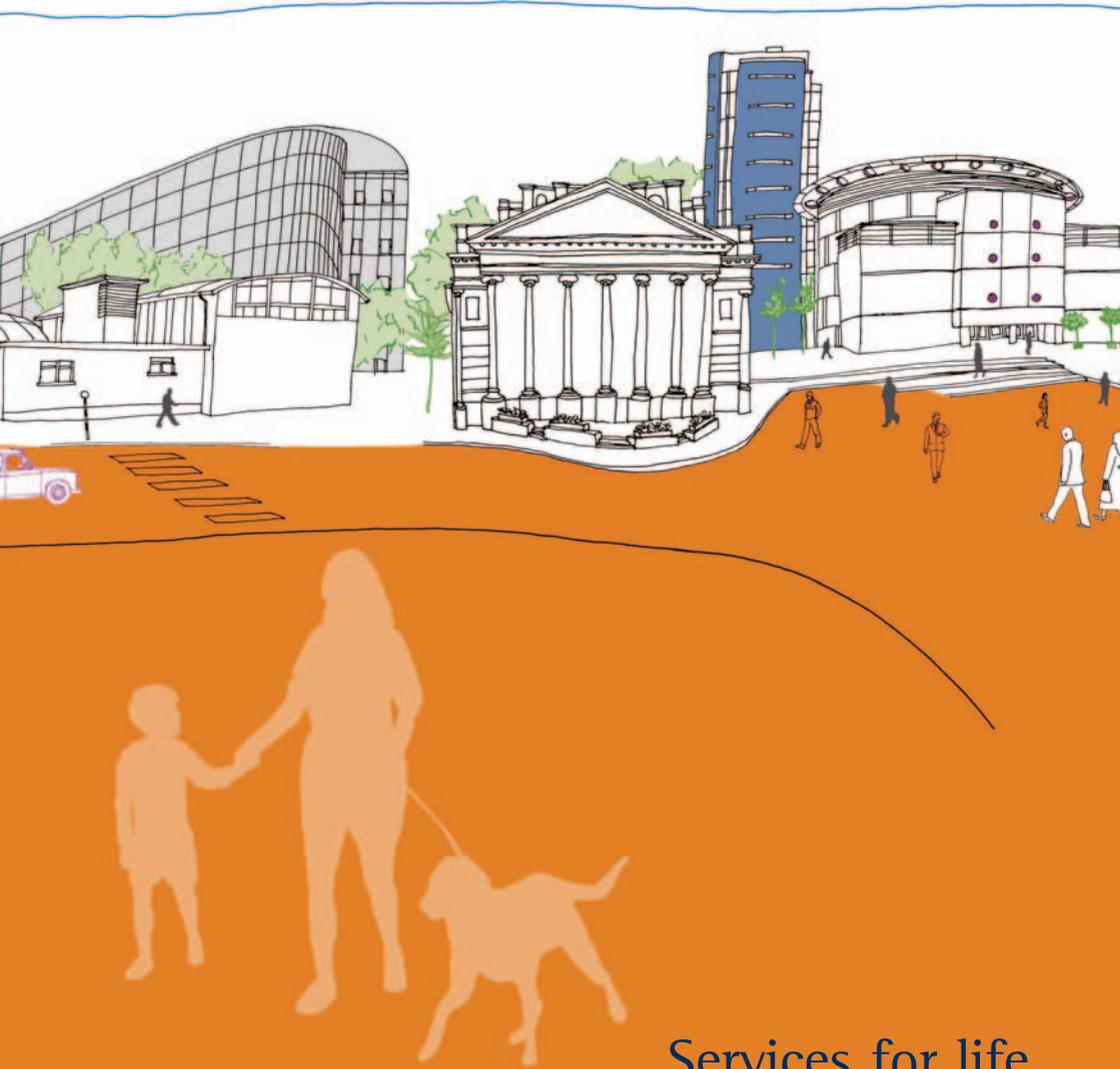


TRIBAL

Tribal Group plc
Interim results for the six months
ended 30 September 2006



Services for life

Financial highlights

	Unaudited six months ended 30 September 2006	Unaudited six months ended 30 September 2005
Turnover	£124.8m	£123.8m
Revenue	£104.5m	£98.0m
Operating profit	£3.8m	£9.0m
Adjusted operating profit*	£6.2m	£9.4m
Operating margins*	5.9%	9.6%
Adjusted profit before taxation*	£3.1m	£7.3m
Profit on ordinary activities before taxation	£0.8m	£6.4m
Profit on ordinary activities after taxation	£0.9m	£4.4m
Adjusted diluted earnings per share *	3.39p	6.30p
Basic earnings per share	0.67p	5.68p
Operating profit to cash conversion*	83%	13%
Proposed interim dividend	1.05p	1.05p

*The adjusted operating profit, operating margins, adjusted profit before tax and adjusted diluted earnings per share are stated before goodwill impairment of £2.0m (2005: £nil), intangible asset amortisation of £0.2m (2005: £0.2m), share option costs of £0.2m (2005: £0.2m) and in the case of adjusted profit before tax and adjusted diluted earnings per share, IAS 32/39 finance costs of £nil (2005: £0.5m).

