Triad Group Plc

Half year results for the six months ended 30 September 2008

Chairman's statement

Financial Highlights

- Revenue is £16.6m for the six months ended 30 September 2008 (H1 2007/08: £17.1m)
- Gross profit as a percentage of revenue 19.7% (H1 2007/08: 17.1%)
- Operating profit after exceptional items £0.13m (H1 2007/08: £0.50m loss)
- Profit before tax £0.01m (H1 2007/08: £0.60m loss)
- Operating profit before exceptional items £0.13 m (H1 2007/08: £0.25m loss).

Business Performance

The Company has produced an encouraging performance for the six months to 30 September 2008. Despite challenging market conditions the demand for IT services has held up in the period and the Company has been successful in expanding its customer base within existing and new niche markets and continues to maintain excellent relationships with its clients.

Public sector business is steady and the Company has a strong presence in the financial services, telecommunications, engineering, health and defence sectors and in the supply of Geographical Information System (GIS) resource. We have seen a slowdown in spending with some clients, particularly in the financial services sector. Changes in customer sentiment and spending plans are being monitored very closely.

The new Zubed service, to which I referred in our last annual report, has continued to make good progress. The solution offering has been extended and we are now addressing its key target markets. This is discussed in more detail below.

The Company maintains a broad portfolio of clients across industry sectors, which provides some resilience against possible future fluctuations in individual market sectors. We have also created a number of valuable industry partnerships to provide access to additional framework contracts in the public sector.

There continues to be a focus around our capabilities and expertise in the use of Microsoft based technologies for delivery projects, particularly the SharePoint product in which there is considerable interest. We have delivered a number of solutions using these products including web based e-government systems and collaborative client intranets. We are also working with clients on business intelligence solutions using the recent release of Microsoft PerformancePoint.

Financial Performance

Revenue for the six months to 30 September 2008 was £16.6m (H1 2007/08: £17.1m). This is principally due to the continued reduction in resourcing activity in the government sector.

Gross margin as a percentage of revenue has increased in the period to 19.7% (H1 2007/08: 17.1%), primarily as a result of improved utilisation in the consultancy business. Utilisation remains high with market pressures keeping fee rates static. As previously reported, the financial effects of the move away from lower margin activity in the contracting business are now fully realised.

Pre-exceptional administrative expenses were £3.15m (H1: 2007/08 £3.16m). The Company continues to be run efficiently with a strong emphasis on cash control. During the period investment in developing the Zubed business has been maintained (see also note 7).

The Company continues to trade comfortably within the financial facilities available to it.

Zubed Geospatial

Zubed is a provider of Location Intelligence solutions operating under the Software as a Service (SaaS) principle. We have continued to develop a modular toolset which enables the creation of bespoke solutions that have a wide range of applications, across a broad range of markets. The potential of these developments is demonstrated on www.zubed.com. A number of exciting projects have been started in both the private and public sector.

After successful trial phases, negotiations are continuing with a number of global organisations to deploy fully both the sales prospecting tool, ZubedSales and the comprehensive talent management application, ZubedTalent. Furthermore, the semantic search engine for jobs, ZubedJobs, is now available as a public job site which is beginning to generate live job requirements.

The current Zubed sales pipeline is encouraging, both in its scale and its diversity.

Employees

On behalf of the Board I would like to thank the staff for their efforts during the period.

Dividends

No interim dividend has been declared or paid (2007/08 interim - 0.00p).

John Rigg
Chairman
27 November 2008

Condensed consolidated income statement

	Note	**Unaudited Six months ended 30 September 2008 £'000**	Unaudited Six months ended 30 September 2007 £'000	Audited Year ended 31 March 2008 £'000
Revenue		**16,625**	17,063	33,294
Cost of sales		**(13,354)**	(14,153)	(27,216)
Gross profit		**3,271**	2,910	6,078
Administrative expenses		**(3,140)**	(3,406)	(6,556)
Operating profit/(loss) pre exceptional expense		**131**	(246)	(226)
Exceptional administrative expense: change in surplus property provision	5	**-**	(250)	(252)
Operating profit/(loss)	5	**131**	(496)	(478)
Finance income		**-**	2	19
Finance expense	6	**(122)**	(107)	(239)
Profit/(loss) before tax		**9**	(601)	(698)
Tax expense		**-**	-	-
Profit/(loss) for the period attributable to equity shareholders of the parent		**9**	(601)	(698)
Basic profit/(loss) per share	9	**0.06p**	(3.97)p	(4.61)p
Diluted profit/(loss) per share	9	**0.06p**	(3.97)p	(4.61)p

There is no recognised income or expense except for the profit/(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 2008 £'000**	Unaudited 30 September 2007 £'000	Audited 31 March 2008 £'000
Non-current assets				
Intangible assets	7	**418**	170	296
Property, plant and equipment		**665**	746	775
		1,083	916	1,071
Current assets				
Trade and other receivables		**7,378**	7,984	7,435
Cash and cash equivalents		**87**	-	136
		7,465	7,984	7,571
Total assets		**8,548**	8,900	8,642
Current liabilities				
Trade and other payables		**(4,118)**	(4,268)	(4,006)
Financial liabilities	8	**(1,095)**	(1,158)	(1,268)
Short term provisions		**(251)**	(236)	(238)
		(5,464)	(5,662)	(5,512)
Non-current liabilities				
Financial liabilities	8	**(1)**	(7)	(5)
Long term provisions		**(1,359)**	(1,436)	(1,413)
		(1,360)	(1,443)	(1,418)
Total liabilities		**(6,824)**	(7,105)	(6,930)
Net assets		**1,724**	1,795	1,712
Shareholders' equity				
Share capital		**151**	151	151
Share premium account		**562**	562	562
Capital redemption reserve		**104**	104	104
Retained earnings		**907**	978	895
Total shareholders' equity		**1,724**	1,795	1,712

