

T R I B A L

Tribal Group plc

2007 Preliminary Results

Peter Martin
Group Chief Executive

Simon Lawton
Group Finance Director

4 July 2007



Services for life

Overview

Financial review

Operational review

Market review

Prospects

Appendix

I Summary pro forma financial information

- § Revenue ahead by 8 per cent; profit before tax fell by 38%
- § Strong operating cash flow of £18.2m
- § Successful sale of Mercury Health in April 2007
- § Pro forma year end net debt reduced to £4.3m
- § Cost base and under-performing areas addressed
- § Full year dividend up 5 per cent to 3.47p
- § Change of year end to reflect better the Group's business cycle
- § Encouraging start to new period with several new contract wins

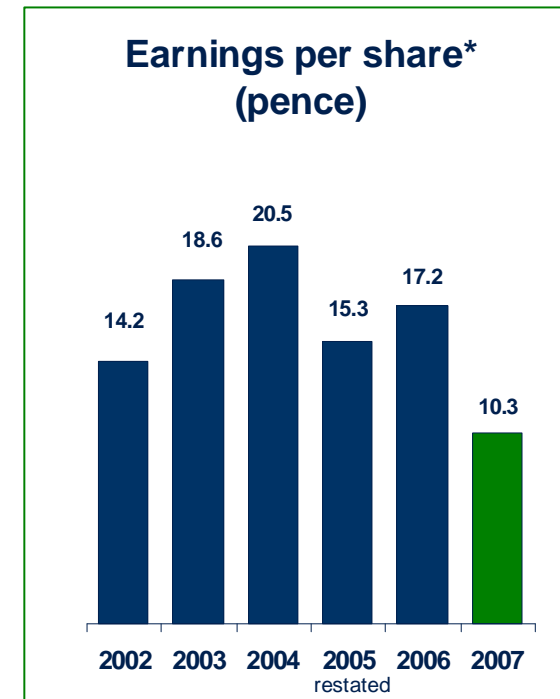
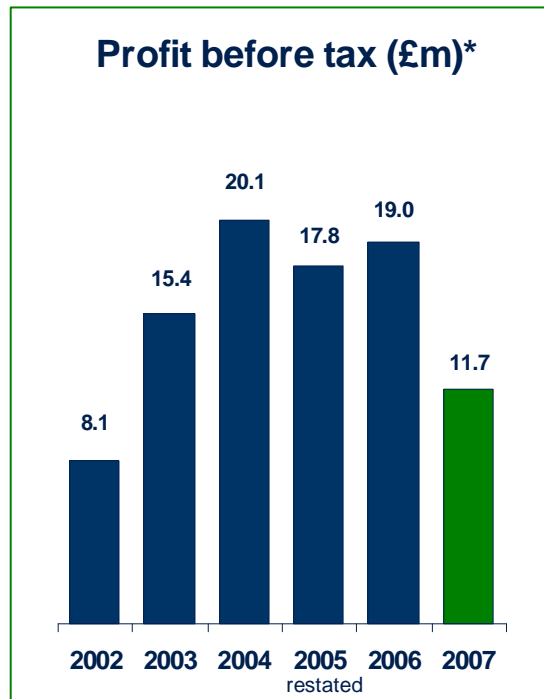
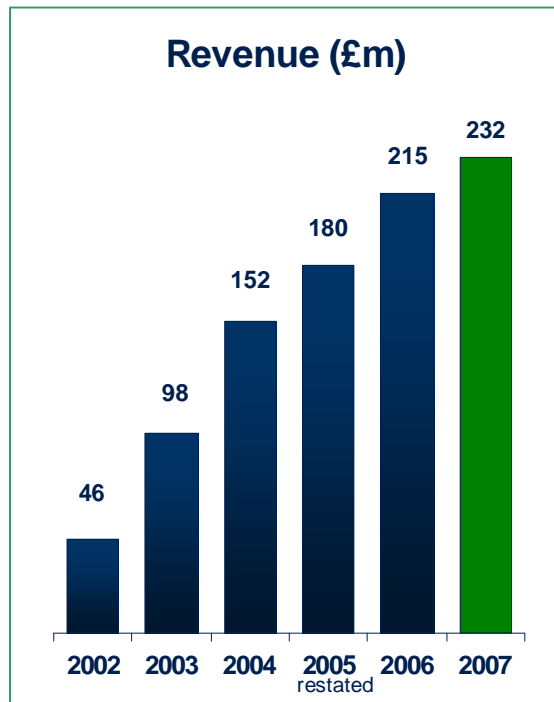
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Financial review