Highlights of the year

- Adjusted profit before tax* at £3.1m
- Interim dividend unchanged at 1.05p
- Cash conversion 83 per cent
- Solid performance from education and technology
- Weaker demand in consulting services, revenues down 15%
- Excellent progress from Mercury Health – preferred bidder on circa £160m NHS diagnostic contract
- Demerger of Mercury Health announced

Chairman's statement

As anticipated, this has been a challenging period for the Group, with results impacted by softer demand in some of our public sector markets which has led to weaker demand in consultancy services. Performance has, however, been good in education and technology and in Mercury Health.

Overall, we expect to see a stronger performance in the second half, with a more pronounced second half weighting than our traditional trading pattern. However, we anticipate that the full year results will be significantly impacted by a combination of our slow start to the year and the likely continuation of difficult trading in specific markets.

In response to the 15 per cent fall in revenues in consulting services and as part of our continuing drive to improve margins, action has been taken to reduce our cost base through headcount reduction and by exiting poorly performing business areas. We are also improving the efficiency of our business by centralising supplier procurement and IT systems, rationalising our property portfolio and investing in a new financial reporting and job costing system. These should bring some benefits this year but more significant savings in 2007/8.

Following the announcement on 18 October, your board has now decided, in principle, to proceed with the demerger of Mercury Health. This demerger should enable Mercury to maximise its potential as an independent listed company and allow the remainder of the Group to focus on developing its core consultancy and support services offering. The business is expected to be listed in the first half of 2007.



Strone Macpherson
Chairman

28 November 2006

Chief Executive's statement

For the six months ended 30 September 2006, the Group's turnover increased to £124.8m (2005: £123.8m). Operating profit* was £6.2m (2005: £9.4m); operating margins* were 5.9 per cent (2005: 9.6 per cent); adjusted profit before taxation* was £3.1m (2005: £7.3m); and the adjusted diluted earnings per share* were 3.4p (2005: 6.3p).

*The operating profit, operating margins, adjusted profit before tax and adjusted diluted earnings per share are stated before goodwill impairment of £2.0m (2005: £nil), intangible asset amortisation of £0.2m (2005: £0.2m), share option costs of £0.2m (2005: £0.2m) and in the case of adjusted profit before tax and adjusted diluted earnings per share, IAS 32/39 finance costs of £nil (2005: £0.5m).

Cash and net debt

Cash inflow from operating activities before tax for the six months to 30 September 2006 was £5.1m (2005: £1.3m) representing an operating profit to cash conversion of 83 per cent (2005: 13 per cent).

Net debt at 30 September 2006 was £84.3m, representing gearing of 52 per cent, and interest cover was 2 times. Included within net debt is £26.5m drawn down under the non-recourse Mercury Health project finance facility.

Dividend

The interim dividend is unchanged at 1.05p per share which will be paid on 2 February 2007 to shareholders on the register on 5 January 2007.

Markets

Overall, Tribal Group continues to operate in expanding public sector markets, with more opportunities opening up for private sector involvement in providing consultancy and support services. Increasingly, our 2,500 public sector customers are looking for larger and more substantial private sector partners that are able to provide a range of services within a single contract, as a bundled solution.

Whilst there is considerable opportunity for Tribal, market conditions are reasonably challenging, with political uncertainty delaying decision making and reducing the number of new initiatives. In the run

up to the end of the current spending commitments in 2008, we expect our public sector clients to become more selective in their spending priorities and for procurement processes to be tightened, adding cost and extending timescales.

The **education** sector remains buoyant and Tribal is well placed in this market, having developed scale and a very extensive range of services, which are well focused on the areas of current funding and demand.

In **healthcare**, the market conditions are broadly encouraging. However, as reported previously, we remain affected by prolonged uncertainty over PFI with procurement timetables lengthening, and a continued downturn in NHS recruitment. Looking forward, there are considerable new opportunities emerging, in particular the new Commissioning Framework – working with primary care trusts to improve their commissioning of clinical services – which should become a major new business activity for the Group. We are also continuing to see, through Mercury Health, significant opportunities for providing diagnostic, elective surgery and primary care services, both through the national independent sector treatment centre initiative and through local and regional procurement.

