Triad Group Plc

Half year results for the six months ended 30 September 2007

Chairman's statement

Financial Highlights

- Revenue is £17.1m for the six months ended 30 September 2007 (H1 2006/07: £17.8m)
- Gross profit as a percentage of revenue 17.1% (H1 2006/07: 15.7%)
- Operating loss after exceptional items £0.50m (H1 2006/07: £1.68m loss)
- Loss before tax £0.6m (H1 2006/07: £1.72m loss)
- Operating loss before exceptional items £0.25m (H1 2006/07: £0.30m loss)
- The pre tax losses are after charging net exceptional administrative expenses of £250,000 (H1 2006/07: £1,377,000); see note 5 to the Consolidated Income Statement below.

Business Review

In my Interim Management Statement dated 14 August 2007, I referred to slow decision making on the part of certain clients which is usual during the summer months. As a result of the turmoil in financial markets which has occurred since then, a number of financial institutions with whom we were already working or expecting to start work in the short term have further delayed or cancelled plans for IT development. This is likely to affect our utilisation levels in the second half of the year although it is too early to estimate the impact. We are of course vigorously developing work in other market sectors.

The Company continues to trade comfortably within the financial facilities available to it, and the Board continues to be confident about the Company's prospects.

The financial impact of the reduction in low margin resourcing business has led to gross margin as a percentage of turnover increasing to 17.1% (H1 2006/07: 15.7%). Revenue for the period has decreased to £17.1m (H1 2006/07: £17.8m). This is mainly due to a reduction in the level of activity in the government sector.

Pre-exceptional administrative expenses have increased slightly in the period to £3.2m (H1 2006/07: £3.1m). A detailed cost review exercise across all areas of the business is currently underway.

Included in exceptional administrative expenses in the period is a charge of £250,000 (H1 2006/07: credit of £173,000) arising from an increase in the vacant property provision resulting from the abolition of empty property rates relief (see note 5).

The deterioration of cash balances since 31 March 2007 is largely due to the payment of legal and other professional costs relating to the settlement of the claim brought against the Company by its former Chief Executive Mira Makar. These costs had been accrued and provided for in the accounts for the year ended 31 March 2007 thus explaining the movement in the period in trade and other payables and short term provisions.

The resourcing business continues to build on its niche expertises and is strengthening its position within the already defined markets. New niche areas include Radio Frequency Identification (RFID), Service Oriented Architecture (SOA) and Data Mining.

The retail and terminal systems business continues its growth and penetration into the UK market. Significant opportunities are now well within our scope of capabilities.

We continue to provide IT consultancy and systems development capability in the financial services, government, telecoms and transportation sectors. During the period we have had new engagements across all of these sectors and have successfully delivered systems for which we are now providing long term support. We are currently generating areas of expertise in new Microsoft products and are seeing promising levels of interest expressed by potential clients in these areas.

Utilisation in the IT systems and consultancy business has been high during the period but, as explained above, is under pressure. Market pressures in all our service sectors are keeping fee rates static. Staff attrition remains very low and morale high.

Recruitment of highly qualified permanent staff continues. One new area for which we are currently recruiting specialists is that of Business Intelligence, a market where we believe there to be considerable opportunity for growth.

Risks

The key risks and uncertainties facing the Group in the second half of the current financial year have not changed from those outlined in the Annual Report for the year ended 31 March 2007.

Dividends

No interim dividend has been declared or paid (2006/07 interim - 0.00p).

John Rigg
Chairman
22 November 2007

Condensed consolidated income statement

	Note	**Unaudited Six months ended 30 September 2007 £'000**	Unaudited Six months ended 30 September 2006 £'000	Audited Year ended 31 March 2007 £'000
Revenue		**17,063**	17,779	36,081
Cost of sales		**(14,153)**	(14,992)	(29,791)
Gross profit		**2,910**	2,787	6,290
Administrative expenses		**(3,406)**	(4,467)	(7,163)
Operating (loss)/profit pre exceptional (expense)/credit		**(246)**	(303)	32
Exceptional administrative expense: legal and professional fees	5	**-**	(1,550)	(1,223)
Exceptional administrative (expense)/credit: change in surplus property provision	5	**(250)**	173	318
Operating loss	5	**(496)**	(1,680)	(873)
Finance income		**2**	16	18
Finance costs	6	**(107)**	(56)	(140)
Loss before tax		**(601)**	(1,720)	(995)
Tax expense		**-**	(206)	(206)
Loss for the period attributable to equity shareholders of the parent		**(601)**	(1,926)	(1,201)
Basic loss per share	8	**(3.97)p**	(12.71)p	(7.93)p
Diluted loss per share	8	**(3.97)p**	(12.71)p	(7.93)p

There is no recognised income or expense except for the loss for the periods stated above therefore no separate Statement of recognised income and expense has been prepared.

Condensed consolidated balance sheet

	Note	**Unaudited 30 September 2007 £'000**	Unaudited 30 September 2006 £'000	Audited 31 March 2007 £'000
Non-current assets				
Intangible assets		**170**	71	53
Property, plant and equipment		**746**	707	684
		916	778	737
Current assets				
Trade and other receivables		**7,984**	8,739	8,314
Cash and cash equivalents		**-**	392	1,019
		7,984	9,131	9,333
Total assets		**8,900**	9,909	10,070
Current liabilities				
Trade and other payables		**(4,268)**	(5,435)	(6,191)
Financial liabilities	7	**(1,158)**	(20)	(21)
Short term provisions		**(236)**	(1,322)	(205)
		(5,662)	(6,777)	(6,417)
Non-current liabilities				
Financial liabilities	7	**(7)**	(16)	(17)
Long term provisions		**(1,436)**	(1,487)	(1,254)
		(1,443)	(1,503)	(1,271)
Total liabilities		**(7,105)**	(8,280)	(7,688)
Net assets		**1,795**	1,629	2,382
Shareholders' equity				
Share capital		**151**	151	151
Share premium account		**562**	562	562
Capital redemption reserve		**104**	104	104
Retained earnings		**978**	812	1,565
Total shareholders' equity		**1,795**	1,629	2,382