Simon Lawton
Group Finance Director

Services for life



Note: 2002 to 2004 under UK GAAP. 2005 restated under IFRS

* Before amortisation of intangibles, share option costs, goodwill impairment, Mercury Health disposal costs and financial instrument charges/credits

Year to 31 March	2007 £m	2006 £m	Growth %	
Turnover	272.3	259.9	+5%	§ Revenue increase of 8%
Revenue	231.9	214.8	+8%	§ Excluding Mercury, revenue decrease of 3%
Operating profit*	18.3	24.1	-24%	§ Improved second half, core revenue up 3%
<i>Operating margin</i>	7.9%	11.2%		§ Good performances in Education Services and Mercury Health
Interest	(6.6)	(5.1)		§ Consulting Services impacted by slow start and specific areas of underperformance
Profit before tax*	11.7	19.0	-38%	§ Necessary action undertaken
Tax	(2.5)	(4.7)		§ Effective tax rate 21% (2006: 25%) due to prior year benefits
Profit after tax*	9.2	14.3	-36%	§ Full year dividend increased by 5% to 3.47p
Adjusted fully diluted EPS* (pence)	10.3p	17.2p	-40%	
No of WA diluted shares ('000)	82,475	81,273	+1%	

*Before amortisation of intangibles, share option costs, goodwill impairment, Mercury Health disposal costs and financial instrument charges/credits

§ Revenue £232m

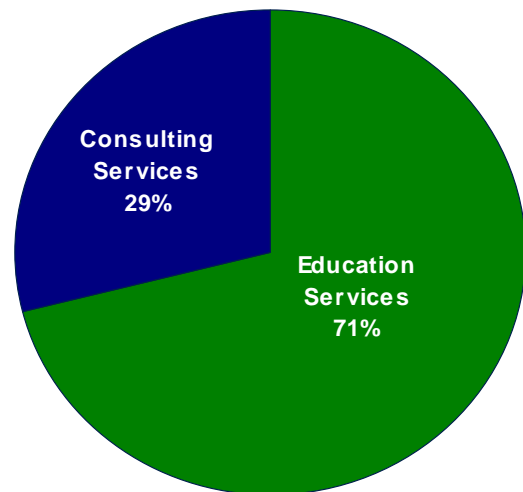
§ Split by segment	2007	2006
Consulting Services	50%	56%
Education Services	34%	37%
Mercury Health	16%	7%

§ Strong pick up in revenue in H2 for core business due to improved performance and traditional weighting

	2007	2006	Variance
Core business:	£m	£m	%
H1 revenue	87	95	(8)
H2 revenue	108	105	3
Mercury Health	37	15	
	<hr/>	<hr/>	
	232	215	
	<hr/>	<hr/>	

Committed income - continuing business

Committed income by segment



Committed income

	31 March 2007 £m	31 March 2006 £m
Within one year	81	70
Between one to two years	39	30
Over two years	11	19
	<hr/>	<hr/>
	131	119
	<hr/>	<hr/>

Year to 31 March	2007	2006	
	£m	£m	
Intangible assets	195.9	209.7	§ Goodwill impairment of £14.4m following detailed review of carrying values
Other non-current assets	57.8	50.2	§ Other non-current assets includes £37.6m of fixed assets and £11.8m of contracts and mobilisation costs in Mercury Health
Net cash/(debt) – core	(55.7)	(55.7)	§ Non-recourse debt of £18.1m is net balance for Mercury Health
Non-recourse debt – Mercury Health	(18.1)	(20.2)	§ Deferred consideration of £0.5m comprises one final earn out to be paid in November 2007
Deferred consideration payable	(0.5)	(6.2)	§ Gearing of 47% reduces to pro forma gearing of 3% post Mercury Health disposal.
Net working capital	<u>(21.2)</u>	<u>(15.7)</u>	
Net assets	<u>158.2</u>	<u>162.1</u>	
Share capital	78.9	84.8	
Profit and loss reserves	9.9	15.2	
Minority interest	1.6	1.2	
Other reserves	<u>67.8</u>	<u>60.9</u>	
Total equity and reserves	<u>158.2</u>	<u>162.1</u>	