In the **local government** market we have seen a slowdown in activity. However, now that "Strong and prosperous communities", the Government's white paper for local councils, has been published, a clear policy direction has been established and we expect to see an increase in opportunities in the next financial year.

The **housing** market for our services is growing and Tribal is well positioned to increase both capacity and the range of services in this sector.

The **central government** market for consulting is very strong, albeit highly competitive. We expect to see significant growth in this area as we continue to increase the number of our consultants and extend our portfolio of services.

Strategy for consultancy and support services

Tribal continues to focus its activities on providing consultancy and support services to the UK public sector. Increasingly, our operations are aligned by market sector, with the primary focus being on our main market areas of education; health; local and regional government; housing; and central government.

Operationally, the business is managed through two business streams: education and technology, and consulting services.

The Group's focus is on delivering a clear and coherent proposition to our customers, with each of our core activities being number 1, 2 or 3 in their respective markets. We continue to differentiate ourselves from our competition by packaging our services as an integrated offering. The business is focused on delivering sustained organic revenue growth, which will be achieved by increasing headcount in areas that are performing well; actively developing new market propositions and increasing our investment in our bid teams.

A major focus of senior management is to improve operating margins, in particular through the continual improvement in the quality of our services that will allow us to increase day rates. We continue to tighten job costing and project management and continuously improve performance management. We will be more selective in choosing our customers and the contracts we bid for, increasing over time, the size of the average contract.

Whilst our core activity will remain consulting and support services, we will actively seek new opportunities to develop new delivery businesses.

Operating review

All divisional operating profit and operating profit margins are stated before amortisation of IFRS 3 intangibles, goodwill impairment and share option costs.

Education and technology services

	Six months ended 30 September 2006 £'000	Six months ended 30 September 2005 £'000	Twelve months ended 31 March 2006 £'000
Revenue	35,748	35,382	79,184
Operating profit	4,327	4,725	13,735
Operating profit margin	12.1%	13.4%	17.3%

Tribal is now well positioned as one of the largest education businesses in the UK, with a strong and diverse service offering across the main education markets of schools, Post-16 and higher education.

The merger of our education and technology divisions has been very successful, creating a strong fully integrated business, with a number of clearly defined services, which we are able to package together to respond to our clients' requirements.

The business is now operated through three business streams:

Learning and publishing We have established a market leading position in the provision of learning products (both distance learning and e-learning) and in managed learning delivery. During the period, we have extended our penetration in the important 16-19 age group, through the development of our Sportsvine brand and have won several new contracts, including a £1.6m contract with the DfES and Quality Improvement Agency for the national "Move On" programme.

IT services Our position as the leading provider in the student administration software market has strengthened during the period with strong performances across FE, HE and work based learning. We have won over £3m of new software installations in HE, including the prestigious University of Edinburgh and University of the West of England, two of our largest contract wins to date. We have also won several new contracts in the Children's Services and FE markets.

Services The market for education consultancy was difficult in the early part of the year, however, performance has improved in recent months. Our Ofsted schools inspection contracts continue to perform well and we are expecting opportunities to emerge to support the development of Ofsted's inspection work as their remit expands. Other contracts won in the period include the project management of three new Academies and DfES school improvement contracts.

We are currently preferred bidder on a further £7m of contracts expected to be signed over the next three months. The pipeline of other contract opportunities is very encouraging. In 2007/8 we are expecting to expand our shared service capability (particularly for the FE market) and see an opportunity to support our customers in managing the new commissioning agenda.

We will also be expanding our learning delivery capability, principally building on some successful contracts we have already established with major employers, such as McDonalds and Compass.

Consulting services

	Six months ended 30 September 2006 £'000	Six months ended 30 September 2005 £'000	Twelve months ended 31 March 2006 £'000
Revenue	51,942	59,958	122,743
Operating profit	3,233	7,655	15,464
Operating profit margin	6.2%	12.8%	12.6%

The first half performance across consulting services has been disappointing. In response to the 15 per cent fall in revenues and as part of our continuing efforts to improve margins, we have taken action to reduce our cost base, through both headcount reductions, exiting poorly performing business areas and tight control of other operating costs.

Our **management consulting** business had a slow start to the year, particularly affected by planned management changes in parts of the business and by a more significant seasonal slowdown in market activity than usual in the Spring and Summer months.

