Legal Entity Identifier (LEI) No. 213800MDNBFVEQEN1G84

Triad Group Plc

Half year results for the six months ended 30 September 2019

Chairman's Statement

Financial Highlights

- Revenue for the six months ended 30 September 2019: £9.03m (2018: £11.85m)
- Loss before tax: £0.30m (2018: Profit: £0.52m)
- Loss after tax: £0.41m (2018: Profit £0.48m)
- Gross profit as a percentage of revenue: 14.6% (2018: 18.5%)
- Cash as at 30 September 2019: £2.96m (2018: £3.85m)

Business Review

For the period ended 30 September 2019 the Group reports revenue of £9.03m (2018: £11.85m) and a loss before tax of £0.30m (2018: profit of £0.52m). Gross profit as a percentage of revenue has decreased to 14.6% (2018: 18.5%).

Cash as 30 September 2019 is £2.96m (at 31 March 2019: £4.60m). The decrease during the period is due, approximately, to the operating loss for the period of £0.3m, the dividend paid during the period of £0.3m and the impact of overdue debts of £1.0m as at the period end, all of which have now been cleared.

Although our trading results have declined somewhat since the previous year, I emphasise my pride in the performance of the Group during the period. We have been obliged to deal with the damaging uncertainties and delays arising from political, financial and commercial conditions beyond our control. –It is a mark of the robustness and resilience of the Group that we have succeeded in delivering the results we have, and we continue to work tirelessly to develop new opportunities that will replace concluded projects. On behalf of the Board I would like to thank staff for their continued hard work and dedication. We look forward to fundamental improvements in the conditions which we face, especially owing to recent events at a national level.

The Group has been focused on building our consultancy capacity to tackle the opportunities which lie ahead. Our healthy cash position has enabled us to maintain our recruitment targets while absorbing lower consultant utilisation. We have strengthened our service proposition in some key domains, and our capabilities have been bolstered by the introduction of new consultants bringing with them expertise in some exciting areas, providing a basis for stable growth.

The Group has been developing relationships with several global consultancy practices to provide them with specialist delivery mechanisms. Discussions have been positive and promising, with commercial arrangements in place with four such organisations and with assignments starting to materialise. These relationships play to our strengths as a partner for large organisations needing reliable and dynamic consultants at short notice to solve complex problems.

In addition to these relationships, we will be announcing partnerships in the Robotic Process Automation arena and the Blockchain sector.

Our service capabilities have been significantly enhanced with a refined offering developed around our management consultancy credentials. Early signs are encouraging, with new prospects taking advantage of our high-intensity workshop format. We have also invested significantly in developing an intelligent automation practice led by a new recruit with proven industry expertise.

Our business analyst practice continues to support the work of the Crime programme at Ministry of Justice and we have a significant team of production specialists also providing support to MOJ.

The Motor Fuel Greenhouse Gas Emissions Reporting system built for the Department for Transport was launched following a successful assessment against the Government Digital Service standard. Our work continued at Dalcour Maclaren, where we have deployed a bespoke work management platform that is integral to their business. Several assignments have involved work within renewable energy, including for a global oil company and for one of the country's leading windfarm installation businesses.

The Group was awarded supplier status on the g-cloud 11 framework and in September was awarded a place on the Digital Outcomes and Specialists framework.

In September we were accredited as a Google Cloud partner alongside our multiple gold Microsoft competencies. Our Microsoft specialists presented at the World Power Platform tour, an event which generated a number of exciting prospects.

Board

During the period Steven Sanderson (Non-Executive Director), who retired by rotation, decided not to apply for re-election. Nick Burrows (Finance Director and Company Secretary) tendered his resignation. The process of replacing them is well underway with announcements expected in due course.

Outlook

A number of exciting projects are due to start in the new calendar year including the Group's first Intelligent Automation engagement, the first stage of a potential multi-year engagement with a global sustainability organisation, and the delayed start to a significant programme for a top technology distribution company. The Group is well prepared for the introduction of the off-payroll working in the Private sector legislation in April 2020. We are advising clients as to their readiness for the new legislation and ensuring that transition to the new rules is as seamless as possible in respect of contractors supplied to clients and those used on client projects.

