

Triad Group Plc

Half year results for the six months ended 30 September 2018

Chairman's Statement

Financial Highlights

- Revenue for the six months ended 30 September 2018: £11.85m (2017: £14.24m)
- Profit after tax: £0.48m (2017: £0.76m)
- Profit from operations: £0.52m (2017: £0.74m)
- Earnings before interest, tax, amortisation and depreciation: £0.55m (2017: £0.77m)
- Gross profit as a percentage of revenue: 18.5% (2017: 16.8%)
- Cash as at 30 September 2018: £3.85m (2017: £2.00m)

Business Review

Challenging market conditions have seen revenue for the first six months of the financial year decrease to £11.85m (2017: £14.24m). Despite this the Group continues to make steady progress strengthening the underlying performance of the business.

Encouragingly, gross margin as a percentage of revenue has increased to 18.5% (2017: 16.8%) as a result of improved utilisation of our permanent consultants and the continued reduction in a low margin, high revenue, staffing contract with a retail bank that has been converting its contractor staff to permanent staff to pre-empt the forthcoming off-payroll reforms in the private sector.

Revenue has also decreased across several public sector accounts as a result of re-procurements. Additionally, revenue has been impacted by the decision of one of our largest clients to reduce their requirements for GIS technical services during the period due to reduced demand from their end client.

The Group's cash position remains extremely healthy. As at 30 September 2018 cash has increased to £3.85m (2017: £2.00m).

Triad teams have continued to be engaged in significant programmes of work at Ministry of Justice, Department for Transport, Home Office, Ofgem, Highways England and the Police. Our GIS team continues to provide expertise to a number of private sector clients. Many of our assignments involve the translation of complex business logic into accessible digital services, and our skill in this domain is becoming widely recognised, particularly in the public sector.

The Group has made good progress with a number of business development activities aimed at strengthening our profile and increasing our client base across the public and private sectors. Significant work is underway to develop new opportunities through engagement on new public sector frameworks and targeted campaigns in the private sector. Initiatives around the digital skills shortage, Microsoft's cloud strategy and the effect of legacy systems on digital transformation plans have resulted in very encouraging conversations with technology leaders in the private and not-for-profit sectors. During the period Triad has been successful in being awarded a place on the G-Cloud 10 and DOS 3 frameworks

The launch of our new website has been well received by clients and prospects, providing a platform for the dissemination of valuable content from Triad consultants and other contributors.

Our first round table event in London was launched, and received extremely positive reviews from the audience of senior technology executives involved.

Consultant headcount has risen steadily during the period and the Group continues to search for and recruit quality individuals. All of our newly-recruited consultants have been deployed on longer-term engagements, which should flow through into further margin improvements. Our business development team has also been strengthened and, in conjunction with improved lead generation activities, is making improvements to the quality of the sales pipeline.

Outlook

The market remains intensely competitive and, against a backdrop of political and economic uncertainty, the Group remains focused on generating profit and cash. The transition from a business heavily dependent on contractors to one which is consultant-led continues. The plan is to recruit more permanent consultants and to maintain high levels of utilisation and to use our integrated resourcing capabilities to augment our teams with carefully selected associates and contractors.

Some uncertainty has been removed, to an extent, following the Government's recent budget announcement, confirming that the widely expected off-payroll reforms in the private sector would not be introduced until April 2020.

The Company is aware of numerous unfounded comments from a major shareholder appearing on social media, relating to its officers and professional advisers. The Company is taking this matter extremely seriously and has sought appropriate legal advice.

Dividend

The Board has declared an interim dividend of 1p (2017: 0.5p). See note 4.

Employees

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

John Rigg

Chairman

26 November 2018

Unaudited condensed consolidated statement of comprehensive income and expense

	Note	Unaudited Six months ended 30 September 2018 £'000	Unaudited Six months ended 30 September 2017 £'000	Audited Year ended 31 March 2018 £'000
Revenue		11,849	14,237	27,819
Cost of sales		(9,655)	(11,839)	(23,095)
Gross profit		2,194	2,398	4,724
Administrative expenses		(1,678)	(1,653)	(3,045)
Profit from operations		516	745	1,679
Finance expense	5	(1)	(9)	(17)
Finance income		-	1	-
Profit before tax		515	737	1,662
Tax (charge)/credit	6	(36)	18	(38)
Profit for the period and total comprehensive income attributable to equity holders of the parent		479	755	1,624
Basic earnings per share	7	3.05p	4.87p	10.45p
Diluted earnings per share	7	2.92p	4.67p	10.02p