Condensed consolidated cash flow statement

	Note	**Unaudited Six months ended 30 September 2007 £'000**	Unaudited Six months ended 30 September 2006 £'000	Audited Year ended 31 March 2007 £'000
Net loss		**(601)**	(1,926)	(1,201)
Adjustments for:				
Tax		**-**	206	206
Depreciation of property, plant and equipment		**188**	185	370
Profit on disposal of property, plant and equipment		**(3)**	(6)	(12)
Amortisation of intangible assets		**20**	26	48
Interest income		**(2)**	(16)	(18)
Interest expense		**38**	2	32
Share-based payment expense		**14**	-	28
Changes in working capital				
Decrease/(increase) in trade and other receivables		**330**	(403)	22
(Decrease)/increase in trade and other payables		**(1,923)**	(196)	560
Increase/(decrease) in provisions		**213**	879	(471)
Cash generated from operations		**(1,726)**	(1,249)	(436)
Interest paid		**(38)**	(2)	(32)
Interest received		**2**	16	18
Net cash flows from operating activities		**(1,762)**	(1,235)	(450)
Cash flows from investing activities				
Purchase of intangible assets		**(137)**	(25)	(36)
Purchase of property, plant and equipment		**(316)**	(158)	(348)
Proceeds from sale of property plant and equipment		**69**	50	106
Net cash flows from investing activities		**(384)**	(133)	(278)
Cash flows from financing activities				
Finance lease principal payments		**(8)**	(7)	(20)
Net cash from financing activities		**(8)**	(7)	(20)
Net decrease in cash and cash equivalents		**(2,154)**	(1,375)	(748)

Cash and cash equivalents at beginning of the period	**1,019**	1,767	1,767
Cash and cash equivalents at end of the period	**(1,135)**	392	1,019

Condensed consolidated statement of changes in equity

	Unaudited Six months Ended 30 September 2007 £'000	Unaudited Six months Ended 30 September 2006 £'000	Audited Year ended 31 March 2007 £'000
Opening shareholders' equity	**2,382**	3,555	3,555
Loss for the period	**(601)**	(1,926)	(1,201)
Share-based payments	**14**	-	28
Closing shareholders' equity	**1,795**	1,629	2,382

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 22 November 2007.

2. Basis of preparation

The comparative figures for the year ended 31 March 2007 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 237 (2) or (3) of the Companies Act 1985.

These financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) and in accordance with the requirements of IAS34, Interim Financial Reporting, and with the accounting policies set out in the statutory accounts of Triad Group Plc for the year ended 31 March 2007.

3. Segmental reporting

Based on risks and returns the Directors consider that the primary reporting format is by business segment. The Directors consider that there is only one business segment being business consultancy, software and systems delivery and only one geographical location, being the UK. Therefore the disclosures for the primary segment have already been given in these financial statements.

IFRS8 “Operating Segments”, which comes into effect not later than accounting periods beginning on 1 January 2009, requires identification and reporting of operating segments on the basis of internal reports that are regularly reviewed by the Board in order to allocate resources to the segment and assess its performance. The Company assessed the impact of IFRS8 and concluded that it will not be material.

4. Dividend

No interim dividend has been declared or paid (2006/07: 0.00p)

5. Operating Loss

The operating loss is after charging exceptional administrative expenses of £250,000 to increase the vacant property provision, resulting from the abolition of empty property business rates relief; in 2006/07 there were exceptional administrative expenses totalling £1,550,000, being legal and professional fees relating to the situation regarding Mira Makar and an exceptional administrative credit of £173,000 resulting from a change in the discount rate used in the calculation of the provision relating to the vacant property.

6. Finance costs

	Unaudited Six months Ended 30 September 2007 £'000	Unaudited Six months Ended 30 September 2006 £'000	Audited Year ended 31 March 2007 £'000
Bank interest payable	**(37)**	-	(29)
Finance lease interest	**(1)**	(2)	(3)
Unwinding of discount on provision	**(69)**	(54)	(108)
	(107)	(56)	(140)

7. Financial liabilities

	Unaudited Six months Ended 30 September 2007 £'000	Unaudited Six months Ended 30 September 2006 £'000	Audited Year ended 31 March 2007 £'000
Present value of finance lease obligations	**(30)**	(36)	(38)
Bank borrowings	**(1,135)**	-	-
	(1,165)	(36)	(38)

The maturity profile of the present value of financial liabilities is as follows:

Current	**(1,158)**	(20)	(21)
Non-current	**(7)**	(16)	(17)
	(1,165)	(36)	(38)

8. 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 2007	Unaudited 30 September 2006	Audited 31 March 2007
Loss for the period	**£(601,000)**	£(1,926,000)	£(1,201,000)
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 loss per share	**(3.97)p**	(12.71)p	(7.93)p
Diluted loss per share	**(3.97)p**	(12.71)p	(7.93)p

The share options have no dilutive effect in any of these periods.

9. Related party transactions

The group rents offices under contracts expiring in 2018. The current annual rents of £395,000 were fixed, by independent valuation, for a five year period at the last rent review in 2003. 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 2006/07: £nil).

10. Statement of the directors' responsibilities

The Board confirms to the best of their knowledge;

- that the consolidated half year financial statements for the six months to 30 September 2007 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 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.

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