

Triad Group Plc

Half year results for the six months ended 30 September 2012

Chairman's Statement

Financial Highlights

- Revenue is £9.80m for the six months ended 30 September 2012 (2011: £9.61m)
- Gross profit as a percentage of revenue: 14.5% (2011: 16.2%)
- Earnings before interest, tax and depreciation: £0.03m (2011: £0.07m)
- Loss before tax: £0.15m (2011: £0.11m)
- Net borrowings : £0.07m (as at 31 March 2012: £0.50m)

Business Review

I am pleased to report that the stability achieved following the restructuring of the business continued into the new financial year. In addition we have developed, and continue to develop, new service offerings for our clients, integrating the strengths of our Resourcing, and Consulting & Solutions businesses.

For the six months to 30 September 2012 revenue has increased to £9.80m (2011: £9.61m). The Group reports a loss after tax in the period of £0.15m (2011: £0.11m) and positive earnings before interest, tax and depreciation (EBITDA) of £0.03m (2011: £0.07m).

Gross margin as a percentage of revenue has decreased to 14.5% (H1 2011/12: 16.2%) primarily due to increasingly competitive market conditions being faced by the Resourcing business. Utilisation in the Consulting business was less than expected during the second quarter of this financial year, however utilisation and yield have since improved.

Net borrowings as at 30 September 2012 have improved significantly to £0.07m (as at 31 March 2012: £0.50m). This is as a result of the continued strong credit control and cash management within the business.

Administrative expenses have decreased in the period by 5.7% to £1.52m (2011: £1.61m). Overheads remain tightly controlled.

For the six months to 30 September 2012 revenue in the Resourcing business increased to £8.46m (2011: £8.37m). There has been a noticeable squeeze on gross margins as clients in both the public and private sectors seek to leverage their purchasing power in a very competitive market place. This pressure has resulted in a reduced operating profit of £0.25m (2011: £0.37m). Going forwards, we are looking to increase gross margin by offering our clients solutions comprising a blend of traditional resourcing and value-added consultancy services.

The Consulting & Solutions business reports an increase in revenue to £1.35m (2011: £1.23m) and an improved operating performance for the period with a loss of £0.34m (2011: £0.43m loss). Considerable progress has been made in aligning and developing the portfolio of services offered. We have successfully integrated our Zubeo location intelligence capability into our Business Intelligence offering, as well as continuing to broaden our consultancy offering. Whilst this is an on-going process we have already received a very positive response from clients; both those seeking to achieve rapid business benefit and those looking to build strong, long term, collaborative relationships. During the period Triad was awarded a place on

the Government G-Cloud ii framework for our Zubed Engage CL platform and we are also a named provider of Cloud Consultancy services on the same framework.

Outlook

Market conditions continue to be challenging, particularly in the Resourcing business where margins are under constant pressure. The Group is focused on developing its service offering whilst maintaining tight control of its resources. This will provide the platform upon which to build sustainable growth.

Dividend

No interim dividend has been declared or paid (2011/12 interim: nil).

Employees

On behalf of the Board I would like to thank our staff for their hard work and commitment during the period.

John Rigg

Chairman

29 November 2012

Unaudited condensed consolidated income statement

	Note	Unaudited Six months ended 30 September 2012 £'000	Unaudited Six months ended 30 September 2011 £'000	Audited Year ended 31 March 2012 £'000
Revenue	4	9,802	9,605	19,447
Cost of sales		(8,379)	(8,052)	(16,208)
Gross profit		1,423	1,553	3,239
Administrative expenses		(1,515)	(1,606)	(3,202)
(Loss)/profit from operations	4	(92)	(53)	37
Finance income		-	3	-
Finance expense	6	(59)	(62)	(113)
Loss before tax		(151)	(112)	(76)
Tax credit		-	252	277
(Loss)/profit for the period and total comprehensive (expense)/income attributable to equity holders of the parent		(151)	140	201
Basic (loss)/earnings per share	7	(1.00)p	0.92p	1.33p
Diluted (loss)/earnings per share	7	(1.00)p	0.92p	1.33p

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.

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 2011	151	562	104	(664)	153
Profit for the period and total comprehensive income	-	-	-	140	140
Share-based payments	-	-	-	-	-
At 30 September 2011	151	562	104	(524)	293
At 1 April 2012	151	562	104	(457)	360
Loss for the period and total comprehensive expense	-	-	-	(151)	(151)
Share-based payments	-	-	-	5	5
At 30 September 2012	151	562	104	(603)	214
At 1 April 2011	151	562	104	(664)	153
Profit for the year and total comprehensive income	-	-	-	201	201
Share-based payments	-	-	-	6	6
At 31 March 2012	151	562	104	(457)	360

