

Triad Group Plc

Half year results for the six months ended 30 September 2014

Chairman's Statement

Financial Highlights

- Revenue for the six months ended 30 September 2014: £10.56m (2013: £9.17m)
- Profit after tax: £0.13m (2013: £0.20m loss)
- Earnings before interest, tax, amortisation and depreciation: £0.22m (2013: £0.10m loss)
- Gross profit as a percentage of revenue: 14.5% (2013: 13.7%)

Business Review

I am pleased to report improved results for the Group for the six months to 30 September 2014 with operating performance, measured in terms of revenue and profitability, strengthening across both the Resourcing and Consulting operating segments.

These results have been achieved further to the development of a number of key accounts and strategic engagements across the business and ongoing efforts to strengthen the Group's service offering. Key to these results has been the hard work and dedication of Triad's staff and management who have worked tirelessly to build on the improvements made in the second half of the previous financial year.

For the six months to 30 September 2014 Group revenue increased by 15.2% to £10.56m (2013: £9.17m). The Group reports a profit after tax in the period of £0.13m (2013: £0.20m loss). Gross margin as a percentage of revenue increased to 14.5% (2013: 13.7%). Segmental operating performance is discussed in more detail in the operating segment commentary below.

The Group reports cash and cash equivalents as at 30 September 2014 of £0.15m (2013: £0.18m net borrowings). Cash control remains strong.

Administrative expenses remain under tight control and have decreased by 3.5% to £1.35m (2013: £1.40m).

Resourcing Business

For the period to 30 September 2014 revenue in the Resourcing business increased by 9.7% to £8.73m (2013: £7.96m). The segment reports an operating profit of £0.16m (2013: £0.10m).

Average contractor numbers have increased significantly as compared to the first half of last year with particular growth in our key accounts in our Geographic Information Systems (GIS) and Corporate teams. Average gross margin across the business has been impacted by relatively high growth in contractor numbers through our preferred supplier arrangements. Improvement in gross margin remains a key priority for the business.

Encouragingly, the level of new customer engagements has also picked up steadily in the second quarter of the year in response to focussed business development activity and leveraging of the Group's wider capabilities.

We have expanded our Government team to service an increasing number of requirements from new business procured via the G-Cloud and Digital Services Frameworks (DSF), and to

provide specialist resources to augment permanent Triad teams engaged on Government assignments. As well as major Government departments, we have secured business with a number of Government agencies and City Councils via G-Cloud and DSF.

Activity within the Digital team is showing encouraging signs of growth with a number of significant new accounts being developed, particularly around online learning where our expertise and network reach have been key factors in attracting new business.

Consulting Business

For the period to 30 September 2014 revenue has increased to £1.83m (2013: £1.21m). This figure includes revenue attributable to subcontracted third parties of £0.28m (2013: £0.10m). Operating performance has improved significantly with the segment reporting an operating profit of £0.03m (2013: £0.24m loss). The improved levels of utilisation achieved in the second half of the previous financial year have been maintained throughout the period.

Triad has continued to strengthen its public sector profile as an SME capable of delivering rapid business benefit to our clients. We are achieving this through being highly responsive and adopting a flexible approach to project delivery. We have a number of projects supporting central government on large programmes of work and are successfully delivering services alongside much larger organisations.

Key achievements in the period include:

- Selection as sole Agile coaching provider to a large Government programme
- Delivery of technical architecture services to a Government agency
- Establishment of a leading-edge development capability for a Central Government department
- Winning of several Discovery projects across Government departments, leading to further development services

In the private sector, we are focussing on key clients with larger scale projects that require larger teams for longer durations. Highlights include the development of a collaboration platform for a major global engineering consultancy, and the commencement of a large programme of work for a leading player in the energy management sector.

Triad was recently selected to present as one of two “exemplar” G-Cloud suppliers at an event run by Crown Commercial Services and Government Digital services at TechUK, and we have also presented at a similar event run by Bristol City Council and Department for Rural Affairs.

We were delighted to be recognised by Historic Royal Palaces as their IT Solutions partner in recognition of the work we did to support the Roll of Honour at the Tower of London, and our services were used elsewhere to support the remembrance of World War I via the interactive maps we supplied to the National Trust.

Outlook

Our principal objectives are to provide clients with industry leading services, and to achieve sustainable, profitable growth across the business. Advances have already been made in the development of a more robust service offering and in Group-wide business development activity. Looking ahead, the business is focussed on building on the momentum achieved in the first half of the year. To this end our operational objectives remain unchanged, namely to

grow headcount in the consulting business whilst maintaining healthy utilisation levels, and to strengthen the client base and profit margins in the Resourcing business. This will need to be achieved against a backdrop of a fragile economic recovery and an uncertain political landscape.

Dividend

No interim dividend has been declared or paid (2013/14 interim: nil).

