Non-current assets	31,029	-	194,658	15,136	29	-	240,852

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			Total £'000	Content £'000	Content & Services		Total £'000	Other Rental Income £'000	Grand Total £'000
	On-premise Software Licenses £'000	Hosting & SaaS £'000	Support and Maintenance £'000			Platform development £'000	Consulting and other £'000			
<b>Six months to 30 June 2020</b>										
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
<b>Revenue</b>	<b>11,489</b>	<b>34,666</b>	<b>2,303</b>	<b>48,458</b>	<b>6,460</b>	<b>2,931</b>	<b>6,183</b>	<b>15,574</b>	<b>50</b>	<b>64,082</b>
Depreciation and amortisation				(3,163)				(476)	-	(3,639)
<b>Adjusted EBIT</b>				<b>15,277</b>				<b>3,070</b>	<b>50</b>	<b>18,397</b>
Amortisation of acquired intangibles				(8,957)				(1,972)	-	(10,929)
<b>Profit before tax</b>				<b>3,439</b>				<b>647</b>	<b>50</b>	<b>4,136</b>
Additions to intangible Assets				34,946				-	-	34,946
<b>Total assets</b>				<b>349,391</b>				<b>59,540</b>	<b>-</b>	<b>408,931</b>
<b>Six months to 30 June 2019</b>										
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
<b>Revenue</b>	<b>8,280</b>	<b>31,053</b>	<b>3,395</b>	<b>42,728</b>	<b>9,111</b>	<b>4,107</b>	<b>6,623</b>	<b>19,841</b>	<b>59</b>	<b>62,628</b>
Depreciation and amortisation				(2,256)				(583)	-	(2,839)
<b>Adjusted EBIT</b>				<b>15,203</b>				<b>4,186</b>	<b>59</b>	<b>19,448</b>
Amortisation of acquired intangibles				(8,047)				(2,130)	-	(10,177)
<b>Profit before tax</b>				<b>5,061</b>				<b>1,698</b>	<b>59</b>	<b>6,818</b>
Additions to intangible Assets				12,723				-	-	12,723
<b>Total assets (Restated)</b>				<b>260,209</b>				<b>62,392</b>	<b>-</b>	<b>322,601</b>
<b>Year to 31 December 2019</b>										
Recurring revenue	13,861	67,014	4,666	85,541	-	1,623	9,298	10,921	101	96,563
Non-recurring revenue	1,633	759	697	3,089	18,345	6,903	5,203	30,451	-	33,540
<b>Revenue</b>	<b>15,494</b>	<b>67,773</b>	<b>5,363</b>	<b>88,630</b>	<b>18,345</b>	<b>8,526</b>	<b>14,501</b>	<b>41,372</b>	<b>101</b>	<b>130,103</b>
Depreciation and amortisation				(4,162)				(1,943)	-	(6,105)
<b>Adjusted EBIT</b>				<b>31,577</b>				<b>9,344</b>	<b>101</b>	<b>41,022</b>
Amortisation of acquired intangibles				(15,771)				(5,101)	-	(20,872)
Share of losses of associates				-				-	-	-
<b>Profit before tax</b>				<b>10,309</b>				<b>3,888</b>	<b>101</b>	<b>14,298</b>
Additions to intangible Assets				15,729				-	-	15,729
<b>Total assets</b>				<b>223,987</b>				<b>100,094</b>	<b>-</b>	<b>324,081</b>

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. The figures at 30<sup>th</sup> June 2019 have been restated to provide a consistent comparative.

## Information about major customers

In the six months to 30<sup>th</sup> June 2020 no customer accounted for more than 10 percent of reported revenues (H1 2019: no customer accounted for more than 10 percent of reported revenues).

#### 4. Taxation

Taxation for the six months to 30<sup>th</sup> June 2020 has been calculated by applying the estimated tax rate for the current financial year ending 31<sup>st</sup> December 2020 to an estimated tax adjusted profit figure.

	Six months to 30 June 2020 £'000	Six months to 30 June 2019 £'000	Year to 31 Dec 2019 £'000
<b>Current tax:</b>			
Tax on profits for the period/year	3,147	2,635	4,667
Adjustments in respect of prior years	-	-	706
<b>Total current tax</b>	<u>3,147</u>	<u>2,635</u>	<u>5,373</u>
<b>Deferred tax:</b>			
Origination and reversal of temporary differences	(3,587)	(2,677)	(1,285)
Adjustments in respect of prior years	(340)	103	(662)
<b>Total deferred tax</b>	<u>(3,927)</u>	<u>(2,574)</u>	<u>(1,947)</u>
<b>Income tax (credit)/expense</b>	<u>(780)</u>	<u>61</u>	<u>3,426</u>

#### 5. Adjusting items

These items are recurring and non-recurring costs 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 and 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 in Note 2.