Year to 31 March	2007	2006	
	£m	£m	
Operating profit	0.2	23.3	§ Operating profit to cash flow conversion of 156% (2006: 123%)
Depreciation/amortisation	6.5	4.4	§ Strong working capital performance
Goodwill impairment	14.4	-	§ Mercury Health disposal costs of £3.3m represents committed costs at 31 March 2007 in relation to the disposal
Other non-cash items	(0.2)	0.4	
Mercury Health disposal costs	3.3	-	§ Capital expenditure of £13.5m (2006: £31.6m) in the year of which:
Working capital movement	4.2	1.5	§ Core £4.3m (2006: £4.0m)
Trading cash flow	28.4	29.6	§ Mercury Health £7.6m (2006: £26.6m)
Interest	(6.0)	(7.1)	§ Product development £1.6m (2006: £1.0m)
Tax	(4.2)	(3.4)	§ Financing principally comprises loan draw downs under the non-recourse Mercury Health facility
Operating cash flow	18.2	19.1	
Expenditure on tangible/intangible assets	(13.5)	(31.6)	
Acquisitions - minorities	(0.5)	(3.6)	
Dividends	(2.8)	(2.4)	
Financing – new loans	9.5	14.3	
Net change in cash	10.9	(4.2)	

At 31 March	2007	2006
	£m	£m
Group net debt	73.8	75.9
Less Mercury Health non-recourse net debt	(18.1)	(20.2)
Group recourse net debt	<u>55.7</u>	<u>55.7</u>
Bank revolver facilities	<u>125.0</u>	<u>125.0</u>
Bank headroom	<u>69.3</u>	<u>69.3</u>

§ Disposal of Mercury in April 2007 included non-recourse debt and delivered net cash proceeds of £52m

§ Pro forma year end net debt of £4.3m

§ Large bank facility no longer required

§ New £40m facility agreed on 14 June 2007 with HBoS and HSBC

§ Significant reduction in interest costs and bank fees

§ Bank covenant headroom at 31 March 2007:

	Actual	Covenant
Interest	3.3x	>3x
Debt to EBITA	3.6x	<4.25x

§ Following Mercury Health disposal, debt to EBITA reduced to 0.2x

§ Debt to EBITA covenant reduced to 3.5x under new facility

- § Significant headcount reductions made
- § Annual salary review limited to 3.5% despite competitive salary inflation
- § Major projects update:
 - § strategic sourcing – eight central procurement contracts in place. We secured our target saving of c. £250k in 2006/7. We expect to deliver annualised savings of £1m
 - § property rationalisation – we now have 39 offices (down from 50)
 - § move to single finance system – Microsoft awarded contract and we will be rolling Microsoft AX (enterprise system) across Education Services during 2007. Extend to Consulting Services in 2008

- § Board has decided to change year end to 31 December
- § With March year end, profit and cash profile is significantly weighted to second half and final quarter
- § Creates uncertainty over the year end outturn
- § Change will provide improved revenue and earnings visibility
- § More balanced H1/H2 profile
- § More timely and better guidance to analysts on current trading and year end outturn
- § Pro forma financial information – see attached appendix I