Employees

On behalf of the Board I would like to thank our staff for their continued hard work and dedication during the period.

John Rigg

Chairman

12 November 2014

Unaudited condensed consolidated statement of comprehensive income and expense

	Note	Unaudited Six months ended 30 September 2014 £'000	Unaudited Six months ended 30 September 2013 £'000	Audited Year ended 31 March 2014 £'000
Revenue	4	10,557	9,166	19,702
Cost of sales		(9,027)	(7,912)	(16,839)
Gross profit		1,530	1,254	2,863
Administrative expenses		(1,349)	(1,398)	(2,738)
Profit/(loss) from operations	4	181	(144)	125
Finance income		-	1	-
Finance expense	6	(55)	(56)	(114)
Profit/(loss) before tax		126	(199)	11
Taxation		-	-	-
Profit/(loss) for the period and total comprehensive income/(expense) attributable to equity holders of the parent		126	(199)	11
Basic earnings/(loss) per share	7	0.83p	(1.31)p	0.07p
Diluted earnings/(loss) per share	7	0.83p	(1.31)p	0.07p

All amounts relate to continuing activities.

Unaudited condensed consolidated statement of changes in equity

	Share Capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2013	151	562	104	(419)	398
Loss for the period and total comprehensive expense	-	-	-	(199)	(199)
Share-based payments	-	-	-	5	5
At 30 September 2013	151	562	104	(613)	204
At 1 April 2014	151	562	104	(338)	479
Profit for the period and total comprehensive income	-	-	-	126	126
Share-based payments	-	-	-	3	3
At 30 September 2014	151	562	104	(209)	608
At 1 April 2013	151	562	104	(419)	398
Profit for the year and total comprehensive income	-	-	-	11	11
Share-based payments	-	-	-	12	12
Unclaimed dividends	-	-	-	58	58
At 31 March 2014	151	562	104	(338)	479

Unaudited condensed consolidated statement of financial position

	Note	Unaudited 30 September 2014 £'000	Unaudited 30 September 2013 £'000	Audited 31 March 2014 £'000
Non-current assets				
Intangible assets		132	179	152
Property, plant and equipment		70	60	58
		<u>202</u>	<u>239</u>	<u>210</u>
Current assets				
Trade and other receivables		3,530	2,895	3,436
Cash and cash equivalents		247	39	108
		<u>3,777</u>	<u>2,934</u>	<u>3,544</u>
Total assets		3,979	3,173	3,754
Current liabilities				
Trade and other payables		(2,540)	(1,974)	(2,355)
Bank and other borrowings	8	(100)	(221)	(109)
Short term provisions		(236)	(104)	(241)
		<u>(2,876)</u>	<u>(2,299)</u>	<u>(2,705)</u>
Non-current liabilities				
Bank and other borrowings	8	(22)	(26)	(24)
Long term provisions		(473)	(644)	(546)
		<u>(495)</u>	<u>(670)</u>	<u>(570)</u>
Total liabilities		(3,371)	(2,969)	(3,275)
Net assets		608	204	479
Shareholders' equity				
Share capital		151	151	151
Share premium account		562	562	562
Capital redemption reserve		104	104	104
Retained earnings		(209)	(613)	(338)
Total shareholders' equity		608	204	479

Unaudited condensed consolidated statement of cash flows

	Unaudited Six months ended 30 September 2014 £'000	Unaudited Six months ended 30 September 2013 £'000	Audited Year ended 31 March 2014 £'000
Profit/(loss) for the period before taxation	126	(199)	11
Adjustments for:			
Depreciation of property, plant and equipment	10	8	20
Profit on disposal of property, plant and equipment	-	(6)	(6)
Amortisation of intangible assets	28	28	55
Finance income	-	(1)	-
Interest expense	5	10	21
Share-based payment expense	3	5	12
Changes in working capital			
(Increase)/decrease in trade and other receivables	(94)	165	(376)
Increase/(decrease) in trade and other payables	185	(425)	(44)
Increase in other borrowings	-	32	-
(Decrease)/increase in provisions	(78)	(31)	8
Cash generated/(consumed) by operations	185	(414)	(299)
Interest paid	(5)	(10)	(21)
Finance income	-	1	-
Net cash flows from operating activities	180	(423)	(320)
Cash flows from investing activities			
Purchase of intangible assets	(8)	-	-
Purchase of property, plant and equipment	(22)	(42)	(20)
Proceeds from sale of property plant and equipment	-	6	6
Net cash flows from investing activities	(30)	(36)	(14)
Cash flows from financing activities			
Finance lease principal payments	(2)	(1)	(3)
Proceeds from dividend write off	-	-	58
Net cash flows from investing activities	(2)	(1)	55
Net increase/(decrease) in cash and cash equivalents	148	(460)	(279)
Cash and cash equivalents at beginning of the period	4	283	283
Cash and cash equivalents at end of the period	152	(177)	4

Notes to the interim report

1. General information

The interim financial information set out above and overleaf does not constitute statutory accounts and has neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board. It has been approved by the Board of Directors on 12 November 2014.