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 2017	155	605	104	2,775	3,639
Profit for the period and total comprehensive income	-	-	-	755	755
Dividend paid	-	-	-	(77)	(77)
Issue of shares	-	6	-	-	6
Share-based payments	-	-	-	2	2
At 30 September 2017	155	611	104	3,455	4,325
At 1 April 2018	156	619	104	4,246	5,125
Profit for the period and total comprehensive income	-	-	-	479	479
Dividend paid	-	-	-	(158)	(158)
Issue of shares	2	23	-	-	25
Share-based payments	-	-	-	14	14
At 30 September 2018	158	642	104	4,581	5,485
At 1 April 2017	155	605	104	2,775	3,639
Profit for the year and total comprehensive income	-	-	-	1,624	1,624
Dividend paid	-	-	-	(155)	(155)
Issue of shares	1	14	-	-	15
Share-based payments	-	-	-	2	2
At 31 March 2018	156	619	104	4,246	5,125

Unaudited condensed consolidated statement of financial position

	Note	Unaudited 30 September 2018 £'000	Unaudited 30 September 2017 £'000	Audited 31 March 2018 £'000
Non-current assets				
Intangible assets		19	6	4
Property, plant and equipment		123	105	136
Deferred tax		287	379	323
		<u>429</u>	<u>490</u>	<u>463</u>
Current assets				
Trade and other receivables		3,336	5,164	3,985
Cash and cash equivalents		3,848	2,001	3,751
		<u>7,184</u>	<u>7,165</u>	<u>7,736</u>
Total assets		7,613	7,655	8,199
Current liabilities				
Trade and other payables		(2,035)	(2,994)	(2,895)
Financial liabilities		(3)	-	(3)
Short term provisions		-	(285)	(99)
		<u>(2,038)</u>	<u>(3,279)</u>	<u>(2,997)</u>
Non-current liabilities				
Financial liabilities		(18)	-	(20)
Long term provisions		(72)	(51)	(57)
		<u>(90)</u>	<u>(51)</u>	<u>(77)</u>
Total liabilities		(2,128)	(3,330)	(3,074)
Net assets		5,485	4,325	5,125
Shareholders' equity				
Share capital		158	155	156
Share premium account		642	611	619
Capital redemption reserve		104	104	104
Retained earnings		4,581	3,455	4,246
Total shareholders' equity		5,485	4,325	5,125

Unaudited condensed consolidated statement of cash flows

	Note	Unaudited Six months ended 30 September 2018 £'000	Unaudited Six months ended 30 September 2017 £'000	Audited Year ended 31 March 2018 £'000
Profit for the period before taxation		515	737	1,662
Adjustments for:				
Depreciation of property, plant and equipment		32	31	62
Amortisation of intangible assets		3	2	4
Interest expense		1	2	4
Unwinding of discount on provisions		-	-	13
Profit on disposal of tangible assets		-	-	(11)
Share-based payment expense		14	2	2
Changes in working capital				
Decrease/(Increase) in trade and other receivables		649	(113)	1,066
Decrease in trade and other payables		(860)	(708)	(807)
Decrease in provisions		(84)	(114)	(294)
Cash generated/(consumed) by operations		270	(161)	1,701
Interest paid		(1)	(2)	(17)
Tax received		-	-	-
Net cash flows from operating activities		269	(163)	1,684
Cash flows used in investing activities				
Purchase of intangible assets		(18)	-	-
Proceeds from sale of property, plant and equipment		-	-	11
Purchase of property, plant and equipment		(19)	(2)	(29)
Net cash used in investing activities		(37)	(2)	(18)
Cash flows from financing activities				
Finance lease principal payments		(2)	(11)	(23)
Proceeds of issue of shares		25	6	15
Dividend paid	4	(158)	(77)	(155)
Net cash flows from investing activities		(135)	(82)	(163)
Net increase/(decrease) in cash and cash equivalents		97	(247)	1,503
Cash and cash equivalents at beginning of the period		3,751	2,248	2,248
Cash and cash equivalents at end of the period		3,848	2,001	3,751

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 26 November 2018.