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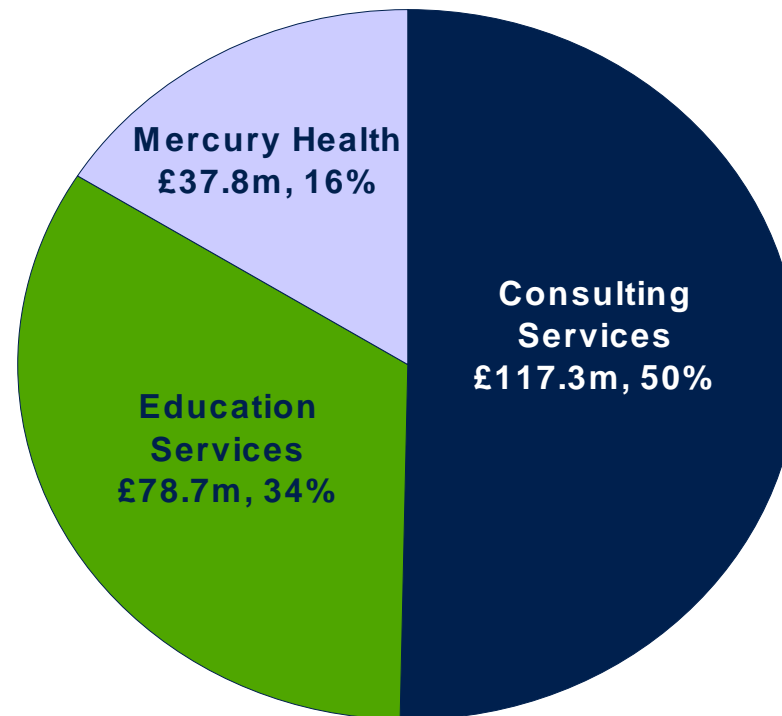
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Operational review

Peter Martin
Chief Executive

Services for life

Revenue split (by activity)*



* Gross of inter-segment sales

Operational review – consulting services

Year end	31 March 2007	31 March 2006
Revenue £000	117,325	122,743
Operating profit £000	6,797	15,464
Operating margin (%)	5.8%	12.6%

Financial summary

- § Revenue fell by 4%
- § Operating profit declined by 56%
- § Operating margins fell to 5.8%

Activities

- § Management consulting
- § Professional support services (property, resourcing and communications)
- § Operate across health, central government and communities (housing, local government and regeneration)

Business review

- § Overall, a very disappointing year
- § Poor performance in H1, much improved in H2
- § Significant action taken to address loss-making operations, under-performing areas and cost base
- § Benefits will flow into current period
- § Highlights
 - § strong growth from central government consultancy
 - § expansion of health service improvement consultancy
 - § strong order book for property business (Peterborough now at financial close)
 - § significant demand for recruitment process outsourcing

Outlook

- § Focus on operational improvement
 - § cost base
 - § utilisation rates
 - § fee rates

Year end	31 March 2007	31 March 2006
Revenue £000	78,700	79,184
Operating profit £000	14,102	13,735
Operating margin (%)	17.9%	17.3%

Financial summary

- § Revenue fell by 1%
- § Operating profit increased by 3%
- § Operating margins improved to 17.9%

Activities

- § A leading education services business
- § Operates across schools, children's services, post-16, higher education, offender learning and adult and community learning
- § Consultancy, e-learning and publishing, managed learning and training, software products and inspection services

Business review

- § Successful merger of education and technology businesses
- § Strong results across most areas held back by under-performance in training delivery in schools and FE
- § Highlights
 - § strong performance in software across FE, HE, children's services and work-based learning
 - § the leading schools inspection business
 - § partner of choice in Skills for Life (numeracy, language and literacy) provision
 - § e-learning and distance learning continued growth
 - § management of DfES National Centre for The Excellence in Teaching of Mathematics
 - § encouraging number of new contract wins

Outlook

- § Record order book at start of the year
- § Increased investment in products, services and new business development
- § Good flow of new contract opportunities

Operational review – Mercury Health

Year end	31 March 2007	31 March 2006
Revenue £000	37,795	14,550
Operating profit £000	3,785	1,476
Operating margin (%)	10.0%	10.1%

Financial summary

- § Revenue increased by 160%
- § Operating profit up 156%
- § Operating margins steady at 10%

Activities

- § Medical facilities providing a range of clinical services across:
 - § elective surgery
 - § diagnostics
 - § primary care

