

# Triad Group Plc

## Half year results for the six months ended 30 September 2015

### Chairman's Statement

#### Financial Highlights

- Revenue for the six months ended 30 September 2015: up 20.7% to £12.74m (2014: £10.56m)
- Profit after tax: up 70.6% to £0.22m (2014: £0.13m)
- Profit from operations: up 42.5% to £0.26m (2014: £0.18m)
- Earnings before interest, tax, amortisation and depreciation: up 36.5% to £0.30m (2014: £0.22m)
- Gross profit as a percentage of revenue: 14.0% (2014: 14.5%)

#### Business Review

I am delighted to report another set of much improved results for the Group for the six months to 30 September 2015 with revenue and profit from operations growing significantly. Most pleasing is the extent to which these results are underpinned by long term client engagements, with multifaceted teams of experienced consultants and associates supporting client projects across the public and private sectors.

For the six months to 30 September 2015 Group revenue increased by 20.6% to £12.74m (2014: £10.56m). The Group reports a profit after tax in the period of £0.22m (2014: £0.13m). Gross margin as a percentage of revenue decreased to 14.0% (2014: 14.5%). Profit from operations has increased to £0.26m (2014: £0.18m).

We have continued to build on our success as “one Triad”. Work in Central Government has been of particular note, with Triad's reputation as a leading provider of digital services growing impressively. Both the size and duration of contracts in Central Government have increased, improving consultant utilisation in the process.

Triad's early adoption of the Government Digital Services agenda has enabled us to exploit opportunities in several Central Government departments as well as with a number of public sector agencies. Clients include Ministry of Justice, Home Office, and Electoral Commission. Our repertoire of skills is extending beyond systems consultancy and development into new areas such as User Experience and DevOps. These additions to our capability have positioned us well to undertake a wider range of assignments, reaching from early inception through to production and operations, with a particular emphasis on cloud-based solutions.

During the period we have had teams working for one Central Government department on product development, platform design and engineering, service transition and management, and business strategy. In another department we have a range of consultants working in areas including delivery management, user research, development, and interaction design. Combined, these two departments were utilising a Triad team size averaging more than sixty in number. Our blended model of seasoned permanent staff complemented by carefully selected associates has enabled us to scale our teams quickly and effectively.

Other assignments within Government have seen our consultants engage directly with teams from Government Digital Services, working on projects at the heart of the Government's ICT agenda.

In the private sector we have delivered expert teams into organisations including one of the country's leading insurance and consumer services companies, using many of the digital skills and expertise being practised in our Government assignments. We have maintained our high profile in the GIS and Digitisation sectors, with approximately 100 associates working for a wide range of private sector clients on mapping-based projects and initiatives. We also have a similar sized team working for one of the world's largest banking organisations supporting day-to-day operations.

Our portfolio of clients is much more balanced in terms of the spread of revenue, covering a wider range of engagement across the public and private sectors.

During the period, Triad successfully competed to earn a place on the Digital Services Framework, iteration 2 (DSF2). We qualified for five of the seven capabilities, putting the company near the top of the list for coverage.

We also successfully competed for a place on the Information Technology lot of the "Non-Medical, Non-Clinical" framework, the key resourcing framework for the NHS. NMNC is also available to all Government customers, providing another useful route to market for temporary IT resource.

As I advised in the annual report for the year ended 31 March 2015 our full and half year results are no longer prepared on a segmental basis, reflecting the Group's operational and reporting structure.

The Group reports cash and cash equivalents as at 30 September 2015 of £0.18m (2014: £0.15m).

## **Outlook**

We believe the Group has the vehicles in place to exploit opportunities that emerge over the next twelve months. A key factor will be the outcome of the Government's November spending review, and we expect technology-enabled change to be a significant facilitator of expenditure reduction.

Margins are expected to improve as we recruit more permanent employees, but our focus is on very careful selection of staff who will enable us to maintain the essence of Triad which has been such a significant factor in winning and retaining business.

## **Dividend**

No interim dividend has been declared or paid (2014/15 interim: nil).

## **Employees**

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

## **John Rigg**

Chairman

11 November 2015

## Unaudited condensed consolidated statement of comprehensive income and expense

	Note	Unaudited Six months ended 30 September 2015 £'000	Unaudited Six months ended 30 September 2014 £'000	Audited Year ended 31 March 2015 £'000
Revenue		12,742	10,557	23,482
Cost of sales		(10,957)	(9,027)	(20,171)
<b>Gross profit</b>		<b>1,785</b>	1,530	3,311
Administrative expenses		(1,527)	(1,349)	(2,849)
<b>Profit from operations</b>		<b>258</b>	181	462
Finance expense	6	(43)	(55)	(110)
<b>Profit before tax</b>		<b>215</b>	126	352
Taxation		-	-	-
<b>Profit for the period and total comprehensive income attributable to equity holders of the parent</b>		<b>215</b>	126	352
Basic earnings per share	7	1.42p	0.83p	2.32p
Diluted earnings per share	7	1.37p	0.83p	2.32p

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 2014	151	562	104	(338)	479
Profit for the period and total comprehensive income	-	-	-	126	126
Share-based payments	-	-	-	3	3
<b>At 30 September 2014</b>	<b>151</b>	<b>562</b>	<b>104</b>	<b>(209)</b>	<b>608</b>
At 1 April 2015	151	562	104	22	839
Profit for the period and total comprehensive income	-	-	-	215	215
Share-based payments	-	-	-	2	2
<b>At 30 September 2015</b>	<b>151</b>	<b>562</b>	<b>104</b>	<b>239</b>	<b>1,056</b>
At 1 April 2014	151	562	104	(338)	479
Profit for the year and total comprehensive income	-	-	-	352	352
Share-based payments	-	-	-	8	8
<b>At 31 March 2015</b>	<b>151</b>	<b>562</b>	<b>104</b>	<b>22</b>	<b>839</b>

