

Triad Group Plc

Half year results for the six months ended 30 September 2016

Chairman's Statement

Financial Highlights

- Revenue for the six months ended 30 September 2016: up 16.4% to £14.83m (2015: £12.74m)
- Profit after tax: up 221.9% to £0.69m (2015: £0.22m)
- Profit from operations: up 163.6% to £0.68m (2015: £0.26m)
- Earnings before interest, tax, amortisation and depreciation: up 136.7% to £0.71m (2015: £0.30m)
- Gross profit as a percentage of revenue: 15.6% (2015: 14.0%)

Business Review

I am pleased to report that the Group has built on the successes of the last financial year with another strong set of results for the six months to 30 September 2016. We have seen significant improvement across all our key performance indicators, most notably an increase in gross profit as a percentage of revenue to 15.6% (2015: 14.0%).

For the six months to 30 September 2016 Group revenue increased by 16.4% to £14.83m (2015: £12.74m). The Group reports a profit after tax in the period of £0.69m (2015: £0.22m). Operating profit has increased to £0.68m (2015: £0.26m).

Underpinning the improved financial performance has been a strengthened order book resulting from an increase in the number of larger engagements and growth of existing lines of business.

During the period Triad teams were engaged on a number of major public sector initiatives including transformation of the justice system, securing UK's borders, advising on technology strategy for England's highways, and helping to modernise systems used to fund grants across Government.

Outside of Government, key projects have seen Triad helping a global aid consultancy manage its worldwide teams more effectively through the use of collaboration platforms and developing new ways of working for a leading energy management provider.

Triad continues to develop its reputation as one of the UK's leading providers of technical specialists in the GIS field, and we celebrated over 10 years working as top-tier provider of technology staff to a leading global bank

The Group reports cash and cash equivalents as at 30 September 2016 of £0.90m (2015: £0.18m).

Outlook

The Board is currently focused on implementing its strategy to further strengthen the business and share price. This includes increasing our investment in marketing activities, recruitment of talented individuals, and the enhancement of our service offering.

Externally, we continue to monitor the possible impact of BREXIT and other political events and the impact of impending legislative change, in particular the off-payroll legislation relating to contractors working in the public sector.

Our order book remains strong and we continue to develop exciting opportunities in both public and private sectors.

Dividend

No interim dividend has been declared or paid (2015/16 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

24 November 2016

Unaudited condensed consolidated statement of comprehensive income and expense

	Note	Unaudited Six months ended 30 September 2016 £'000	Unaudited Six months ended 30 September 2015 £'000	Audited Year ended 31 March 2016 £'000
Revenue		14,834	12,742	28,317
Cost of sales		(12,524)	(10,957)	(24,081)
Gross profit		2,310	1,785	4,236
Administrative expenses		(1,630)	(1,527)	(3,256)
Profit from operations		680	258	980
Finance expense	5	(17)	(43)	(118)
Finance income		5	-	1
Profit before tax		668	215	863
Tax credit	6	24	-	350
Profit for the period and total comprehensive income attributable to equity holders of the parent		692	215	1,213
Basic earnings per share	7	4.57p	1.42p	8.01p
Diluted earnings per share	7	4.38p	1.37p	7.72p

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 2015	151	562	104	22	839
Profit for the period and total comprehensive income	-	-	-	215	215
Share-based payments	-	-	-	2	2
At 30 September 2015	151	562	104	239	1,056
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 2015	151	562	104	22	839
Profit for the year and total comprehensive income	-	-	-	1,213	1,213
Share-based payments	-	-	-	4	4
At 31 March 2016	151	562	104	1,239	2,056

Unaudited condensed consolidated statement of financial position

	Note	Unaudited 30 September 2016 £'000	Unaudited 30 September 2015 £'000	Audited 31 March 2016 £'000
Non-current assets				
Intangible assets		11	96	13
Property, plant and equipment		131	123	120
Deferred tax		374	-	350
		<u>516</u>	<u>219</u>	<u>483</u>
Current assets				
Trade and other receivables		5,743	4,023	4,683
Cash and cash equivalents		901	180	955
		<u>6,644</u>	<u>4,203</u>	<u>5,638</u>
Total assets		7,160	4,422	6,121
Current liabilities				
Trade and other payables		(3,960)	(2,789)	(3,496)
Financial liabilities		(6)	(6)	(7)
Short term provisions		(254)	(242)	(254)
		<u>(4,220)</u>	<u>(3,037)</u>	<u>(3,757)</u>
Non-current liabilities				
Financial liabilities		(9)	(15)	(11)
Long term provisions		(176)	(314)	(297)
		<u>(185)</u>	<u>(329)</u>	<u>(308)</u>
Total liabilities		(4,405)	(3,366)	(4,065)
Net assets		2,755	1,056	2,056
Shareholders' equity				
Share capital		152	151	151
Share premium account		566	562	562
Capital redemption reserve		104	104	104
Retained earnings		1,933	239	1,239
Total shareholders' equity		2,755	1,056	2,056

