

Triad Group Plc

Half year results for the six months ended 30 September 2017

Chairman's Statement

Financial Highlights

- Revenue for the six months ended 30 September 2017: £14.24m (2016: £14.83m)
- Profit after tax: up to £0.76m (2016: £0.69m)
- Profit from operations: up to £0.74m (2016: £0.68m)
- Earnings before interest, tax, amortisation and depreciation: up to £0.77m (2016: £0.71m)
- Gross profit as a percentage of revenue: 16.8% (2016: 15.6%)

Business Review

I am pleased to report another strong performance for the period to 30 September 2017, continuing the unbroken trend of improved results over recent years. Further to the Group's ongoing drive to strengthen profitability, gross margin as a percentage of revenue has improved to 16.8% (2016: 15.6%) and profit after tax has improved to £0.76m (2016: £0.69m). Revenue has, as expected, decreased from last year to £14.24m (2016: £14.83m).

The Group continues to be heavily engaged in providing services across the public sector, including to The Ministry of Justice, The Home Office, and Highways England. In the private sector, we continue to support the operations and infrastructure of a global bank and to provide a significant number of resources to a multi-national engineering firm. New work acquired during the period included the development of a digital platform for a national surveying company, the development of a new platform at Department for Transport, and work at Cabinet Office.

The Group has withstood a number of challenging situations during the period. The start of the financial year coincided with Government's implementation of the new Off Payroll Legislation relating to the tax status of contractors working in the public sector. It was pleasing to note that we experienced minimal attrition due to this, although considerable management time and effort was required to steer through an extremely complex and fast-changing environment.

During the period the Group's largest client, a central Government department, initiated a re-procurement exercise across several major programmes of work on which Triad has been significantly engaged. I am delighted to report that Triad has been successful in winning two of these competitions, one a significant contract for the supply of a business analysis service, the other a large contract for the supply of production support services.

The Group's cash position as at 30 September 2017 has decreased from the previous year end to £2.0m (at 31 March 2017: £2.2m) further to two large clients being particularly slow in clearing a backlog of payments. I am pleased to say this situation has now been successfully resolved. There have been no bad debts during the period.

Outlook

Plans to further improve profitability are progressing well. Gross margin remains the key focus, achieved through improvements in daily rates and utilisation levels. Strategies to support this include access to new frameworks, an example being the pan-Governmental Management Consultancy Framework on which Triad has just been awarded a place within the ICT & Digital lot. Other plans include further penetration of the private sector, particularly Financial Services, using our extensive delivery credentials combined with some niche technical expertise around emerging technologies.

Recruitment of high calibre consultants remains a priority as we continue to develop our services and capabilities to extend the Group's reach, particularly in the private sector.

Our sales pipeline remains healthy.

Dividend

The Board have declared an interim dividend of 0.5p (2016: £nil). See note 4.

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

21 November 2017

Unaudited condensed consolidated statement of comprehensive income and expense

	Note	Unaudited Six months ended 30 September 2017 £'000	Unaudited Six months ended 30 September 2016 £'000	Audited Year ended 31 March 2017 £'000
Revenue		14,237	14,834	30,912
Cost of sales		(11,839)	(12,524)	(25,912)
Gross profit		2,398	2,310	5,000
Administrative expenses		(1,653)	(1,630)	(3,453)
Profit from operations		745	680	1,547
Finance expense	5	(9)	(17)	(31)
Finance income		1	5	5
Profit before tax		737	668	1,521
Tax credit	6	18	24	13
Profit for the period and total comprehensive income attributable to equity holders of the parent		755	692	1,534
Basic earnings per share	7	4.87p	4.57p	10.08p
Diluted earnings per share	7	4.67p	4.38p	9.55p