Condensed consolidated cash flow statement

	Note	**Unaudited Six months ended 30 September 2008 £'000**	Unaudited Six months ended 30 September 2007 £'000	Audited Year ended 31 March 2008 £'000
Profit/(loss) for the period		**9**	**(601)**	(698)
Adjustments for:				
Depreciation of property, plant and equipment		**197**	**188**	385
Profit on disposal of property, plant and equipment		**2**	**(3)**	(18)
Amortisation of intangible assets		**56**	**20**	36
Finance income		**-**	**(2)**	(19)
Interest expense		**43**	**38**	100
Share-based payment expense		**3**	**14**	28
Changes in working capital				
Decrease in trade and other receivables		**57**	**330**	879
Increase/(decrease) in trade and other payables		**112**	**(1,923)**	(2,185)
(Decrease)/increase in provisions		**(41)**	**213**	192
Cash generated from operations		**438**	**(1,726)**	(1,300)
Interest expense		**(43)**	**(38)**	(100)
Finance income		**-**	**2**	19
Net cash flows from operating activities		**395**	**(1,762)**	(1,381)
Cash flows from investing activities				
Purchase of intangible assets		**(178)**	**(137)**	(279)
Purchase of property, plant and equipment		**(206)**	**(316)**	(590)
Proceeds from sale of property plant and equipment		**117**	**69**	132
Net cash flows from investing activities		**(267)**	**(384)**	(737)
Cash flows from financing activities				
Finance lease principal payments		**(6)**	**(8)**	(22)
Net cash from financing activities		**(6)**	**(8)**	(22)
Net increase/(decrease) in cash and				

cash equivalents	**122**	**(2,154)**	(2,140)
Cash and cash equivalents at beginning of the period	**(1,121)**	**1,019**	1,019
Cash and cash equivalents at end of the period	**(999)**	**(1,135)**	(1,121)

Condensed consolidated statement of changes in equity

	Unaudited Six months ended 30 September 2008 £'000	Unaudited Six months ended 30 September 2007 £'000	Audited Year ended 31 March 2008 £'000
Opening shareholders' equity	**1,712**	2,382	2,382
Profit/(loss) for the period	**9**	(601)	(698)
Share-based payments	**3**	14	28
Closing shareholders' equity	**1,724**	1,795	1,712

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 27 November 2008.

2. Basis of preparation

The comparative figures for the year ended 31 March 2008 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 2008, and with those the Group expects to be applicable for the year ended 31 March 2009.

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 reportable 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 would not impact the segments identified in this interim report.

4. Dividend

No interim dividend has been declared or paid (2007/08: 0.00p).

5. Operating Loss

In 2007/08 there were exceptional administrative expenses of £250,000 to increase the vacant property provision, resulting from the abolition of empty property business rates relief.

6. Finance expense

	Unaudited Six months ended	Unaudited Six months ended	Audited Year ended

	30 September 2008 £'000	30 September 2007 £'000	31 March 2008 £'000
Bank interest payable	**(42)**	(37)	(98)
Finance lease interest	**(1)**	(1)	(2)
Total interest expense	**(43)**	(38)	(100)
Unwinding of discount on provisions	**(79)**	(69)	(139)
Total finance expense	**(122)**	(107)	(239)

7. Intangible assets

	Purchased software £'000	**Internally developed software £'000**	**Assets under construction £'000**	**Total £'000**
Opening net book value 1 April 2007 (audited)	53	-	-	53
Additions	11	-	126	137
Disposals	-	-	-	-
Transfers	-	-	-	-
Amortisation	(20)			(20)
Closing net book value 30 September 2007 (unaudited)	**44**	**-**	**126**	**170**
Opening net book value 1 April 2007 (audited)	53	-	-	53
	-	-	-	-
Additions	16	-	263	279
Disposals	-	-	-	-
Transfers	-	15	(15)	-
Amortisation	(33)	(3)	-	(36)
Closing net book value 31 March 2008 (unaudited)	**36**	**12**	**248**	**296**
Opening net book value 1 April 2008 (audited)	36	12	248	296
Additions	2	176	-	178
Disposals	-	-	-	-
Transfers		248	(248)	-
Amortisation	(15)	(41)	-	(56)

Closing net book value 30 September 2008 (unaudited)	**23**	**395**	**-**	**418**

The development cost of internally developed software is classified as assets under construction until the initial project stage is successfully completed and the business begins to receive economic gain: at this time the asset is reclassified as internally developed software and amortisation commences. The development phase of any subsequent project phases are classified as internally developed software.

8. Financial liabilities

	Unaudited Six months ended 30 September 2008 £'000	Unaudited Six months ended 30 September 2007 £'000	Audited Year ended 31 March 2008 £'000
Present value of finance lease obligations	**(10)**	(30)	(16)
Bank borrowings	**(1,086)**	(1,135)	(1,257)
	(1,096)	(1,165)	(1,273)

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

Current	**(1,095)**	(1,158)	(1,268)
Non-current	**(1)**	(7)	(5)
	(1,096)	(1,165)	(1,273)

9. 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 2008	Unaudited 30 September 2007	Audited 31 March 2008
Profit/(loss) for the period	**£9,000**	£(601,000)	£(698,000)

Average number of shares in issue	**15,149,579**	15,149,579	15,149,579
Effect of dilutive options	**45,256**	-	-
Average number of shares in issue plus dilutive options	**15,194,835**	15,149,579	15,149,579
Basic profit/(loss) per share	**0.06p**	(3.97)p	(4.61)p
Diluted profit/(loss) per share	**0.06p**	(3.97)p	(4.61)p

10. 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 2007/08: £nil).

11. 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 2008 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.