Dividend

The Board has declared an interim dividend of 1p (2018: 1p). See note 4.

John Rigg
Chairman
19 December 2019

Unaudited condensed consolidated statement of comprehensive income and expense

	Note	**Unaudited Six months ended 30 September 2019 £'000**	Unaudited Six months ended 30 September 2018 £'000	Audited Year ended 31 March 2019 £'000
Revenue		**9,027**	11,849	22,713
Cost of sales		**(7,709)**	(9,655)	(18,337)
Gross profit		**1,318**	2,194	4,376
Administrative expenses		**(1,592)**	(1,678)	(3,357)
(Loss)/profit from operations		**(274)**	516	1,019
Finance expense	5	**(31)**	(1)	(2)
Finance income		**3**	-	-
(Loss)/profit before tax		**(302)**	515	1,017
Tax (charge)/credit	6	**(106)**	(36)	(132)
(Loss)/profit for the period and total comprehensive income attributable to equity holders of the parent		**(408)**	479	885
Basic (loss)/earnings per share	7	**(2.55p)**	3.05p	5.60p
Diluted (loss)/earnings per share	7	**(2.49p)**	2.92p	5.44p

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 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 2019	160	659	104	4,843	5,766
Loss for the period and total comprehensive income	-	-	-	(408)	(408)
Dividend paid	-	-	-	(319)	(319)
Issue of shares	-	-	-	-	-
Share-based payments	-	-	-	13	13
At 30 September 2019	**160**	**659**	**104**	**4,129**	**5,052**
At 1 April 2018	156	619	104	4,246	5,125
Profit for the year and total comprehensive income	-	-	-	885	885
Dividend paid	-	-	-	(316)	(316)
Issue of shares	4	40	-	-	44
Share-based payments	-	-	-	28	28
At 31 March 2019	**160**	**659**	**104**	**4,843**	**5,766**

Unaudited condensed consolidated statement of financial position

	Note	**Unaudited 30 September 2019 £'000**	Unaudited 30 September 2018 £'000	Audited 31 March 2019 £'000
Non-current assets				
Intangible assets		**12**	19	15
Property, plant and equipment		**198**	123	205
Right of use assets		**1,244**	-	-
Deferred tax		**85**	287	191
		1,539	429	411
Current assets				
Trade and other receivables		**3,811**	3,336	3,333
Cash and cash equivalents		**2,955**	3,848	4,604
		6,766	7,184	7,937
Total assets		**8,305**	7,613	8,348
Current liabilities				
Trade and other payables		**(1,944)**	(2,035)	(2,480)
Financial liabilities		**(4)**	(3)	(3)
Short term provisions		**-**	-	-
Short term lease liabilities		**(312)**	-	-
		(2,260)	(2,038)	(2,483)
Non-current liabilities				
Financial liabilities		**(15)**	(18)	(17)
Long term provisions		**(197)**	(72)	(82)
Long term lease liabilities		**(781)**	-	-
		(993)	(90)	(99)
Total liabilities		**(3,253)**	(2,128)	(2,582)
Net assets		**5,052**	5,485	5,766
Shareholders' equity				
Share capital		**160**	158	160
Share premium account		**659**	642	659
Capital redemption reserve		**104**	104	104
Retained earnings		**4,129**	4,581	4,843
Total shareholders' equity		**5,052**	5,485	5,766

