Triad Group Plc
Half year results for the six months ended 30 September 2013

Chairman's Statement

Financial Highlights

- Revenue is £9.17m for the six months ended 30 September 2013 (2012: £9.80m)
- Gross profit as a percentage of revenue 13.7%: (2012: 14.5%)
- Loss before interest, tax and depreciation £0.10m: (2012: earnings £0.03m)
- Loss before tax : £0.20m (2012: £0.15m)
- Net cash borrowings: £0.18m (2012: £0.07m)

Business Review

A frustrating start to the first quarter of the financial year saw a number of project delays causing lower than expected levels of utilisation in the consulting business. The resulting losses incurred in April and May contributed a significant proportion of the losses reported in these interim results. Since then, trading has improved steadily through to the second half of the financial year with a number of encouraging developments in the business.

During the period we have continued to strengthen and develop our service models across the Group and have made advances through leveraging synergies between Group operating segments. We have been successful in increasing the number of strategic engagements resulting in improved fee rates and utilisation in the Consulting business.

For the six months to 30 September 2013 revenue was £9.17m (2012: £9.80m). The Group reports a loss after tax in the period of £0.20m (2012: £0.15m). Gross margin as a percentage of revenue had decreased to 13.7% (2012: 14.5%). Segmental operating performance is discussed in more detail below.

Net cash borrowings as at 30 September 2013 were £0.18m (2012: £0.07m). Cash control remains a priority.

Administrative expenses have decreased to £1.40m (2012: £1.52m).

Resourcing Business

For the period to 30 September 2013 revenue was £7.96m (2012: £8.46m) further to a fall of approximately 7% in the average number of contractors on site during the period together with a small decrease in average day rates.

Actions taken to address the decline in contractor numbers have proved successful. Since the beginning of the current financial year to the date of this report, contractor numbers have increased month-on-month. Also, revenue in the period has increased by 5% when compared to the second half of the previous financial year (H2 2013: £7.58m).

The Resourcing segment reports an operating profit of £0.10m (2012: £0.25m). The factors explained above, together with a fall in gross margin percentage and an increase in the proportion of contractors supplied through lower margin preferred supplier arrangements. This, partially offset by a decrease in overheads, has resulted in a decrease in operating profit.

Since our re-appointment for a further two years as a Tier 1 supplier to the operational and infrastructure support business of one of the UK's largest banking organisations we have increased the number of contractors at this client by over 50%.

Our Geographic Information Systems team continues to supply significant numbers of specialists to some of the country's leading GIS providers.

We are also providing over 30 specialists in the field of on-line learning to one of the world's leading publishers.

A key focus within the Resourcing business is to manage the portfolio to maximise yield and margin, recognising that higher margin work comes with higher expectations of service and added value from our clients. To this end, we are leveraging the Group's wider capability and expertise to provide our clients with effective Resourcing solutions.

Consulting Business

For the period to 30 September 2013 revenue has decreased to £1.21m (2012: £1.35m). This is due to revenue attributable to subcontracted third parties reducing to £0.10m (2012: £0.24m).

Segmental operating performance has improved by £0.1m with the business reporting an operating loss of £0.24m (2012: £0.34m). This is due to improvements in gross margin together with a decrease in attributable overheads.

Utilisation in the first quarter of the period was impacted further due to a number of project delays. Since then we have seen steady improvement in consultant utilisation and average fee rates continuing through into the second half of the financial year. This improvement has been achieved as a result of a strengthened sales pipeline built upon a more robust service offering across our main practice areas. These are ICT strategy, Agile coaching and development, SharePoint consultancy and implementation, and business intelligence.

Outlook

We have achieved notable success in Group-wide business development activity in recent months. In October, Triad was successful in increasing the number of services descriptions listed on the latest iteration of the Government's procurement framework, G-Cloud. This extends our public sector service offering across a significantly wider range of Group capabilities. We have already seen an increased level of interest in our services which now include ICT strategy development, enterprise architecture, programme/project management, software design & development and business intelligence. In November, Triad was also successful in being listed on the new Government Digital Services Framework providing development, analysis and architecture services.

We believe that the progress achieved to date continues to build a more confident and resilient business which will provide a platform from which the Group can return to profit.

Dividend

No interim dividend has been declared or paid (2012/13 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
27 November 2013

Unaudited condensed consolidated income statement

	Note	**Unaudited Six months ended 30 September 2013 £'000**	Unaudited Six months ended 30 September 2012 £'000	Audited Year ended 31 March 2013 £'000
Revenue	4	**9,166**	9,802	18,880
Cost of sales		**(7,912)**	(8,379)	(16,176)
Gross profit		**1,254**	1,423	2,704
Administrative expenses		**(1,398)**	(1,515)	(2,566)
Loss from operations before exceptional item		**(144)**	-	(25)
Exceptional administrative credit: change in surplus property provision		**-**	-	163
(Loss)/profit from operations		**(144)**	(92)	138
(Loss)/profit from operations	4	**(144)**	(92)	138
Finance income		**1**	-	2
Finance expense	6	**(56)**	(59)	(112)
(Loss)/profit before tax		**(199)**	(151)	28
Taxation		**-**	-	-
(Loss)/profit for the period and total comprehensive (expense)/income attributable to equity holders of the parent		**(199)**	(151)	28
Basic (loss)/profit per share	7	**(1.31)p**	(1.00)p	0.18p
Diluted (loss)/profit per share	7	**(1.31)p**	(1.00)p	0.18p