In **healthcare**, despite a slow start to the year, we have performed well and are beginning to see considerable growth potential for the future. During the period, we have won several new assignments including working with the King's Fund on PCT Board Development and the National Integrated Service Improvement Programme. We have also continued to win a number of framework contracts, which will be important to our medium term development.

Local government has been a more difficult market, with a general slowdown in the number of new opportunities. We have also been particularly impacted by significant bid costs incurred in the development of a new business area, transformation solutions, (EBITA impact £0.6m in the period), which will continue in the second half.

Our **housing and economic development** consultancies had a poor first quarter, but since then, have performed to plan.

Our **central government** business has generally performed well with new contract wins with Defra, the Foreign and Commonwealth Offices and the Immigration and Nationality Directorate, but part of the business has been impacted by the uncertainty over the transition between the S-CAT Framework and the start of the Catalist Framework in November (EBITA impact £0.3m in the period). This has reduced revenue in the period and we do not expect this to improve materially in the second half.

The **recruitment** market has remained difficult, with a continuing downturn in recruitment advertising in the NHS (EBITA impact £0.7m in the period). We have partially contained this reduction in revenue by winning new contracts, including Oxfordshire Consortium of Local Authorities (£2m pa), Wakefield Council (£0.75m pa), six FE colleges (£1.5m pa) and the NHS PASA framework. We have also made good progress with the development of our interim management capability, which is growing strongly, and our executive search business (preferred supplier wins at: Hackney, Lambeth and Luton Councils), and we are now starting to win work in central government. We have a strong pipeline of contract opportunities to provide outsourced HR services in local government.

Trading in our **property** business has been disappointing. This has been a result of two specific issues: a delay in the financial close of a major PFI contract (EBITA impact £1.5m in the period) – this is now expected to take place in the last quarter – and management changes and significant investment in the development of our project management business. We have, however, made good progress over this period, winning a number of new contracts in the education market and in health (Royal Liverpool Hospital; Bury; Rochdale; Heywood and Middleton (BRAHM) LIFT; Prince Charles Hospital, Glamorgan; Bournemouth University and West Hertfordshire FE College). We expect to see considerable improvement in the second half and the prospects for this part of our business look encouraging for 2007/8.

Communications and PR has had a slower than expected start to the year, with a fall off in demand for interim management and a shortage of new tender opportunities. The situation is now much improved, and several new contracts have been won (Schools Food Trust; Early Years; learndirect and the Strategic Investment Board in Northern Ireland). The pipeline of new opportunities has increased substantially in the last two months.

Overall, whilst we are disappointed by the reduction in revenue and profit across consulting services in the first half, we expect that results in the second half will show improvement, reflecting not only the normal seasonal uplift in trading but stronger demand in several areas.

Corporate efficiency initiatives

In the continuing drive to improve the efficiency of our business and to reduce our operating cost base, we have taken the following steps.

Strategic sourcing – where appropriate, supplier procurement activity across the Group is being centralised. This has allowed us to reduce the number of our suppliers, reduce our supplier costs and improve the quality of services to our businesses. We expect this initiative to deliver £0.25m of savings in 2006/7 and £1m plus of savings in 2007/8 and thereafter.

Property rationalisation – we have reduced our property portfolio from 50 buildings in 2005/6 to 40 now. This has reduced the cost per head from £2,400 to £2,300 and has allowed us to make further savings on associated operating costs such as IT and support staff. Our plan is, over time, to reduce the number of offices to about 25.

Centralisation of IT – the Group will have a single IT network and support team in place by 1 April 2007 for over 80 per cent of our businesses. This should reduce our IT cost, mitigate risk and improve the quality of our support to our fee earners.

Financial reporting and job costing system – the procurement is now underway for a new financial reporting and job costing system. This will be rolled out to our education and technology businesses in early 2007/8 and to consulting services by early 2008/9. This should further tighten project costing and performance management across the Group, thereby assisting the Group to improve operating margins.

Healthcare delivery

	Six months ended 30 September 2006 £'000	Six months ended 30 September 2005 £'000	Twelve months ended 31 March 2006 £'000
Revenue	17,576	2,693	14,550
Operating profit/(loss)	1,795	(214)	1,476
Operating profit/(loss) margin	10.2%	(7.9)%	10.1%

Mercury Health, the Group's healthcare delivery subsidiary, has performed in line with our expectations. During the period, bid costs of £0.8m were expended in bidding for Phase 2 diagnostic and elective surgery contracts and primary care contracts.