Unaudited condensed consolidated statement of cash flows

	Note	**Unaudited Six months ended 30 September 2019 £'000**	Unaudited Six months ended 30 September 2018 £'000	Audited Year ended 31 March 2019 £'000
Loss for the period before taxation		**(302)**	515	1,017
Adjustments for:				
Depreciation of property, plant and equipment		**38**	32	65
Depreciation of right of use assets		**154**	-	-
Amortisation of intangible assets		**3**	3	6
Interest expense		**(3)**	1	2
Unwinding of discount on provisions		**31**	-	-
Share-based payment expense		**13**	14	28
Changes in working capital				
(Increase)/decrease in trade and other receivables		**(558)**	649	652
Decrease in trade and other payables		**(537)**	(860)	(415)
Increase in provisions		**-**	(84)	(74)
Cash (consumed)/generated by operations		**(1,161)**	270	1,281
Interest paid		**(31)**	(1)	(2)
Finance gain		**3**	-	-
Net cash flows from operating activities		**(1,189)**	269	1,279
Cash flows used in investing activities				
Purchase of intangible assets		**-**	(18)	(17)
Purchase of property, plant and equipment		**(31)**	(19)	(134)
Net cash used in investing activities		**(31)**	(37)	(151)
Cash flows from financing activities				
Finance lease principal payments		**(1)**	(2)	(3)
Repayment of lease liabilities		**(109)**	-	-
Proceeds of issue of shares		**-**	25	44
Dividend paid	4	**(319)**	(158)	(316)
Net cash flows from investing activities		**(429)**	(135)	(275)
Net (decrease)/increase in cash and cash equivalents		**(1,649)**	97	853
Cash and cash equivalents at beginning of the period		**4,604**	3,751	3,751
Cash and cash equivalents at end of the period		**2,955**	3,848	4,604

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 19 December 2019.

2. Basis of preparation

The comparative figures for the year ended 31 March 2019 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 2020, 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 2019. These financial statements reflect the new accounting standard IFRS 16 (Leases) which became effective from 1 April 2019 and have been applied using the modified retrospective method (see below).

All other 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 2019.

Significant accounting policies

IFRS 16 Leases (IFRS 16)

IFRS 16 became effective for the Group from 1 April 2019. It requires that leases are recognised in the statement of financial position as assets and liabilities with exceptions where the underlying asset is of low value, or where the lease term is 12 months or less.

As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for prior years has not been restated as permitted under the specific transitional provisions in IFRS 16. It remains as previously reported under IAS 17.

The following practical expedients have been adopted on transition:

- not to capitalise a right-of-use asset or related lease liability where the lease expires before 31 March 2020;
- to use hindsight in determining the lease term if the contract contains options to extend or terminate the lease;
- lease payments for contracts with a duration of 12 months or less and contracts for which the underlying asset is of a low value will continue to be expensed to the Consolidated Income Statement on a straight-line basis over the lease term;

Impact of adoption of IFRS 16

Consolidated Balance Sheet

On initial application, the Group has elected to record right-of-use assets based on the corresponding lease liability plus an estimate of restoration/dilapidation costs.

As of 1 April 2019, right-of-use assets of £1.40m and lease obligations of £1.20m were recorded. Prepayments were reduced by £0.08m, being the value of prepaid operating lease payments capitalised as at 1 April 2019. Provisions were increased by £0.12m being the estimate of the restoration/dilapidation costs capitalised as at 1 April 2019. There was no net impact on retained earnings.

	£'000
Initial recognition of right of use assets	1,398
Initial recognition of lease liabilities	(1,202)
Reduction of prepayments, included in right of use assets	(81)
Increase in provisions, included in right of use assets	(115)
Impact on retained earnings	-

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted-average rate applied is 5.0 per cent.

The Group has recognised £1.24m of right-of-use assets and £1.09m of lease liability as at 30 September 2019.

Consolidated Income Statement

Under IFRS 16, the Group has seen a different pattern of expense within the Consolidated Income Statement, as the IAS 17 operating lease expense is replaced by depreciation and interest costs. During the six months ended 30 September 2019, the Group has recognised £0.154m of depreciation costs and £0.03m of interest costs from these leases and has seen a decrease of £0.161m of operating lease rental expense. Had IAS 17 continued in operation during the period, Group profit before tax, on both an adjusted and statutory basis, would have been £0.024m higher.

