Triad Group Plc

Half year results for the six months ended 30 September 2010

Chairman's Statement

Financial Highlights

- Revenue is £12.3m for the six months ended 30 September 2010 (H1 2009/10: £14.1m)
- Gross profit as a percentage of revenue 15.3% (H1 2009/10: 17.1%)
- Operating loss after exceptional items £0.31m (H1 2009/10: £0.34m loss)
- Loss before tax £0.39m (H1 2009/10: £0.41m loss)

Business review

Trading conditions in the markets in which the Group operates continue to be challenging and are likely to remain so for the foreseeable future.

The resourcing, consultancy and solutions business reports a small operating profit in the period of £33,000 (H1 2009/10: £42,000 loss). Whilst margins have been under pressure as a result of market conditions, the Board implemented cost cutting measures in the previous financial year to protect the underlying profitability of the business.

The resourcing part of this business has shown resilience in a market that has been significantly impacted by the post general election public sector spending cuts and uncertainty. Revenue and margin have been impacted by this, but the Group does not have an over reliance on the public sector and so has been able partly to offset the decrease in public sector contractor numbers with increases in the private sector, in both established and developing niche markets. We continue to provide high quality IT consultancy services to existing private and public sector customers, but the restrictions in government expenditure on IT consultancy and projects has resulted in no new public sector work starting in the period. Projects undertaken during the period include the delivery of solutions using the recently released SharePoint 2010 and Cloud based applications. Other consultancy assignments undertaken in the period have included strategic IT architecture reviews and business analysis for customers looking to improve business efficiency.

Reported revenue for the Zubed location intelligence business is disappointing with the segment reporting a loss for the six months to 30 September 2010 of £340,000 (H1 2009/10: £293,000 loss). This is due both to public sector spending being on hold and private sector clients deferring discretionary IT spend. Innovative solutions such as those offered by the Zubed suite of products have been impacted by this market situation. For example, spending in one of our key product areas (Local Authority Community Safety) slowed significantly following the Budget. In response to this, we have now created a simpler, lower-priced offering which has already been trialed by over 100 local authorities. However, there is still considerable interest being shown in Zubed, which has yet to materialise into an established consistent revenue stream.

As with our resourcing, consultancy and solutions business, the Board has carefully managed the investment in Zubed. The cost base in the Zubed operation has been reduced in the third quarter of this financial year with a streamlined team working to a more focused business plan, concentrating its efforts on key offerings from its three core platforms: 'Engage', 'Present' and 'Discover'. These platforms provide an extremely flexible and versatile base from which we can quickly deploy leading-edge solutions, customised to reflect the unique requirements of the client.

The Board will continue to monitor carefully the actual and forecast revenues and margins from the two segments above and, if necessary, will take further action to manage costs, so that the Group can continue to operate utilising its existing financial resources and within its existing facilities.

Administrative expenses have reduced to £2.19m (H1 2009/10: £2.76m) as a result of further savings in staff and property costs.

Net borrowings at 30 September 2010 were £0.91m (H1 2009/10: £1.27m, year ended 31 March 2010: £0.61m).

Director Resignation

As previously reported, Triad's Chief Executive Officer, Ian Haynes, gave notice of his resignation from the Company in July 2010 following his decision to emigrate to Australia. Ian resigned as a director on 19 November 2010 when his employment also ended. There is currently no intention to recruit a replacement, as the duties are now being undertaken by the members of the Executive Board and the Group's senior management.

Dividends

No interim dividend has been declared or paid (2009/10 interim: 0.00p).

Employees

On behalf of the board I would like to thank staff for their continued efforts in these challenging market conditions.

John Rigg
Chairman
29 November 2010

Unaudited condensed consolidated income statement

	Note	**Unaudited Six months ended 30 September 2010 £'000**	Unaudited Six months ended 30 September 2009 £'000	Audited Year ended 31 March 2010 £'000
Revenue		**12,303**	14,148	27,176
Cost of sales		**(10,420)**	(11,722)	(22,453)
Gross profit		**1,883**	2,426	4,723
Administrative expenses		**(2,190)**	(2,761)	(5,178)
Operating loss		**(307)**	(335)	(455)
Finance income		**-**	11	11
Finance expense	6	**(78)**	(81)	(169)
Loss before tax		**(385)**	(405)	(613)
Tax expense		**-**	-	-
Loss and total comprehensive expense for the period attributable to equity holders of the parent		**(385)**	(405)	(613)
Basic loss per share	9	**(2.54)p**	(2.67)p	(4.05)p
Diluted loss per share	9	**(2.54)p**	(2.67)p	(4.05)p

There is no recognised income or expense except for the total comprehensive income (expense) for the periods stated above therefore no separate statement of recognised income and expense has been prepared.