Our first three Independent Sector Treatment Centres (ISTCs) in Wycombe, Medway and Portsmouth are now fully operational. During the period, we opened our largest facility, an elective orthopaedic centre in Sussex. Activity at this centre is now ramping up and we expect to be operating at full capacity from the early part of the New Year. Our fifth centre in Havant is expected to open, as planned, in January 2008.

To-date, the centres have performed over 50,000 patient episodes. The response from patients has been very good, with the proportion of patients willing to recommend our centres consistently exceeding 99 per cent.

We have developed a strong management team at Mercury Health, led by Peter Martin as CEO. Over the last period, we have further strengthened this team with new appointments of both operational and clinical staff.

We are currently preferred bidder on the West Midlands diagnostic contract. Once fully operational, we expect to be delivering up to 190,000 procedures annually across diagnostic imaging, audiology and endoscopy. The contract will be delivered using mobile diagnostic centres with the primary reporting of scans being undertaken remotely by radiologists operating from dedicated centres in Central Europe. Subject to finalising complex contractual and funding discussions, we expect to reach financial close during the next few weeks.

Our primary care contract in Hackney, to run a walk-in centre and a GP service, opened in August and is performing well. We have also established a business providing managed care services to identified NHS patients with chronic diseases such as asthma. Mercury Health has a strong pipeline of primary care opportunities.

In July 2006, we terminated our strategic partnership with Chilvers McCrea and we now own 100 per cent of Mercury Health Primary Care.

The continuing ramp up of activity at our Sussex centre and further investment in bid costs and business development, including primary care will, as expected, hold back profits in the second half. However, with our first four centres fully operational and the expected start of the West Midlands contract in the summer of 2007, the prospects for 2007/8 are very strong.

Demerger of Mercury Health

Following the announcement on 18 October, your board has now decided, in principle, to proceed with the demerger of Mercury Health.

This process is now underway and Hoare Govett and N M Rothschild have been appointed as advisers. The business is pursuing the possibilities of a separate listing in the first half of 2007.

The Board believes that this demerger will enable Mercury Health to develop a strong independent healthcare delivery business, able to grow organically, through ongoing contract wins and through acquisitions.

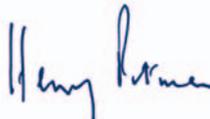
People

This has been a particularly demanding period for the Group and I would like to thank employees across the Group for all they have achieved. We are fortunate to employ many highly able and motivated people and they allow us to offer our customers a very high quality differentiated service.

Prospects

As anticipated, the first half of the year has been very challenging to the Group, with difficult conditions in specific market areas impacting our results. We expect to see an uplift in trading in the second half, with a more pronounced second half weighting than our traditional trading pattern. However, the full year results will be significantly impacted by the slow start to the year and continuing challenging market conditions in certain specific areas.

We have a number of initiatives underway which we expect to reduce our cost base and improve performance thereby providing a more encouraging outlook for 2007/8.



Henry Pitman

Chief Executive
28 November 2006

Consolidated income statement

For the six months to 30 September 2006

	Notes	Unaudited Six months ended 30 September 2006 £'000	Unaudited Six months ended 30 September 2005 £'000	Audited Year ended 31 March 2006 £'000
Turnover		124,758	123,767	259,897
Direct agency costs		(20,265)	(25,759)	(45,103)
Revenue	2	104,493	98,008	214,794
Cost of sales		(64,992)	(57,067)	(122,008)
Gross profit		39,501	40,941	92,786
Administrative expenses before amortisation of IFRS 3 intangibles, goodwill impairment and share option charges		(33,332)	(31,525)	(68,708)
Operating profit before amortisation of IFRS 3 intangibles, goodwill impairment and share option charges	2	6,169	9,416	24,078
Amortisation of IFRS 3 intangibles		(160)	(216)	(316)
Goodwill impairment		(2,000)	–	–
Share option charges		(177)	(187)	(449)
Total administrative expenses		(35,669)	(31,928)	(69,473)
Operating profit		3,832	9,013	23,313
Finance credit		393	373	446
Financial instruments		153	–	–
Finance income		546	373	446
Finance charges		(3,481)	(2,503)	(5,522)
Financial instruments		(134)	(483)	(765)
Finance costs	3	(3,615)	(2,986)	(6,287)
Net finance costs		(3,069)	(2,613)	(5,841)
Profit before taxation		763	6,400	17,472
Taxation	4	118	(1,975)	(4,654)
Profit for the period		881	4,425	12,818
Attributable to:-				
Equity holders of the parent		544	4,303	12,544
Minority interest		337	122	274
		881	4,425	12,818
Earnings per share				
Basic	6	0.67p	5.68p	16.2p
Diluted	6	0.65p	5.29p	15.4p
Adjusted basic before amortisation of IFRS 3 intangibles, goodwill impairment, share option charges and IAS 32/39 charges	6	3.52p	6.77p	18.1p
Adjusted diluted before amortisation of IFRS 3 intangibles, goodwill impairment, share option charges and IAS 32/39 charges	6	3.39p	6.30p	17.2p