	Six months to 30 June 2020 £'000	Six months to 30 June 2019 £'000	Year to 31 Dec 2019 £'000
<b>Adjusting items included in Operating profit:</b>			
Amortisation of acquired intangibles	10,929	10,177	20,872
Loss on disposal of fixed assets	1	2	2
(Profit)/loss on disposal of right-of-use assets and lease liabilities	(143)	-	-
Acquisition-related contingent consideration and earn-outs	890	1,055	3,509
Net foreign exchange loss arising due to business acquisition	1,070	-	-
Acquisition costs	383	270	249
Integration costs	207	-	-
<b>Total adjusting items</b>	<u>13,337</u>	<u>11,504</u>	<u>24,632</u>



**6. Finance expenses**

	<b>Six months to 30 June 2020 £'000</b>	<b>Six months to 30 June 2019 £'000</b>	<b>Year to 31 Dec 2019 £'000</b>
Charge on contingent consideration	110	-	248
Interest on borrowings	598	921	1,487
Interest on IFRS 16 lease liabilities	222	235	468
Interest receivable	(6)	(30)	(111)
	<u>924</u>	<u>1,126</u>	<u>2,092</u>

**7. Dividends paid**

	<b>Six months to 30 June 2020 £'000</b>	<b>Six months to 30 June 2019 £'000</b>	<b>Year to 31 Dec 2019 £'000</b>
Final dividends paid	-	2,337	2,337
Interim dividend paid	-	-	1,670
	<u>-</u>	<u>2,337</u>	<u>4,007</u>

The proposed interim dividend of 0.75 pence per share (comprising the postponed FY19 dividend of 0.50 pence per share and normal interim dividend of 0.25 pence per share), amounting to a total dividend payment of £5.5 million, is not included as a liability in these financial statements and will be paid on 30<sup>th</sup> October 2020 to shareholders on the register at the close of business on 9<sup>th</sup> October 2020.

**8. Earnings per share**

	<b>Six months to 30 June 2020 £'000</b>	<b>Six months to 30 June 2019 £'000</b>	<b>Year to 31 Dec 2019 £'000</b>
Profit after tax attributable to owners of the Group:	4,916	6,757	10,872
Weighted average number of shares:			
Basic	692,823,974	667,503,571	668,045,258
Diluted	706,492,868	678,469,771	686,278,166
Basic earnings per share (pence)	0.710	1.012	1.628
Diluted earnings per share (pence)	0.696	0.996	1.584
Adjusted basic earnings per share (pence)	2.295	2.265	4.470
Adjusted diluted earnings per share (pence)	2.251	2.228	4.351

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 2020			Six months to 30 June 2019			Year to 31 Dec 2019		
	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
<b>Basic earnings per ordinary share</b>	<b>4,916</b>	<b>692,824</b>	<b>0.710</b>	<b>6,757</b>	<b>667,504</b>	<b>1.012</b>	<b>10,872</b>	<b>668,045</b>	<b>1.628</b>
Effect of adjustments:									
Amortisation of acquired intangibles	10,929			10,177			20,872		
Integration costs	207			-			-		
Acquisition costs	383			270			249		
Acquisition earn-out	890			1,055			3,509		
Net foreign exchange differences on business acquisitions	1,070			-			-		
Interest receivable	(6)			(30)			(111)		
Finance expense on contingent consideration	110			-			248		
Finance expense on lease liabilities (IFRS 16)	222			235			468		
Income tax (credit)/expense	(780)			61			3,426		
Effect of adjustments	13,025	-	1.880	11,768	-	1.763	28,661	-	4.290
<b>Adjusted profit before tax</b>	<b>17,941</b>	<b>-</b>	<b>-</b>	<b>18,525</b>	<b>-</b>	<b>-</b>	<b>39,533</b>	<b>-</b>	<b>-</b>
Tax impact after adjustments	(2,040)	-	(0.295)	(3,408)	-	(0.510)	(9,674)	-	(1.448)
<b>Adjusted basic earnings per ordinary share</b>	<b>15,901</b>	<b>692,824</b>	<b>2.295</b>	<b>15,117</b>	<b>667,504</b>	<b>2.265</b>	<b>29,859</b>	<b>668,045</b>	<b>4.470</b>
Effect of dilutive potential ordinary shares:									
Share options	-	13,669	(0.044)	-	10,966	(0.037)	-	18,233	(0.119)
Deferred consideration payable (conditions met)	-	-	-	-	-	-	-	-	-
Deferred consideration payable (contingent)	-	-	-	-	-	-	-	-	-
<b>Adjusted diluted earnings per ordinary share</b>	<b>15,901</b>	<b>706,493</b>	<b>2.251</b>	<b>15,117</b>	<b>678,470</b>	<b>2.228</b>	<b>29,859</b>	<b>686,278</b>	<b>4.351</b>