Unaudited condensed consolidated balance sheet

	Note	**Unaudited 30 September 2010 £'000**	Unaudited 30 September 2009 £'000	Audited 31 March 2010 £'000
Non-current assets				
Intangible assets	7	**641**	622	672
Property, plant and equipment		**124**	405	220
		765	1,027	892
Current assets				
Trade and other receivables		**5,167**	6,250	6,300
Cash and cash equivalents		**83**	45	65
		5,250	6,295	6,365
Total assets		**6,015**	7,322	7,257
Current liabilities				
Trade and other payables		**(2,890)**	(3,153)	(4,016)
Bank and other borrowings	8	**(995)**	(1,318)	(673)
Short term provisions		**(259)**	(271)	(250)
		(4,144)	(4,742)	(4,939)
Non-current liabilities				
Long term provisions		**(1,179)**	(1,303)	(1,245)
		(1,179)	(1,303)	(1,245)
Total liabilities		**(5,323)**	(6,045)	(6,184)
Net assets		**692**	1,277	1,073
Shareholders' equity				
Share capital		**151**	151	151
Share premium account		**562**	562	562
Capital redemption reserve		**104**	104	104
Retained earnings		**(125)**	460	256
Total shareholders' equity		**692**	1,277	1,073

Unaudited condensed consolidated cash flow statement

	Unaudited Six months ended 30 September 2010 £'000	Unaudited Six months ended 30 September 2009 £'000	Audited Year ended 31 March 2010 £'000
Loss for the period	**(385)**	(405)	(613)
Adjustments for:			
Depreciation of property, plant and equipment	**71**	158	278
Profit on disposal of property, plant and equipment	**(35)**	-	(12)
Amortisation of intangible assets	**131**	96	213
Finance income	**-**	(11)	(11)
Interest expense	**10**	13	28
Share-based payment expense	**4**	4	8
Changes in working capital			
Decrease in trade and other receivables	**1,133**	287	237
(Decrease)/increase in trade and other payables	**(1,126)**	(533)	329
Decrease in provisions	**(57)**	(54)	(133)
Cash generated from operations	**(254)**	(445)	324
Interest paid	**(10)**	(13)	(28)
Interest received	**-**	11	11
Net cash flows from operating activities	**(264)**	(447)	307
Cash flows from investing activities			
Purchase of intangible assets	**(100)**	(197)	(352)
Purchase of property, plant and equipment	**(2)**	(37)	(50)
Proceeds from sale of property plant and equipment	**62**	25	104
Net cash flows from investing activities	**(40)**	(209)	(298)
Cash flows from financing activities			
Finance lease principal payments	**-**	(3)	(5)
Net cash from financing activities	**-**	(3)	(5)

Net (decrease)/increase in cash and cash equivalents	**(304)**	(659)	4
Cash and cash equivalents at beginning of the period	**(608)**	(612)	(612)
Cash and cash equivalents at end of the period	**(912)**	(1,271)	(608)

Unaudited condensed consolidated statement of changes in equity

	Unaudited Six months ended 30 September 2010 £'000	Unaudited Six months ended 30 September 2009 £'000	Audited Year ended 31 March 2010 £'000
Opening shareholders' equity	**1,073**	1,678	1,678
Loss and total comprehensive expense for the period	**(385)**	(405)	(613)
Share-based payments	**4**	4	8
Closing shareholders' equity	**692**	1,277	1,073

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 29 November 2010.

2. Basis of preparation

The comparative figures for the year ended 31 March 2010 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 consistent with International Financial Reporting Standards (IFRS) ad adopted by the EU and with the Disclosure and Transparency Rules of the Financial Services Authority, 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 2010 except in that that these, and future, financial statements have been prepared in accordance with IFRS 8: Segmental Reporting (see note 4 below) and IAS 1 Revised: Presentation of Financial Statements.

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 business consultancy, software and systems delivery and the Group's location intelligence business, Zubed.

	Unaudited Six months ended 30 September 2010 £'000	Unaudited Six months ended 30 September 2009 £'000	Audited Year ended 31 March 2010 £'000
Revenue			
Resourcing, consultancy and solutions	**12,157**	13,968	26,673
Zubed	**146**	180	503
	12,303	14,148	27,176

	Unaudited Six months ended 30 September 2010 £'000	Unaudited Six months ended 30 September 2009 £'000	Audited Year ended 31 March 2010 £'000
Operating result after exceptional items			
Resourcing, consultancy and solutions	33	(42)	32
Zubed	(340)	(293)	(487)
	(307)	(335)	(455)

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 (2009/10: 0.00p)

6. Finance expense

	Unaudited Six months ended 30 September 2010 £'000	Unaudited Six months ended 30 September 2009 £'000	Audited Year ended 31 March 2010 £'000
Bank interest payable	**(10)**	(13)	(28)
Unwinding of discount on provisions	**(63)**	(68)	(135)
Net foreign exchange loss	**(5)**	-	(6)

Total finance expense	**(78)**	(81)	(169)

7. Intangible assets

During the period the Group incurred expenditure of approximately £99,000 on internally generated software (six months to 30 September 2009: £195,000, year to 31 March 2010: £349,000) and £1,000 on purchased software (six months to 30 September 2009: £2,000, year to 31 March 2010: £3,000).

8. Bank and other borrowings

	Unaudited Six months ended 30 September 2010 £'000	Unaudited Six months ended 30 September 2009 £'000	Audited Year ended 31 March 2010 £'000
Current			
Finance lease obligations	**-**	(2)	-
Borrowings	**(995)**	(1,316)	(673)
	(995)	(1,318)	(673)

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 2010	Unaudited 30 September 2009	Audited 31 March 2010
Loss for the period	**£(385,000)**	£(405,000)	£(613,000)
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	**(2.54)p**	(2.67)p	(4.05)p
Diluted loss per share	**(2.54)p**	(2.67)p	(4.05)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 2008. 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 2009/10: £nil).

11. 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 2010 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.

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

By order of the Board

N. E. Burrows
Company Secretary
29 November 2010