Consolidated balance sheet

At 30 September 2006

Notes	Unaudited 30 September 2006 £'000	Unaudited 30 September 2005 £'000	Audited 31 March 2006 £'000
Non-current assets			
Goodwill	204,950	207,855	206,392
Other intangible assets	3,407	2,299	3,255
Property, plant and equipment	45,800	31,462	40,962
Investment property	200	180	200
Available for sale investments	150	151	151
Deferred tax assets	823	1,416	823
	255,330	243,363	251,783
Current assets			
Inventories – work in progress and contract costs	13,513	13,561	11,495
Trade and other receivables	53,145	55,274	59,170
Cash and cash equivalents	16,264	9,125	22,615
Collateralised cash	1,131	2,097	1,392
	84,053	80,057	94,672
Total assets	339,383	323,420	346,455
Current liabilities			
Trade and other payables	(62,945)	(63,692)	(69,938)
Tax liabilities	(2,754)	(7,278)	(5,399)
Obligations under finance leases	(91)	(11)	(78)
Bank overdrafts and loans	(1,690)	(4,092)	(2,907)
Shares to be issued	(5,304)	(8,441)	(6,102)
	(72,784)	(83,514)	(84,424)
Net current assets/(liabilities)	11,269	(3,457)	10,248
Non-current liabilities			
Bank loans	(99,500)	(83,273)	(96,556)
Pension liabilities	(1,977)	(1,370)	(1,977)
Deferred tax liabilities	(1,034)	(775)	(939)
Obligations under finance leases	(378)	(436)	(351)
Shares to be issued	(973)	(4,737)	(135)
Other non current liabilities	–	(550)	–
	(103,862)	(91,141)	(99,958)
Total liabilities	(176,646)	(174,655)	(184,382)
Net assets	162,737	148,765	162,073
Equity			
Share capital	4,073	3,826	4,008
Share premium account	81,749	80,304	80,771
Capital reserve	9,545	9,545	9,545
Merger reserve	53,589	45,469	52,164
Own shares reserve	(1,790)	–	(1,668)
Share based payment reserve	626	710	889
Hedging reserve	478	(358)	6
Retained earnings	13,255	8,222	15,173
Equity attributable to equity holders of the parent	9	161,525	147,718
Minority interest	1,212	1,047	1,185
Total equity and reserves	162,737	148,765	162,073

Consolidated statement of recognised income and expense

For the six months to 30 September 2006

	Unaudited Six months ended 30 September 2006 £'000	Unaudited Six months ended 30 September 2005 £'000	Audited Year ended 31 March 2006 £'000
Actuarial loss on defined benefit plans	–	–	(594)
Transfer to cash flow hedge reserve	472	(446)	51
Deferred tax	(141)	134	163
Net income/(expense) recognised directly to equity	331	(312)	(380)
Profit for the period	881	4,425	12,818
Recognised income and expense for the period	1,212	4,113	12,438
Attributable to:			
Equity holders of the parent	875	3,991	12,164
Minority interest	337	122	274
	1,212	4,113	12,438

Consolidated cash flow statement

For the six months to 30 September 2006

	Notes	Unaudited Six months ended 30 September 2006 £'000	Unaudited Six months ended 30 September 2005 £'000	Audited Year ended 31 March 2006 £'000
Net cash from operating activities	7	2,514	741	26,194
Investing activities				
Interest paid		(2,216)	(2,946)	(7,524)
Interest received		197	567	446
Proceeds on disposal of investments		1	-	-
Proceeds on disposal of property, plant and equipment		28	35	34
Purchases of property, plant and equipment (excluding Mercury Health)		(1,751)	(2,093)	(4,039)
Purchases of property, plant and equipment (Mercury Health)		(7,114)	(15,311)	(26,569)
Purchases of property, plant and equipment		(8,865)	(17,404)	(30,608)
Expenditure on product development		(612)	(76)	(1,048)
Acquisitions (deferred consideration and minority interests)		(275)	(2,906)	(3,642)
Net cash outflow from investing activities		(11,742)	(22,730)	(42,342)
Financing activities				
Equity dividend paid		-	-	(2,362)
Issue of shares		515	104	304
Repayment of borrowings		(1,217)	(13,464)	(15,400)
Repayment of obligations under finance lease		(39)	(19)	(57)
New bank loans		2,944	18,255	31,538
Movements in collateralised cash		261	(572)	133
Purchase of own shares		(122)	-	(1,668)
Loan to third party		535	-	(535)
Net cash from financing activities		2,877	4,304	11,953
Net decrease in cash and cash equivalents		(6,351)	(17,685)	(4,195)
Cash and cash equivalents at beginning of period		22,615	26,810	26,810
Cash and cash equivalents at end of period	8	16,264	9,125	22,615