**9. Intangible assets**

	<b>Goodwill</b>	<b>Customer contracts and relationships</b>	<b>Branding</b>	<b>Acquired IP</b>	<b>Internal software development</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>						
At 1 January 2019	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
Additions on acquisition	109	-	-	-	-	109
Additions	-	-	-	-	2,897	2,897
Foreign exchange differences	(3,823)	(1,597)	(51)	(1,015)	(159)	(6,645)
At 31 December 2019	134,985	92,532	2,524	39,680	12,289	282,010
Additions on acquisition (see note 15)	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
<b>Accumulated amortisation</b>						
At 1 January 2019	-	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
Amortisation charged in period	-	7,692	145	2,859	1,434	12,130
At 31 December 2019	-	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
<b>Carrying amount</b>						
At 30 June 2019	<b>138,699</b>	<b>62,927</b>	<b>1,752</b>	<b>34,851</b>	<b>6,008</b>	<b>244,237</b>
At 31 December 2019	<b>134,985</b>	<b>53,638</b>	<b>1,556</b>	<b>30,977</b>	<b>7,312</b>	<b>228,468</b>
At 30 June 2020	<b>159,944</b>	<b>58,739</b>	<b>1,507</b>	<b>33,454</b>	<b>8,955</b>	<b>262,599</b>

**10. Right-of-use assets**

	<b>Computer equipment</b>	<b>Property</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
<b>At 1 January 2019</b>	-	-	-
Additions on transition to IFRS 16	83	11,855	11,938
Additions on acquisitions	-	266	266
Additions	-	163	163
Foreign exchange differences	-	94	94
Disposals	-	(123)	(123)
<b>At 31 December 2019</b>	<b>83</b>	<b>12,255</b>	<b>12,338</b>
Additions on acquisitions	-	-	-
Additions	-	2,219	2,219
Foreign exchange differences	-	370	370
Disposals	-	(1,002)	(1,002)
<b>At 30 June 2020</b>	<b>83</b>	<b>13,842</b>	<b>13,925</b>
<b>Accumulated Depreciation</b>			
<b>At 1 January 2019</b>	-	-	-
Charge for the year	60	2,441	2,501
Disposals	-	(27)	(27)
<b>At 31 December 2019</b>	<b>60</b>	<b>2,414</b>	<b>2,474</b>
Charge for the year	23	1,244	1,267
Disposals	-	(286)	(286)
<b>At 31 June 2020</b>	<b>83</b>	<b>3,372</b>	<b>3,455</b>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<b>23</b>	<b>9,841</b>	<b>9,864</b>
<b>At 30 June 2020</b>	<b>-</b>	<b>10,470</b>	<b>10,470</b>

**11. Other receivables, deposits and prepayments**

	<b>30 June 2020</b>	<b>30 June 2019</b>	<b>31 Dec 2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Sundry receivables	145	1,099	326
Prepayments	4,032	3,118	2,152
	<u>4,177</u>	<u>4,217</u>	<u>2,478</u>

**12. 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:

	<b>30 June 2020</b>	<b>30 June 2019</b>	<b>31 Dec 2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	<u>68,045</u>	<u>21,067</u>	<u>42,032</u>

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

	<b>30 June 2020</b>	<b>30 June 2019</b>	<b>31 Dec 2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Restricted cash	<u>602</u>	<u>215</u>	<u>330</u>

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

	<b>30 June 2020</b>	<b>30 June 2019</b>	<b>31 Dec 2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Short-term deposits	<u>30,000</u>	<u>-</u>	<u>-</u>

**13. Trade and other payables**

	<b>30 June 2020</b>	<b>30 June 2019</b>	<b>31 Dec 2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade payables	3,127	1,322	1,508
Payments received on account	49,409	54,048	49,219
Tax and social security	982	597	603
Acquisition-related contingent consideration and earn-outs	965	-	3,230
Accruals and other payables	9,762	7,606	8,231
	<u>64,245</u>	<u>63,573</u>	<u>62,791</u>

## 14. Borrowings

On the acquisition of PeopleFluent Holdings Corp. in 2018 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. The lease liabilities have arisen on adoption of IFRS 16 and are secured by the related underlying assets.