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 2016	151	562	104	1,239	2,056
Profit for the period and total comprehensive income	-	-	-	692	692
Issue of shares	1	4	-	-	5
Share-based payments	-	-	-	2	2
At 30 September 2016	152	566	104	1,933	2,755
At 1 April 2017	155	605	104	2,775	3,639
Profit for the period and total comprehensive income	-	-	-	755	755
Dividend paid	-	-	-	(77)	(77)
Issue of shares	-	6	-	-	6
Share-based payments	-	-	-	2	2
At 30 September 2017	155	611	104	3,455	4,325
At 1 April 2016	151	562	104	1,239	2,056
Profit for the year and total comprehensive income	-	-	-	1,534	1,534
Issue of shares	4	43	-	-	47
Share-based payments	-	-	-	2	2
At 31 March 2017	155	605	104	2,775	3,639

Unaudited condensed consolidated statement of financial position

	Note	Unaudited 30 September 2017 £'000	Unaudited 30 September 2016 £'000	Audited 31 March 2017 £'000
Non-current assets				
Intangible assets		6	11	8
Property, plant and equipment		105	131	134
Deferred tax		379	374	361
		<u>490</u>	<u>516</u>	<u>503</u>
Current assets				
Trade and other receivables		5,164	5,743	5,051
Cash and cash equivalents		2,001	901	2,248
		<u>7,165</u>	<u>6,644</u>	<u>7,299</u>
Total assets		7,655	7,160	7,802
Current liabilities				
Trade and other payables		(2,994)	(3,960)	(3,702)
Financial liabilities		-	(6)	(11)
Short term provisions		(285)	(254)	(405)
		<u>(3,279)</u>	<u>(4,220)</u>	<u>(4,118)</u>
Non-current liabilities				
Financial liabilities		-	(9)	-
Long term provisions		(51)	(176)	(45)
		<u>(51)</u>	<u>(185)</u>	<u>(45)</u>
Total liabilities		(3,330)	(4,405)	(4,163)
Net assets		4,325	2,755	3,639
Shareholders' equity				
Share capital		155	152	155
Share premium account		611	566	605
Capital redemption reserve		104	104	104
Retained earnings		3,455	1,933	2,775
Total shareholders' equity		4,325	2,755	3,639

Unaudited condensed consolidated statement of cash flows

	Note	Unaudited Six months ended 30 September 2017 £'000	Unaudited Six months ended 30 September 2016 £'000	Audited Year ended 31 March 2017 £'000
Profit for the period before taxation		737	668	1,521
Adjustments for:				
Depreciation of property, plant and equipment		31	27	60
Amortisation of intangible assets		2	2	5
Interest expense		2	2	4
Share-based payment expense		2	2	2
Changes in working capital				
Increase in trade and other receivables		(113)	(1,060)	(367)
(Decrease)/increase in trade and other payables		(708)	464	205
Decrease in provisions		(114)	(121)	(101)
Cash (consumed)/generated by operations		(161)	(16)	1,329
Interest paid		(2)	(2)	(4)
Tax received		-	-	2
Net cash flows from operating activities		(163)	(18)	1,327
Cash flows from investing activities				
Purchase of intangible assets		-	-	-
Purchase of property, plant and equipment		(2)	(38)	(74)
Net cash outflows from investing activities		(2)	(38)	(74)
Cash flows from financing activities				
Finance lease principal payments		(11)	(3)	(7)
Proceeds of issue of shares		6	5	47
Dividend paid	4	(77)	-	-
Net cash flows from investing activities		(82)	2	40
Net (decrease)/increase in cash and cash equivalents		(247)	(54)	1,293
Cash and cash equivalents at beginning of the period		2,248	955	955
Cash and cash equivalents at end of the period		2,001	901	2,248

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 21 November 2017.

2. Basis of preparation

The comparative figures for the year ended 31 March 2017 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 2018, 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 2017.

None of the new standards and amendments that are effective for the first time for periods beginning on or after 1 April 2017 have a material impact on the Group.

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 2017.

3. Going Concern

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 half year results.

4. Dividend

The Board have declared a dividend of 0.5p for the period to 30 September 2017 (2016: nil).