2. Basis of preparation

The comparative figures for the year ended 31 March 2014 are not the Group's statutory accounts for the financial year. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

These financial statements have been prepared using accounting policies the Group expects to be applicable at 31 March 2015, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with the Disclosure and Transparency Rules of the Financial Services Authority, and in accordance with the requirements of IAS 34, Interim Financial Reporting, and with the accounting policies set out in the statutory accounts of Triad Group Plc for the year ended 31 March 2014.

The estimates and assumptions applied in the interim financial information were the same as those applied in the last Group statutory accounts for the year ended 31 March 2014.

3. Going Concern

The current economic conditions create uncertainty particularly over (a) the level of demand for the Group's services and (b) the availability of bank finance in the foreseeable future. The Group's projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility. The facility may be terminated by either party with one month's written notice. The Board receives regular cash flow and working capital projections to enable it to monitor its available headroom under this facility. These projections indicate that the Group expects to have sufficient resources to meet its reasonably expected obligations. The bank has not drawn to the attention of the Group any matters to suggest that this facility will not be continued on acceptable terms. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

4. Segmental reporting

The Group derives its revenue from two operating segments being Resourcing, and Consulting & Solutions.

	Unaudited Six months ended 30 September 2014 £'000	Unaudited Six months ended 30 September 2013 £'000	Audited Year ended 31 March 2014 £'000
<i>Revenue</i>			
Resourcing	8,730	7,955	16,991
Consulting & Solutions	1,827	1,211	2,771
	<u>10,557</u>	<u>9,166</u>	<u>19,702</u>

	Unaudited Six months ended 30 September 2014 £'000	Unaudited Six months ended 30 September 2013 £'000	Audited Year ended 31 March 2014 £'000
<i>Operating result</i>			
Resourcing	155	100	327
Consulting & Solutions	26	(244)	(202)
	<u>181</u>	<u>(144)</u>	<u>125</u>

Total assets are not reported internally by segment so no such segmental information is given.

5. Dividend

No interim dividend has been declared or paid (2013/14: nil)

6. Finance expense

	Unaudited Six months ended 30 September 2014 £'000	Unaudited Six months ended 30 September 2013 £'000	Audited Year ended 31 March 2014 £'000
Interest payable	(5)	(10)	(21)
Unwinding of discount on provisions	(45)	(46)	(92)
Net foreign exchange loss	(5)	-	(1)
Total finance expense	<u>(55)</u>	<u>(56)</u>	<u>(114)</u>

7. Earnings per share

Earnings per share have been calculated on the loss for the period divided by the weighted average number of shares in issue during the period based on the following:

	Unaudited 30 September 2014	Unaudited 30 September 2013	Audited 31 March 2014
Profit/(loss) for the period	£126,000	£(199,000)	£11,000
Average number of shares in issue	15,149,579	15,149,579	15,149,579
Effect of dilutive options	-	-	-
Average number of shares in issue plus dilutive options	15,149,579	15,149,579	15,149,579
Basic earnings/(loss) per share	0.83p	(1.31)p	0.07p
Diluted earnings/(loss) per share	0.83p	(1.31)p	0.07p

8. Bank and other borrowings

	Unaudited Six months ended 30 September 2014 £'000	Unaudited Six months ended 30 September 2013 £'000	Audited Year ended 31 March 2014 £'000
Current			
Bank borrowings	95	216	104
Finance lease obligations	5	5	5
	100	221	109
Non Current			
Finance lease obligations	22	26	24

9. Related party transactions

The Group rents two of its offices under contracts expiring in 2018. The current annual rents of £395,000 were fixed by independent valuation. A rent holiday was agreed with the landlords for one of the offices for a period of one year commencing from 25 June 2013. Therefore the rent payable during that period was reduced to £215,000. JC Rigg, a Director, has notified the Board that he has a 50% beneficial interest in these contracts. The balance owed at the period end was £nil (H1 2013/14: £nil).

10. Statement of the directors' responsibilities

The Board confirms to the best of their knowledge;

- that the condensed consolidated half year financial statements for the six months to 30 September 2014 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU; and
- that the Half Year Report includes a fair review of the information required by sections 4.2.7R and 4.2.8R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the period and their impact on the condensed consolidated half year financial statements; a description of the principal risks and uncertainties for the remainder of the current financial year; and the disclosure requirements in respect of material related party transactions.

By order of the Board

NE Burrows

Company Secretary

12 November 2014

Names of the current Board of Directors can be found on the company website at www.triad.co.uk.