	<b>30 June 2020 £'000</b>	<b>30 June 2019 £'000</b>	<b>31 Dec 2019 £'000</b>
Current interest-bearing loans and borrowings	6,738	6,587	6,344
Non-current interest-bearing loans and borrowings	13,476	28,333	31,858
Current lease liabilities	2,804	2,905	2,880
Non-current lease liabilities	9,538	10,181	9,077
	<b>32,556</b>	<b>48,006</b>	<b>50,159</b>

### Net debt / cash reconciliation

Net debt / cash can be analysed as follows:

	<b>30 June 2020 £'000</b>	<b>30 June 2019 £'000</b>	<b>31 Dec 2019 £'000</b>
Cash and cash equivalents	68,045	21,067	42,032
Short-term deposits	30,000	-	-
Borrowings:			
- Revolving credit facility	-	(8,698)	(16,011)
- Term loan	(20,214)	(26,222)	(22,191)
<b>Net cash / (debt)</b>	<b>77,831</b>	<b>(13,853)</b>	<b>3,830</b>

## 15. Acquisitions

On 31<sup>st</sup> March 2020, LTG completed the acquisition of the business and assets of Open LMS from Blackboard Inc for initial cash consideration (before some customary price adjustments) of \$31.7 million (£26.5 million) funded by the Group's existing cash and bank facilities. The acquisition of Open LMS adds complementary expertise to the Group's existing proprietary software solutions, through the addition of expertise in the market's leading open-source Learning Management System (LMS).

Open LMS is a Moodle-based eLearning solution, which allows clients to create, personalize and track instructions for students with simple online tools. Open LMS will be run as a standalone brand within LTG's portfolio of best-in-class businesses. LTG will support Open LMS through its existing operational infrastructure and, under a partnership arrangement, LTG will resell Blackboard's suite of products that integrate with Moodle to meet the demands of current and future customers.

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

**15. Acquisitions** (continued)

<b>Consideration</b>	<b>Fair Value £'000</b>
Initial purchase price	26,523
Purchase price adjustments	(4,037)
<b>Total consideration</b>	<b>22,486</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	<b>Fair value £'000</b>
Trade and other receivables	758
Trade and other payables	(6,636)
Net deferred tax assets/liabilities on acquisition	(3,476)
Intangible assets identified on acquisition	13,735
<b>Total identifiable net assets</b>	<b>4,381</b>
<b>Goodwill</b>	<b>18,105</b>
<b>Total</b>	<b>22,486</b>

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.

Open LMS contributed £3.2 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 Open LMS been completed on the first day of the financial year Group revenues would have been approximately £2.9 million higher and group profit before tax attributable to equity holders of the parent would have been approximately £0.7 million higher.

**16. Reclassification of expenses**

The costs outlined below were previously separately disclosed from Operating expenses and/or Operating profit, are now included within the Group's Operating expenses and Operating profit figures. Prior year results have been restated to provide a consistent comparative.

	<b>30 June 2019</b>	<b>31 Dec 2019</b>
	<b>£'000</b>	<b>£'000</b>
Acquisition-related contingent consideration and earn-outs	1,055	3,509
Acquisition costs	270	249
Loss on disposal of fixed assets.	2	2
<b>Impact of restatement to Operating expenses</b>	<b>1,327</b>	<b>3,760</b>
<b>Impact of restatement to Operating profit</b>	<b>272</b>	<b>251</b>

## 17. Reconciliation of share issue proceeds

The share issue amounts included in the consolidated statement of changes in equity and statement of cash flows, can be reconciled as follows.

	£'000	30 June 2020 £'000	£'000
	Share capital	Share premium	Total
Proceeds from issuance of shares from equity placing	241	81,541	81,782
Associated placing costs, paid from proceeds	-	(2,119)	(2,119)
Proceeds from issuance of shares from share option scheme	7	538	545
<b>Total proceeds disclosed in the consolidated statement of cash flows</b>	<b>248</b>	<b>79,960</b>	<b>80,208</b>
Associated placing costs, within other payables	-	(75)	(75)
Breezy earn-out consideration settled via a share issue	90	3,128	3,218
<b>Total issue of shares disclosed in the consolidated statement of changes in equity</b>	<b>338</b>	<b>83,013</b>	<b>83,351</b>

## 18. Events since the reporting date

Today the Company has announced the acquisition of eCreators Pty Ltd ('eCreators').

eCreators is being acquired for initial consideration of A\$5.5 million (circa £3.1 million) funded by the Group's existing cash, with up to a further A\$6.5 million (circa £3.7 million) being payable based on ambitious revenue growth targets over the period 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2023. eCreators reported unaudited revenue of A\$4.6 million (circa £2.6 million) in the 12 months ended 30<sup>th</sup> June 2020. Completion is subject to regulatory approval by the Australian government which is anticipated by end of October 2020.

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
<b>Income Statement Measures</b>			
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 on page 7.
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 5 to the financial statements.
<b>Balance Sheet Measures</b>			
Net cash or debt	None	Refer to Note 14	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 14 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 on issue at the end of the period/year, The shares on issue at 31 <sup>st</sup> December 2019 were 669,120,088 (based on Note 24 of the 2019 Annual report) and 737,641,335 at 30 <sup>th</sup> June 2020.

## **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  
Piers Lea, Chief Strategy Officer

### **Company Secretary**

Claire Walsh

### **Company number**

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