Notes

1 Basis of preparation

The Group's interim results for the six months ended 30 September 2006 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

These interim financial statements do not constitute full statutory accounts within the meaning of Section 240 of the Companies Act 1985 and are unaudited. The Group has elected not to adopt full compliance with IAS 34 'Interim financial reporting'. The unaudited interim financial statements were approved by the Board of Directors on 27 November 2006.

The consolidated financial statements are prepared under the historical cost convention modified to include the revaluation of certain assets. The accounting policies used in the interim financial statements are consistent with IFRS and those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2006. The statutory accounts for this period, which were prepared under IFRS, have been filed with the Registrar of Companies. The auditors' opinion on these accounts was unqualified and did not contain a statement made under Section 237(2) or Section 237(3) of the Companies Act 1985.

2 Segmental analysis

	Unaudited Six months ended 30 September 2006 £'000	Unaudited Six months ended 30 September 2005 £'000	Audited Year ended 31 March 2006 £'000
Revenue			
Consulting services	51,942	59,958	122,743
Education and technology services	35,748	35,382	79,184
Healthcare delivery	17,576	2,693	14,550
Inter segment	(773)	(25)	(1,683)
	104,493	98,008	214,794
Operating profit before amortisation of IFRS 3 intangibles, goodwill impairment and share option charges			
Consulting services	3,233	7,655	15,464
Education and technology services	4,327	4,725	13,735
Healthcare delivery	1,795	(214)	1,476
Central and bid costs	(3,186)	(2,750)	(6,597)
	6,169	9,416	24,078

Notes (continued)

3 Finance costs

	Unaudited Six months ended 30 September 2006 £'000	Unaudited Six months ended 30 September 2005 £'000	Audited Year ended 31 March 2006 £'000
Finance charges			
Interest on bank overdrafts and loans	3,714	3,218	6,500
Interest on loan notes	31	124	249
Interest on obligations under finance leases	16	7	23
Net finance cost of retirement benefit obligations	13	–	26
Total borrowing costs	3,774	3,349	6,798
Less: amounts included in the cost of qualifying assets	(293)	(846)	(1,276)
	3,481	2,503	5,522
Financial instruments	134	483	765
	3,615	2,986	6,287

Borrowing costs included in the cost of qualifying assets arose on the Mercury Health ISTC contract for which the related borrowings are separately identifiable and are capitalised at the average rate incurred of 6.9%.

4 Taxation

	Unaudited Six months ended 30 September 2006 £'000	Unaudited Six months ended 30 September 2005 £'000	Audited Year ended 31 March 2006 £'000
Current tax			
UK corporation tax	1,025	2,332	5,495
Adjustments in respect of prior years	(1,095)	(292)	(1,493)
	(70)	2,040	4,002
Deferred tax			
Current year	(48)	(65)	652
Taxation (credit)/charge	(118)	1,975	4,654

The prior year adjustment for the six months ended 30 September 2006 relates to the release of prior year tax provisions relating to tax relief for the costs of bidding for contracts following agreement with HMRC.

5 Dividends

The Board has proposed an interim dividend of 1.05p per share, which will absorb £0.9m, will be paid on 2 February 2007 to ordinary shareholders on the register on 5 January 2007. The shares will be quoted ex-dividend on 3 January 2007.

6 Earnings per share

Earnings per share and diluted earnings per share are calculated by reference to a weighted average number of ordinary shares calculated as follows:

	Unaudited Six months ended 30 September 2006 thousands	Unaudited Six months ended 30 September 2005 thousands	Audited Year ended 31 March 2006 thousands
Basic weighted average number of shares in issue	80,595	75,725	77,255
Employee share options	285	933	763
Shares to be issued in respect of deferred consideration	3,008	4,707	3,255
Weighted average number of diluted shares outstanding	83,888	81,365	81,273