Unaudited condensed consolidated statement of financial position

	Note	Unaudited 30 September 2012 £'000	Unaudited 30 September 2011 £'000	Audited 31 March 2012 £'000
Non-current assets				
Intangible assets	8	149	332	262
Property, plant and equipment		23	30	29
		<u>172</u>	<u>362</u>	<u>291</u>
Current assets				
Trade and other receivables		3,481	4,249	4,166
Tax receivable		-	252	277
Cash and cash equivalents		50	42	48
		<u>3,531</u>	<u>4,543</u>	<u>4,491</u>
Total assets		3,703	4,905	4,782
Current liabilities				
Trade and other payables		(2,258)	(2,656)	(2,694)
Bank and other borrowings	9	(123)	(776)	(545)
Short term provisions		(121)	(144)	(235)
		<u>(2,502)</u>	<u>(3,576)</u>	<u>(3,474)</u>
Non-current liabilities				
Long term provisions		(987)	(1,036)	(948)
		<u>(987)</u>	<u>(1,036)</u>	<u>(948)</u>
Total liabilities		(3,489)	(4,612)	(4,422)
Net assets		214	293	360
Shareholders' equity				
Share capital		151	151	151
Share premium account		562	562	562
Capital redemption reserve		104	104	104
Retained earnings		(603)	(524)	(457)
Total shareholders' equity		214	293	360

Unaudited condensed consolidated statement of cash flows

	Unaudited Six months ended 30 September 2012 £'000	Unaudited Six months ended 30 September 2011 £'000	Audited Year ended 31 March 2012 £'000
Loss for the period before taxation	(151)	(112)	(76)
Adjustments for:			
Depreciation of property, plant and equipment	10	15	27
Profit on disposal of property, plant and equipment	-	(19)	(18)
Amortisation of intangible assets	115	104	215
Corporation tax receipt	277	-	-
Finance income	-	(3)	-
Interest expense	9	14	28
Share-based payment expense	5	-	6
Changes in working capital			
Decrease in trade and other receivables	685	300	383
Decrease in trade and other payables	(436)	(290)	(252)
(Decrease)/increase in provisions	(75)	2	5
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Cash generated by operations	439	11	318
Interest paid	(9)	(14)	(28)
Interest received	-	3	-
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Net cash flows from operating activities	430	-	290
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Cash flows from investing activities			
Purchase of intangible assets	(2)	(20)	(61)
Purchase of property, plant and equipment	(4)	(3)	(15)
Proceeds from sale of property plant and equipment	-	45	45
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Net cash flows from investing activities	(6)	22	(31)
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Net (decrease)/ increase in cash and cash equivalents	424	22	259
Cash and cash equivalents at beginning of the period	(497)	(756)	(756)
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Cash and cash equivalents at end of the period	(73)	(734)	(497)
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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 28 November 2012.

2. Basis of preparation

The comparative figures for the year ended 31 March 2012 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 2012, 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 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 2012.

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 Resourcing, and Consulting & Solutions.

	Unaudited Six months ended 30 September 2012 £'000	Unaudited Six months ended 30 September 2011 £'000	Audited Year ended 31 March 2012 £'000
<i>Revenue</i>			
Resourcing	8,455	8,372	16,713
Consulting & Solutions	1,347	1,233	2,734
	-----	-----	-----
	9,802	9,605	19,447
	=====	=====	=====

	Unaudited Six months ended 30 September 2012 £'000	Unaudited Six months ended 30 September 2011 £'000	Audited Year ended 31 March 2012 £'000
<i>Operating result after exceptional items</i>			
Resourcing	250	374	649
Consulting & Solutions	(342)	(427)	(612)
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	(92)	(53)	37
	=====	=====	-----

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 (2011/12: nil)

6. Finance expense

	Unaudited Six months ended 30 September 2012 £'000	Unaudited Six months ended 30 September 2011 £'000	Audited Year ended 31 March 2012 £'000
Bank interest payable	(9)	(14)	(28)
Unwinding of discount on provisions	(48)	(48)	(85)
Net foreign exchange loss	(2)	-	-
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Total finance expense	(59)	(62)	(113)
	=====	=====	-----

7. 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 2012	Unaudited 30 September 2011	Audited 31 March 2012
(Loss) /profit for the period	£(151,000) <u> </u>	£140,000 <u> </u>	£201,000 <u> </u>
Average number of shares in issue	15,149,579	15,149,579	15,149,579
Effect of dilutive options	- <u> </u>	- <u> </u>	- <u> </u>
Average number of shares in issue plus dilutive options	15,149,579 <u> </u>	15,149,579 <u> </u>	15,149,579 <u> </u>
Basic (loss)/earnings per share	(1.00)p <u> </u>	0.92p <u> </u>	1.33p <u> </u>
Diluted (loss)/earnings per share	(1.00)p <u> </u>	0.92p <u> </u>	1.33p <u> </u>

8. Intangible assets

During the period the Group incurred expenditure of approximately £nil on internally generated software (six months to 30 September 2011: £nil, year to 31 March 2012: £nil) and £2,000 on purchased software (six months to 30 September 2011: £20,000, year to 31 March 2012: £61,000).

9. Bank and other borrowings

	Unaudited Six months ended 30 September 2012 £'000	Unaudited Six months ended 30 September 2011 £'000	Audited Year ended 31 March 2012 £'000
Current			
Bank borrowings	(123)	(776)	(545)
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	<u>(123)</u>	<u>(776)</u>	<u>(545)</u>

10. 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, for a five year period at the last rent review in 2008. A rent holiday was agreed with the landlords for one of the offices for a period of one year commencing from 25 March 2011. Therefore the rent payable during the year ending 31 March 2012 was £215,000. 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 2011/12: £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 2012 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
29 November 2012

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