Business review

- § Full year contribution from centres opened in 05/06
- § Opening of largest centre in Sussex during the year
- § Signed major diagnostics contract in West Midlands
- § Preferred bidder on Essex elective surgery contract
- § Successful sale in April 2007
 - § crystallised value and profit
 - § repaid debt to strengthen group balance sheet
 - § transfer of onerous financial and performance guarantees
 - § allows renewed focus on core business

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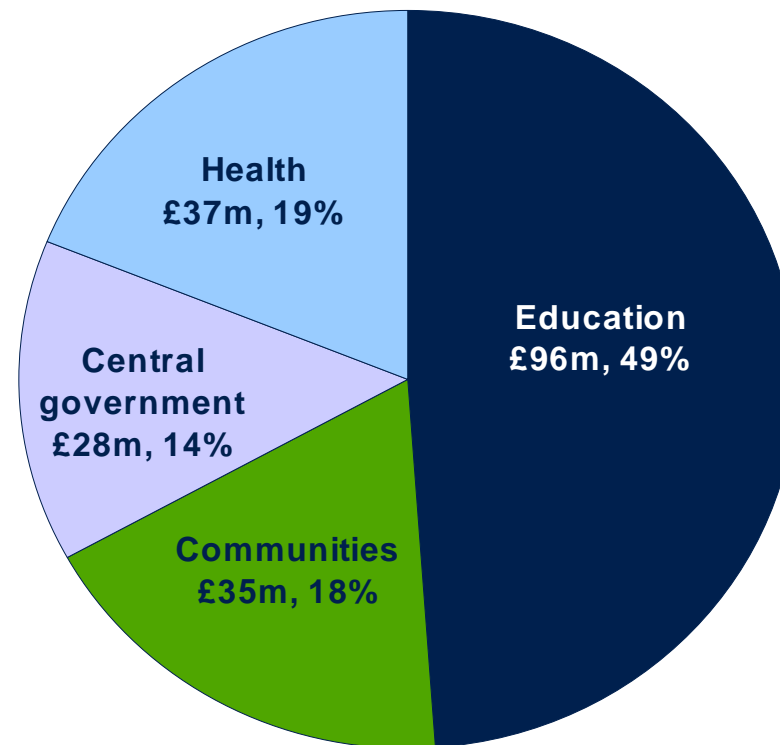
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Market review

Peter Martin
Chief Executive

Services for life

Revenue split (by market)*



* Revenue figures gross of inter-segment sales and excludes Mercury Health

Market drivers

- § Number of important policy initiatives:
 - § Education and Inspections Act – Ofsted now the sole inspection agency for education and skills
 - § Further Education White Paper – reforms to increase capacity and improve quality
 - § Leitch Review and Green Paper – promoting education and training in the current and future workforce
 - § School renewal: Building Schools for the Future and the Primary Capital Programme
 - § City Academies: a doubling of the PM's target to 400
 - § Children's Services: integration of education, health and social care
 - § Local Government White Paper – authorities encouraged to focus more on commissioning than delivery
 - § Government pledge to spend £10.7bn more by 2011

Client base

- § Distributed client base:
 - § Department for Education and Skills (DfES)
 - § Learning and Skills Council
 - § Local authorities / children's services
 - § FE colleges
 - § Universities
 - § Schools
 - § Corporates / work-based learning

Competitive advantages

- § Scale and range of activities
- § Domain expertise
- § Strong market position
- § Ability to offer an integrated solution
- § Technology and delivery capability

Illustrative opportunities

- § Inspections:
 - § largest schools inspection business
 - § nearly 3,000 schools inspected in current academic year
 - § future opportunities in early years, independent schools, adult learning
- § Work-based learning and skills development:
 - § Leitch Review: voluntary code for employers until 2010 to improve workforce skills
 - § already working with McDonalds, DHL, FirstGroup and Compass
 - § Tribal systems administer 40% of all UK learners taking government funded training
 - § opportunity to extend across public sector and to employers in the private sector

Market drivers

- § Investment in infrastructure, IT, shared services, quality and efficiency initiatives
- § Increasing choice and contestability
- § White Paper ‘Our Health, Our Care, Our Say’ – care shifting from hospitals into community
- § Focus on patient responsibility and education
- § Influence of Payment by Results
- § Pressure to improve commissioning