## Unaudited condensed consolidated statement of financial position

	Note	Unaudited 30 September 2015 £'000	Unaudited 30 September 2014 £'000	Audited 31 March 2015 £'000
<b>Non-current assets</b>				
Intangible assets		96	132	112
Property, plant and equipment		123	70	124
		<u>219</u>	<u>202</u>	<u>236</u>
<b>Current assets</b>				
Trade and other receivables		4,023	3,530	4,011
Cash and cash equivalents		180	247	390
		<u>4,203</u>	<u>3,777</u>	<u>4,401</u>
<b>Total assets</b>		<b>4,422</b>	<b>3,979</b>	<b>4,637</b>
<b>Current liabilities</b>				
Trade and other payables		(2,789)	(2,540)	(3,133)
Financial liabilities	8	(6)	(100)	(6)
Short term provisions		(242)	(236)	(248)
		<u>(3,037)</u>	<u>(2,876)</u>	<u>(3,387)</u>
<b>Non-current liabilities</b>				
Financial liabilities	8	(15)	(22)	(18)
Long term provisions		(314)	(473)	(393)
		<u>(329)</u>	<u>(495)</u>	<u>(411)</u>
<b>Total liabilities</b>		<b>(3,366)</b>	<b>(3,371)</b>	<b>(3,798)</b>
<b>Net assets</b>		<b>1,056</b>	<b>608</b>	<b>839</b>
<b>Shareholders' equity</b>				
Share capital		151	151	151
Share premium account		562	562	562
Capital redemption reserve		104	104	104
Retained earnings		239	(209)	22
<b>Total shareholders' equity</b>		<b>1,056</b>	<b>608</b>	<b>839</b>

## Unaudited condensed consolidated statement of cash flows

	Unaudited Six months ended 30 September 2015 £'000	Unaudited Six months ended 30 September 2014 £'000	Audited Year ended 31 March 2015 £'000
<b>Profit for the period before taxation</b>	<b>215</b>	126	352
Adjustments for:			
Depreciation of property, plant and equipment	22	10	31
Amortisation of intangible assets	19	28	50
Interest expense	5	5	11
Share-based payment expense	2	3	8
<b>Changes in working capital</b>			
Increase in trade and other receivables	(12)	(94)	(575)
(Decrease)/increase in trade and other payables	(344)	185	778
Decrease in provisions	(85)	(78)	(146)
<b>Cash (consumed)/generated by operations</b>	<b>(178)</b>	185	509
Interest paid	(5)	(5)	(11)
<b>Net cash flows from operating activities</b>	<b>(183)</b>	180	498
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	(3)	(8)	(10)
Purchase of property, plant and equipment	(21)	(22)	(97)
<b>Net cash flows from investing activities</b>	<b>(24)</b>	(30)	(107)
<b>Cash flows from financing activities</b>			
Finance lease principal payments	(3)	(2)	(5)
<b>Net cash flows from investing activities</b>	<b>(3)</b>	(2)	(5)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(210)</b>	148	386
Cash and cash equivalents at beginning of the period	390	4	4
<b>Cash and cash equivalents at end of the period</b>	<b>180</b>	152	390

# 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 11 November 2015.

## 2. Basis of preparation

The comparative figures for the year ended 31 March 2015 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 2016, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with the Disclosure and Transparency Rules of the Financial Conduct 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 2015.

The estimates and assumptions applied in the interim financial information were the same as those applied in the last Group statutory accounts for the year ended 31 March 2015.

## 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

As reported in the last annual report, the Group is no longer reporting its results segmentally. This is to more accurately reflect the Group's operating model, management reporting and decision making processes.

## 5. Dividend

No interim dividend has been declared or paid (2014/15: nil)

## 6. Finance expense

	<b>Unaudited Six months ended 30 September 2015 £'000</b>	Unaudited Six months ended 30 September 2014 £'000	Audited Year ended 31 March 2015 £'000
Interest payable	5	5	11
Unwinding of discount on provisions	36	45	87
Net foreign exchange loss	2	5	12
Total finance expense	<u>43</u>	<u>55</u>	<u>110</u>

## 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:

	<b>Unaudited 30 September 2015</b>	Unaudited 30 September 2014	Audited 31 March 2015
Profit for the period	<u>£215,000</u>	<u>£126,000</u>	<u>£352,000</u>
Average number of shares in issue	15,149,579	15,149,579	15,149,579
Effect of dilutive options	<u>515,044</u>	-	-
Average number of shares in issue plus dilutive options	<u>15,664,623</u>	<u>15,149,579</u>	<u>15,149,579</u>
Basic earnings per share	<u>1.42p</u>	<u>0.83p</u>	<u>2.32p</u>
Diluted earnings per share	<u>1.37p</u>	<u>0.83p</u>	<u>2.32p</u>



## 8. Financial liabilities

	<b>Unaudited Six months ended 30 September 2015 £'000</b>	Unaudited Six months ended 30 September 2014 £'000	Audited Year ended 31 March 2015 £'000
<b>Current</b>			
Bank borrowings	-	95	-
Finance lease obligations	<b>6</b>	5	6
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	<b>6</b>	100	6
	=====	=====	=====
<b>Non Current</b>			
Finance lease obligations	<b>15</b>	22	18
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## 9. 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. 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 2014/15: £nil).

## 10. 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 2015 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  
11 November 2015

Names of the current Board of Directors can be found on the company website at [www.triad.co.uk](http://www.triad.co.uk).