The Company will pay the dividend on Friday 5 January 2018 to all shareholders on the register of members of the Company at the close of business on 1 December 2017. The ex-dividend date will be on 30 November 2017.

During the period a final dividend for the year ended 31 March 2017 of £77,000 was paid.

5. Finance expense

	Unaudited Six months ended 30 September 2017 £'000	Unaudited Six months ended 30 September 2016 £'000	Audited Year ended 31 March 2017 £'000
Bank interest expense	2	1	3
Other interest expense	-	1	1
	-----	-----	-----
Total interest expense	2	2	4
Unwinding of discount on provisions	7	15	27
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Total finance expense	<u>9</u>	<u>17</u>	<u>31</u>

6. Tax credit

	Unaudited Six months ended 30 September 2017 £'000	Unaudited Six months ended 30 September 2016 £'000	Audited Year ended 31 March 2017 £'000
Current tax			
Current tax on profits for the period	-	-	-
Research and development tax credit relating to earlier period	-	-	(2)
Deferred tax			
Recognition of previously unrecognised deferred tax asset	(18)	(24)	(11)
	-----	-----	-----
Total tax credit for the period	<u>(18)</u>	<u>(24)</u>	<u>(13)</u>

The differences between the actual tax credit for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	Unaudited Six months ended 30 September 2017 £'000	Unaudited Six months ended 30 September 2016 £'000	Audited Year ended 31 March 2017 £'000
Profit before tax	737	668	1,521
Profit before tax multiplied by standard rate of corporation tax in the UK of 19%/20%/20%	140	134	304
Research and development tax credit relating to earlier period	-	-	(2)
Expenses not deductible for tax purposes	3	-	8
Brought forward losses utilised against taxable profits	-	(134)	-
Recognition of previously unrecognised deferred tax asset on losses	(161)	(24)	(323)
Tax credit for the period	(18)	(24)	(13)
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

Deferred tax asset

	Unaudited Six months ended 30 September 2017 £'000	Unaudited Six months ended 30 September 2016 £'000	Audited Year ended 31 March 2017 £'000
The movement in deferred tax is as follows:			
At beginning of period	361	350	350
Utilisation against taxable profits	(143)	(134)	(312)
Recognition of previously unrecognised deferred tax asset on losses	160	158	342
Increase/(decrease) in relation to timing difference	1	-	(15)
Rate change	-	-	(4)
At end of period	379	374	361
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

Deferred tax assets have been recognised in respect of tax losses where the Directors believe it is probable that the assets will be recovered. A deferred tax asset amounting to £565,000 (2016: £922,000) has not been recognised in respect of trading losses, which can be carried forward indefinitely.

7. Earnings per ordinary share

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

	Unaudited 30 September 2017	Unaudited 30 September 2016	Audited 31 March 2017
Profit for the period	£755,000 <u> </u>	£692,000 <u> </u>	£1,534,000 <u> </u>
Average number of shares in issue	15,507,586	15,153,404	15,219,826
Effect of dilutive options	656,019 <u> </u>	646,181 <u> </u>	848,437 <u> </u>
Average number of shares in issue plus dilutive options	16,163,605 <u> </u>	15,799,585 <u> </u>	16,068,263 <u> </u>
Basic earnings per share	4.87p <u> </u>	4.57p <u> </u>	10.08p <u> </u>
Diluted earnings per share	4.67p <u> </u>	4.38p <u> </u>	9.55p <u> </u>

8. Financial liabilities

	Unaudited Six months ended 30 September 2017 £'000	Unaudited Six months ended 30 September 2016 £'000	Audited Year ended 31 March 2017 £'000
Current			
Finance lease obligations	-	7	11
	<u> </u>	<u> </u>	<u> </u>
Non Current			
Finance lease obligations	-	8	-
	<u> </u>	<u> </u>	<u> </u>

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. 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 (2016: £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 2017 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
21 November 2017

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