Unaudited condensed consolidated statement of cash flows

	Unaudited Six months ended 30 September 2016 £'000	Unaudited Six months ended 30 September 2015 £'000	Audited Year ended 31 March 2016 £'000
Profit for the period before taxation	668	215	863
Adjustments for:			
Depreciation of property, plant and equipment	27	22	46
Amortisation of intangible assets	2	19	107
Interest expense	2	5	10
Share-based payment expense	2	2	4
Changes in working capital			
Increase in trade and other receivables	(1,060)	(12)	(672)
Increase/(decrease) in trade and other payables	464	(344)	363
Decrease in provisions	(121)	(85)	(90)
Cash (consumed)/generated by operations	(16)	(178)	631
Interest paid	(2)	(5)	(10)
Net cash flows from operating activities	(18)	(183)	621
Cash flows from investing activities			
Purchase of intangible assets	-	(3)	(8)
Purchase of property, plant and equipment	(38)	(21)	(42)
Net cash flows from investing activities	(38)	(24)	(50)
Cash flows from financing activities			
Finance lease principal payments	(3)	(3)	(6)
Proceeds of issue of shares	5	-	-
Net cash flows from investing activities	2	(3)	(6)
Net (decrease)/increase in cash and cash equivalents	(54)	(210)	565
Cash and cash equivalents at beginning of the period	955	390	390
Cash and cash equivalents at end of the period	901	180	955

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 24 November 2016.

2. Basis of preparation

The comparative figures for the year ended 31 March 2016 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 2017, 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 2016.

None of the new standards and amendments that are effective for the first time for periods beginning on or after 1 April 2016 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 2016.

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. Dividend

No interim dividend has been declared or paid (2015/16: nil)

5. Finance expense

	Unaudited Six months ended 30 September 2016 £'000	Unaudited Six months ended 30 September 2015 £'000	Audited Year ended 31 March 2016 £'000
Bank interest payable	1	4	8
Other interest payable	1	1	2
	-----	-----	-----
Total interest expense	2	5	10
Unwinding of discount on provisions	15	36	108
Net foreign exchange loss	-	2	-
	-----	-----	-----
Total finance expense	<u>17</u>	<u>43</u>	<u>118</u>

6. Tax credit

	Unaudited Six months ended 30 September 2016 £'000	Unaudited Six months ended 30 September 2015 £'000	Audited Year ended 31 March 2016 £'000
Current tax			
Current tax on profits for the period	-	-	-
Deferred tax			
Recognition of previously unrecognised deferred tax asset	(24)	-	(350)
	-----	-----	-----
Total tax credit for the period	<u>(24)</u>	<u>-</u>	<u>(350)</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 2016 £'000	Unaudited Six months ended 30 September 2015 £'000	Audited Year ended 31 March 2016 £'000
Profit before tax	668	215	863
Profit before tax multiplied by standard rate of corporation tax in the UK of 20% (21%,21%)	134	45	173
Effects of:			
Expenses not deductible for tax purposes	-	12	24
Brought forward losses utilised against taxable profits	(134)	(57)	(197)
Recognition of previously unrecognised deferred tax asset on losses	(24)	-	(350)
Tax credit for the period	<u>(24)</u>	<u>-</u>	<u>(350)</u>

Deferred tax asset

	£'000	£'000	£'000
The movement in deferred tax is as follows:			
At beginning of period	350	-	-
Utilised versus taxable profit	(134)	-	-
Recognition of previously unrecognised deferred tax asset on losses	158	-	350
At end of period	<u>374</u>	<u>-</u>	<u>350</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 £922,000 (2015: £1,592,000) has not been recognised in respect of trading losses, which can be carried forward indefinitely.

7. Earnings per 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 2016	Unaudited 30 September 2015	Audited 31 March 2016
Profit for the period	£692,000 <u> </u>	£215,000 <u> </u>	£1,213,000 <u> </u>
Average number of shares in issue	15,153,404	15,149,579	15,149,579
Effect of dilutive options	646,181 <u> </u>	515,044 <u> </u>	554,919 <u> </u>
Average number of shares in issue plus dilutive options	15,799,585 <u> </u>	15,664,623 <u> </u>	15,704,498 <u> </u>
Basic earnings per share	4.57p <u> </u>	1.42p <u> </u>	8.01p <u> </u>
Diluted earnings per share	4.38p <u> </u>	1.37p <u> </u>	7.72p <u> </u>

8. Financial liabilities

	Unaudited Six months ended 30 September 2016 £'000	Unaudited Six months ended 30 September 2015 £'000	Audited Year ended 31 March 2016 £'000
Current			
Finance lease obligations	<u>7</u>	<u>6</u>	<u>7</u>
Non Current			
Finance lease obligations	<u>8</u>	<u>15</u>	<u>11</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 (H1 2015/16: £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 2016 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
24 November 2016

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