Client base

- § Distributed client base:
 - § Department of Health
 - § Strategic Health Authorities
 - § NHS Trusts
 - § Primary Care Trusts
 - § PFI consortia

Competitive advantages

- § Domain expertise
- § Solutions approach (advice ? support ? delivery of change)
- § Strong partnerships
- § Leading market positions

Illustrative opportunity

- § Healthcare commissioning
- § Framework to provide support to healthcare commissioners
- § Extends Tribal services from consulting to insourcing:
 - § commissioning is the largest single budget item
 - § over half of all PCTs have expressed interest in using external support
 - § benefit-sharing opportunities
 - § opportunity values are varied but range up to £10m pa

Market drivers

- § Gershon and Lyons reviews
- § Varney service transformation:
 - § focus on localism
- § Local government white paper:
 - § commissioning over universal delivery
- § Cave review on housing regulation
- § Focus on economic and social regeneration
- § Barker review:
 - § focus on skills development

Client base

- § Local authorities
- § Registered social landlords
- § Arms-length management organisations
- § Regional development agencies
- § Local government agencies

Competitive advantages

- § Domain expertise
- § Strong market positions
- § Ability to offer an integrated solution
- § Client relationships

Illustrative opportunity

- § Recruitment process outsourcing
- § London Consortium Supplies Group
 - § fifteen London authorities
 - § contracted to provide five services
- § DVLA
 - § dual sourced (Tribal and Capita)
 - § project-based volume recruitment

* Communities: local government, housing and regeneration

Market review – central government

Market drivers

- § Gershon efficiency review
- § Lyons review – relocation of government functions
- § 2007 Comprehensive Spending Review
- § Pressure to improve quality and performance
- § Increasing requirement for:
 - § shared services
 - § joint procurement initiatives
 - § choice and contestability

Client base

- § Department of Health
- § DfES
- § Foreign & Commonwealth Office
- § Home Office
- § Cabinet Office
- § HM Revenue & Customs

Competitive advantages

- § Domain expertise
- § Strength of client relationships
- § Quality of staff
- § Success in qualifying onto frameworks

Illustrative opportunity

- § Health procurement
 - § initiative across all Strategic Health Authorities
 - § project to up-skill all procurement staff
 - § based on recommendations of health industry task force
 - § substantial consultancy support contract

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Prospects

Peter Martin
Chief Executive

Services for life

- § Group executive team in place: Chief Executive, Group Finance Director, Chief Operating Officer
- § Recruiting Group HR/OD Director to join executive team
- § Other key appointments being made
- § Head office moved to London
- § Senior Leadership team of top 30 managers established
 - § review future opportunities
 - § strategic approach to markets
 - § improve collaborative working

- § Significant opportunities across our principal markets
- § Management focus:
 - § operational performance
 - § margin improvement
 - § integrated solutions
 - § committed income
- § Encouraging start to the new financial period
- § Good level of new contract wins/extensions
- § Peterborough has now reached financial close
- § Confident about future prospects

Appendix

I Summary pro forma financial information

Services for life

Appendix I – Pro forma income statement

	9 months to 31 Dec 2006	12 months to 31 Dec 2006	12 months to 31 March 2007
	£m	£m	£m
Continuing operations			
Turnover	166.6	233.7	234.5
Revenue	138.2	194.3	194.1
Operating profit*	8.4	17.0	14.5
<i>Operating margin</i>	6.1%	8.7%	7.5%
Interest	(2.8)	(3.8)	(4.0)
Profit before tax*	5.6	13.2	10.5
Tax	(1.6)	(3.9)	(2.8)
Profit after tax from continuing operations*	4.0	9.3	7.7
Profit for the year from discontinued operations	1.3	1.8	(1.4)
Effective tax rate	29.0%	30.0%	27.0%
Adjusted fully diluted EPS from continuing operations (pence)	4.2p	10.6p	8.0p
No of WA diluted shares (£'000)	81,600	81,398	82,475

§ For comparison, Mercury Health is shown as discontinued in all periods

§ 12 months to December 2006 benefited from the strong finish to the year ended 31 March 2006