Consolidated Cash Flow Statement

Cash paid for leases that are on the balance sheet are presented in the consolidated cash flow statement within financing activities. Under IAS 17 operating lease payments were presented as operating cash outflows.

Reconciliation between the Group's operating lease commitments and lease liability

The following table reconciles the Group's operating lease commitments as a lessee at 31 December 2018, as previously disclosed in the Financial Statements, to the lease obligations recognised on initial application of IFRS 16 at 1 January 2019:

	£'000
Operating lease commitments at 31 March 2019 as disclosed in the Financial Statements	1,459
Operating lease payments included in prepayments as at 31 March 2019	(81)
Impact of discounting on leases	(176)
Lease liabilities recognised at 1 April 2019	**1,202**

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 2019 (2018: 1p).

The Company will pay the dividend on 24 January 2020 to all shareholders on the register of members of the Company at the close of business on 3 January 2020. The ex-dividend date will be on 2 January 2020.

During the period a final dividend for the year ended 31 March 2019 of £319,000 was paid.

5. Finance expense

	Unaudited Six months ended 30 September 2019 £'000	Unaudited Six months ended 30 September 2018 £'000	Audited Year ended 31 March 2019 £'000
Bank interest expense	**-**	1	-
Other interest expense	**-**	-	1
Total interest expense	**-**	1	1
Unwinding of discount on lease liabilities	**31**	-	-
Net foreign exchange loss	**-**	-	1
Total finance expense	**31**	1	2

6. Tax charge

	Unaudited Six months ended 30 September 2019 £'000	Unaudited Six months ended 30 September 2018 £'000	Audited Year ended 31 March 2019 £'000
Current tax			
Current tax on profits for the period	**-**	-	-
Deferred tax			
Decrease in recognised deferred tax asset	**106**	36	132
Total tax charge for the period	**106**	36	132

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 2019 £'000	Unaudited Six months ended 30 September 2018 £'000	Audited Year ended 31 March 2019 £'000
(Loss)/Profit before tax	**(302)**	515	1,017
Profit before tax multiplied by standard rate of corporation tax in the UK of 19%	**(57)**	98	193
Expenses not deductible for tax purposes	**8**	(20)	(44)
Increase in unrecognised deferred tax asset	**155**	-	-
Recognition of previously unrecognised deferred tax asset	**-**	(42)	(17)
Tax charge for the period	**106**	36	132

Deferred tax asset

	Unaudited Six months ended 30 September 2019 £'000	Unaudited Six months ended 30 September 2018 £'000	Audited Year ended 31 March 2019 £'000
The movement is deferred tax is as follows:			
At beginning of period	**191**	323	323
Utilisation against taxable profits	**-**	(78)	(149)
(Derecognition)/recognition of previously unrecognised deferred tax asset on losses	**(116)**	31	47
Increase/(decrease) in relation to timing difference	**10**	11	(30)
	--------	--------	--------
At end of period	**85**	287	191
	---------	---------	---------

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 £608,000 (2018: £458,000) 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 2019	Unaudited 30 September 2018	Audited 31 March 2019
(Loss)/Profit for the period	**(£408,000)**	£479,000	£885,000
Average number of shares in issue	**15,968,979**	15,729,405	15,798,113
Effect of dilutive options	**390,278**	655,751	481,416
Average number of shares in issue plus dilutive options	**16,359,257**	16,385,156	16,279,529
Basic (loss)/earnings per share	**(2.55p)**	3.05p	5.60p
Diluted (loss)/earnings per share	**(2.49p)**	2.92p	5.44p

8. Financial liabilities

	Unaudited Six months ended 30 September 2019 £'000	Unaudited Six months ended 30 September 2018 £'000	Audited Year ended 31 March 2019 £'000
Current			
Finance lease obligations	**4**	3	3
Non-Current			
Finance lease obligations	**15**	18	17

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 (2018: £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 2019 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
19 December 2019

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