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 2012	151	562	104	(457)	360
Loss for the period and total comprehensive expense	-	-	-	(151)	(146)
Share-based payments	-	-	-	5	-
At 30 September 2012	**151**	**562**	**104**	**(603)**	**214**
At 1 April 2013	151	562	104	**(419)**	**398**
Loss for the period and total comprehensive expense	-	-	-	(199)	(199)
Share-based payments	-	-	-	5	5
At 30 September 2013	**151**	**562**	**104**	**(613)**	**204**
At 1 April 2012	151	562	104	(457)	360
Profit for the year and total comprehensive income	-	-	-	28	28
Share-based payments	-	-	-	10	10
At 31 March 2013	**151**	**562**	**104**	**(419)**	**398**

Unaudited condensed consolidated statement of financial position

	Note	**Unaudited 30 September 2013 £'000**	Unaudited 30 September 2012 £'000	Audited 31 March 2013 £'000
Non-current assets				
Intangible assets		**179**	149	207
Property, plant and equipment		**60**	23	26
		239	172	233
Current assets				
Trade and other receivables		**2,895**	3,481	3,060
Cash and cash equivalents		**39**	50	283
		2,934	3,531	3,343
Total assets		**3,173**	3,703	3,576
Current liabilities				
Trade and other payables		**(1,974)**	(2,258)	(2,399)
Bank and other borrowings	8	**(221)**	(123)	-
Short term provisions		**(104)**	(121)	(114)
		(2,299)	(2,502)	(2,513)
Non-current liabilities				
Bank and other borrowings	8	**(26)**	-	-
Long term provisions		**(644)**	(987)	(665)
		(670)	(987)	(665)
Total liabilities		**(2,969)**	(3,489)	(3,178)
Net assets		**204**	214	398
Shareholders' equity				
Share capital		**151**	151	151
Share premium account		**562**	562	562
Capital redemption reserve		**104**	104	104
Retained earnings		**(613)**	(603)	(419)
Total shareholders' equity		**204**	214	398

Unaudited condensed consolidated statement of cash flows

	Unaudited Six months ended 30 September 2013 £'000	Unaudited Six months ended 30 September 2012 £'000	Audited Year ended 31 March 2013 £'000
Loss for the period before taxation	**(199)**	(151)	28
Adjustments for:			
Depreciation of property, plant and equipment	**8**	10	17
Profit on disposal of property, plant and equipment	**(6)**	-	-
Amortisation of intangible assets	**28**	115	56
Corporation tax receipt	**-**	277	-
Finance income	**(1)**	-	(2)
Interest expense	**10**	9	16
Share-based payment expense	**5**	5	10
Changes in working capital			
Decrease in trade and other receivables	**165**	685	1,106
Decrease in trade and other payables	**(425)**	(436)	(295)
Increase in other borrowings	**32**	-	-
Decrease in provisions	**(31)**	(75)	(404)
Cash generated by operations	**(414)**	439	532
Corporation tax received	**-**	-	277
Interest paid	**(10)**	(9)	(16)
Finance income	**1**	-	2
Net cash flows from operating activities	**(423)**	430	795
Cash flows from investing activities			
Purchase of intangible assets	**-**	(2)	(1)
Purchase of property, plant and equipment	**(42)**	(4)	(14)
Proceeds from sale of property plant and equipment	**6**	-	-
Net cash flows from investing activities	**(36)**	(6)	(15)
Cash flows from financing activities			
Finance lease principal payments	**(1)**	-	-
Net cash flows from investing activities	**(1)**	-	-
Net (decrease)/ increase in cash and cash equivalents	**(460)**	424	780
Cash and cash equivalents at beginning of the period	**283**	(497)	(497)
Cash and cash equivalents at end of the period	**(177)**	(73)	283

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 2013.

2. Basis of preparation

The comparative figures for the year ended 31 March 2013 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 2014, 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 2013.

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 2013 £'000	Unaudited Six months ended 30 September 2012 £'000	Audited Year ended 31 March 2013 £'000
Revenue			
Resourcing	**7,955**	8,455	16,030
Consulting & Solutions	**1,211**	1,347	2,850
	9,166	9,802	18,880

	Unaudited Six months ended 30 September 2013 £'000	Unaudited Six months ended 30 September 2012 £'000	Audited Year ended 31 March 2013 £'000
Operating result after exceptional items			
Resourcing	**100**	250	417
Consulting & Solutions	**(244)**	(342)	(279)
	(144)	(92)	138

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 (2012/13: nil)

6. Finance expense

	Unaudited Six months ended 30 September 2013 £'000	Unaudited Six months ended 30 September 2012 £'000	Audited Year ended 31 March 2013 £'000
Interest payable	**(10)**	(9)	(16)
Unwinding of discount on provisions	**(46)**	(48)	(96)
Net foreign exchange loss	**-**	(2)	-
Total finance expense	**(56)**	(59)	(112)

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 2013	Unaudited 30 September 2012	Audited 31 March 2013
(Loss) /profit for the period	**£(199,000)**	£(151,000)	£28,000
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)/profit per share	**(1.31)p**	(1.00)p	0.18p
Diluted (loss)/profit per share	**(1.31)p**	(1.00)p	0.18p

9. Bank and other borrowings

	Unaudited Six months ended 30 September 2013 £'000	Unaudited Six months ended 30 September 2012 £'000	Audited Year ended 31 March 2013 £'000
Current			
Bank borrowings	**(216)**	(123)	-
Other borrowings	**(5)**	-	-
	(221)	(123)	-
Non Current			
Other borrowings	**(26)**	-	-
	(26)	-	-

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. A rent holiday was agreed with the landlords for one of the offices for a period of one year commencing from 25 June 2013. Therefore the rent payable during that period will be reduced to £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 2012/13: £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 2013 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
27 November 2013

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