§ Increased interest expense due to increased borrowing costs up to 31 March 2007

§ Prior year tax benefits taken in March 2007 when HMRC enquiry window closed on certain 2005 computations

§ Seasonal weighting £6.1m (42%) of operating profit in final quarter of FY07

Appendix I – Pro forma balance sheet

31 December 2006	Continuing Group £m	Mercury Health £m	Total £m
Intangible assets	196.0	0.2	196.2
Other non-current assets	8.4	48.4	56.8
Net debt	(66.6)	(0.3)	(66.9)
Non-recourse senior debt	-	(20.3)	(20.3)
Deferred consideration payable	(1.0)	-	(1.0)
Net working capital	22.8	(29.9)	(7.1)
Net assets	159.6	(1.9)	157.7

§ Goodwill impairment charge of £14.4m has been booked in the period to December 2006

§ Mercury non-current assets relate to construction costs of the GC8 contract

§ Net working capital includes loan balances between continuing Group and Mercury of £24.5m

Appendix I – Pro forma cash flow

	9 months to 31 Dec 2006 £m	12 months to 31 Dec 2006 £m	
Operating (loss)/profit (continuing)	(6.3)	2.0	§ Comparative cash flows show Q4 weighting of operating cash flows with £16.1m inflow in continuing operations between January to March 2006
Depreciation/amortisation	3.1	3.9	
Goodwill impairment	14.4	14.4	§ Goodwill impairment of £14.4m has been charged to the period
Other non-cash items	-	0.2	
Working capital movement	(16.2)	(9.4)	§ Operating profit to cash flow conversion for continuing operations for 12 months to December 2006 – 65%
Trading cash flow			
- continuing	(5.0)	11.1	
- Mercury Health	14.5	20.4	§ Trading cash flow in respect of Mercury Health is shown as discontinued
Interest	(5.1)	(5.4)	
Tax	(3.6)	(5.1)	§ Net financing represents loan draw downs principally under the non-recourse Mercury Health facility
Operating cash flow	0.8	21.0	
Expenditure on tangible/intangible assets:-			
Continuing Group	(2.9)	(4.5)	
Mercury Health	(8.1)	(11.3)	
Acquisitions – minorities	(0.2)	(0.2)	
Dividends	(1.8)	(2.6)	
Financing – new loans	9.6	10.9	
Net change in cash	(2.6)	13.3	

Appendix I – Pro forma segmental analysis

	9 months to 31 Dec 2006 £m	12 months to 31 Dec 2006 £m	12 months to 31 March 2007 £m
Revenue			
Consulting services	82.9	116.0	117.3
Education services	56.6	80.5	78.8
Inter segment	(1.3)	(2.2)	(2.0)
Continuing operations	138.2	194.3	194.1
Mercury Health	27.7	35.5	37.8
Total	165.9	229.8	231.9
Operating Profit*			
Consulting services	5.1	9.8	6.8
Education services	7.6	13.6	14.1
Central & bid costs	(4.3)	(6.4)	(6.4)
Continuing operations	8.4	17.0	14.5
Mercury Health	2.5	3.7	3.8
Total	10.9	20.7	18.3

*Before amortisation of intangibles, share option costs, goodwill impairment and Mercury Health disposal costs

Appendix I - Transition reporting periods

	Trading period	Comparative period
1 st Interims	6 months to 30 September 2007 <i>(as normal)</i>	6 months to 30 September 2006 <i>(published – no change)</i>
1 st Prelims	9 months to 31 December 2007 (audited) plus pro forma 12 months to 31 December 2007	12 months to 31 March 2007 <i>(Published – no change)</i> pro forma 9 months to 31 December 2006 <i>(new)</i> and pro forma 12 months to 31 December 2006 <i>(new)</i>
2 nd Interims	6 months to 30 June 2008	pro forma 6 months to 30 June 2007 <i>(new)</i>
2 nd Prelims	12 months to 31 December 2008	12 months to 31 December 2007 <i>(pro forma figures from 1st Prelims)</i>

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2007 Preliminary Results

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