	30 September 2006		30 September 2005		31 March 2006	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Basic and adjusted basic earnings per share:						
Profit and basic earnings per share	544	0.67p	4,303	5.68p	12,544	16.2p
Adjustments:						
Goodwill impairment	2,000	2.48p	–	–	–	–
Amortisation of IFRS 3 intangibles (net of tax)	102	0.13p	151	0.20p	316	0.4p
Share option charges	177	0.22p	187	0.25p	449	0.6p
Financial instruments charge (net of tax)	20	0.02p	483	0.64p	668	0.9p
Adjusted earnings and adjusted basic earnings per share	2,843	3.52p	5,124	6.77p	13,977	18.1p
Diluted and adjusted diluted earnings per share:						
Profit and diluted earnings per share	544	0.65p	4,303	5.29p	12,544	15.4p
Adjustments:						
Goodwill impairment	2,000	2.39p	–	–	–	–
Amortisation of IFRS 3 intangibles (net of tax)	102	0.12p	151	0.19p	316	0.4p
Share option charges	177	0.21p	187	0.23p	449	0.6p
Financial instruments charge (net of tax)	20	0.02p	483	0.59p	668	0.8p
Adjusted earnings and adjusted diluted earnings per share	2,843	3.39p	5,124	6.30p	13,977	17.2p

The adjusted basic and adjusted diluted earnings per share figure shown on the Consolidated Income Statement is included as the directors believe that it provides a better understanding of the underlying trading performance of the Group.

Notes (continued)

7 Note to the cash flow statement

Reconciliation of operating profit to operating cashflows

	Unaudited Six months ended 30 September 2006 £'000	Unaudited Six months ended 30 September 2005 £'000	Audited Year ended 31 March 2006 £'000
Operating profit from continuing operations	3,832	9,013	23,313
Depreciation of property, plant and equipment	2,600	1,573	3,600
Amortisation of development expenditure	261	281	435
Amortisation of intangible assets	160	216	316
Impairment of goodwill	2,000	–	–
Net pension charge	7	–	13
Increase in fair value of investment property	–	–	(20)
Gain on disposal of property, plant and equipment	(24)	(5)	(24)
Share based payments charge	177	187	449
Increase in inventories and contract costs	(2,018)	(1,130)	(2,355)
Decrease/(increase) in receivables	5,833	1,406	(685)
(Decrease)/increase in payables	(7,735)	(10,277)	4,517
Tax paid	(2,579)	(523)	(3,365)
Net cash from operating activities	2,514	741	26,194
Tax paid	2,579	523	3,365
Net cash from operating activities before tax	5,093	1,264	29,559

8 Analysis of net debt

	Unaudited Six months ended 30 September 2006 £'000	Unaudited Six months ended 30 September 2005 £'000	Audited Year ended 31 March 2006 £'000
Cash at bank and in hand	16,264	9,125	22,615
Cash collateralised	1,131	2,097	1,392
Gross cash	17,395	11,222	24,007
Short term loans	(1,690)	(4,092)	(2,907)
Syndicated bank facility (net of bank arrangement fees)	(72,491)	(72,323)	(72,277)
Non-recourse bank facility (net of bank arrangement fees)	(25,284)	(10,950)	(22,554)
Share option facility	(1,725)	–	(1,725)
Finance leases	(469)	(447)	(429)
Gross debt	(101,659)	(87,812)	(99,892)
Net debt	(84,264)	(76,590)	(75,885)

9 Movements in equity

	Unaudited Six months ended 30 September 2006 £'000	Unaudited Six months ended 30 September 2005 £'000	Audited Year ended 31 March 2006 £'000
Recognised income and expense for the period	875	3,991	12,164
Dividends payable	(1,812)	(1,530)	(2,362)
	(937)	2,461	9,802
Shares issued	2,468	2,317	9,652
Share option exercises	(949)	–	(100)
Own shares acquired	(122)	–	(1,668)
Credit in relation to share based payment	177	187	449
Opening equity	160,888	142,753	142,753
	161,525	147,718	160,888

10 Contingent liabilities

The Group has received notification of potential claims, as described below. Each claim has been investigated by our lawyers and each is being contested robustly as to both liability and quantum:

- breach of contract arising out of the provision of services to a further education college
- the return of funding received for the provision of learning assessment and delivery for job seekers

An accrual of £150,000 (31 March 2006: £150,000) is being carried in these financial statements relating to these claims. Any eventual settlement amount is difficult to determine. However the Board believes that adequate provision has been made based on all the information currently available.

Independent review report to Tribal Group plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 September 2006 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the consolidated cash flow statement and related notes 1 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2006.



Deloitte & Touche LLP

Chartered Accountants

Bristol, UK

27 November 2006

Notes: A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

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