2. Basis of preparation

The comparative figures for the year ended 31 March 2018 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 2019, 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 2018. These financial statements reflect the new accounting standard IFRS 15 (Revenue from Contracts with Customers) and Amendments to IFRS 9 Financial Instruments) which became effective from 1 April 2018, and have been applied retrospectively.

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 2018.

3. Going Concern

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 half year results.

4. Dividend

The Board has declared a dividend of 1p for the period to 30 September 2018 (2017: 0.5p).

The Company will pay the dividend on 11 January 2019 to all shareholders on the register of members of the Company at the close of business on 7 December 2018. The ex-dividend date will be on 6 December 2018.

During the period a final dividend for the year ended 31 March 2018 of £158,000 was paid.

5. Finance expense

	Unaudited Six months ended 30 September 2018 £'000	Unaudited Six months ended 30 September 2017 £'000	Audited Year ended 31 March 2018 £'000
Bank interest expense	1	2	3
Other interest expense	-	-	1
	-----	-----	-----
Total interest expense	1	2	4
Unwinding of discount on provisions	-	7	13
	-----	-----	-----
Total finance expense	<u>1</u>	<u>9</u>	<u>17</u>

6. Tax credit

	Unaudited Six months ended 30 September 2018 £'000	Unaudited Six months ended 30 September 2017 £'000	Audited Year ended 31 March 2018 £'000
Current tax			
Current tax on profits for the period	-	-	-
Deferred tax			
Decrease/(increase) in recognised deferred tax asset	36	(18)	38
	-----	-----	-----
Total tax charge (credit) for the period	<u>36</u>	<u>(18)</u>	<u>38</u>

The differences between the actual tax credit for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	Unaudited Six months ended 30 September 2018 £'000	Unaudited Six months ended 30 September 2017 £'000	Audited Year ended 31 March 2018 £'000
Profit before tax	515	737	1,662
Profit before tax multiplied by standard rate of corporation tax in the UK of 19%	98	140	316
Expenses not deductible for tax purposes	(20)	3	(12)
Recognition of previously unrecognised deferred tax asset	(42)	(161)	(266)
Tax charge/(credit) for the period	36	(18)	38
	<u> </u>	<u> </u>	<u> </u>

Deferred tax asset

	Unaudited Six months ended 30 September 2018 £'000	Unaudited Six months ended 30 September 2017 £'000	Audited Year ended 31 March 2018 £'000
The movement in deferred tax is as follows:			
At beginning of period	323	361	361
Utilisation against taxable profits	(78)	(143)	(304)
Recognition of previously unrecognised deferred tax asset on losses	31	160	276
Increase/(decrease) in relation to timing difference	11	1	(10)
At end of period	287	379	323
	<u> </u>	<u> </u>	<u> </u>

Deferred tax assets have been recognised in respect of tax losses where the Directors believe it is probable that the assets will be recovered. A deferred tax asset amounting to £458,000 (2017: £565,000) has not been recognised in respect of trading losses, which can be carried forward indefinitely.

7. Earnings per ordinary share

Earnings per share have been calculated on the profit for the period divided by the weighted average number of shares in issue during the period based on the following:

	Unaudited 30 September 2018	Unaudited 30 September 2017	Audited 31 March 2018
Profit for the period	£479,000	£755,000	£1,624,000
Average number of shares in issue	15,729,405	15,507,586	15,541,786
Effect of dilutive options	655,751	656,019	669,503
Average number of shares in issue plus dilutive options	16,385,156	16,163,605	16,211,289
Basic earnings per share	3.05p	4.87p	10.45p
Diluted earnings per share	2.92p	4.67p	10.02p

8. Financial liabilities

	Unaudited Six months ended 30 September 2018 £'000	Unaudited Six months ended 30 September 2017 £'000	Audited Year ended 31 March 2018 £'000
Current			
Finance lease obligations	3	-	3
	<u> </u>	<u> </u>	<u> </u>
Non-Current			
Finance lease obligations	18	-	20
	<u> </u>	<u> </u>	<u> </u>

9. Related party transactions

The Group rents one of its offices under contracts expiring in 2028 (with a break clause in 2023). The current annual rents of £215,000 were fixed by independent valuation. JC Rigg, a Director, has notified the Board that he has a 50% beneficial interest in this contract. The balance owed at the period end was £nil (2017: £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 2018 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
26 November 2018

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