

Triad Group Plc

Half year results for the six months ended 30 September 2020

Financial highlights

- Revenue for the period ended 30 September 2020: £8.7m (2019: £9.0m)
- Profit before tax: £1k (2019: Loss £0.28m)
- Profit after tax: £0.05m (2019: Loss £0.39m)
- Gross profit: £1.49m (2019: £1.32m)
- Gross profit as a percentage of revenue: 17.1% (2019:14.6%)
- Cash as at 30 September 2020: £4.08m (2019: £2.96m)

Chairman's statement

Dr John Rigg

For the period ended 30 September 2020 the Group reports revenue of £8.7m (2019: £9.0m). The profit before tax was £1k (2019 Loss: £0.28m), gross profit has increased by 13% to £1.49m (2019: £1.32m) and gross profit as a percentage of revenue has increased to 17.1% (2019: 14.6%).

The effects of the Covid-19 pandemic have created some strong headwinds in a limited area of the business but profitability has improved during the period. Gross profit has grown at much higher margins than in previous periods, as the business continues to not only build more revenue from key accounts, but also continues to increase the ratio of permanent headcount to contractors on consultant-led engagements. Further, due to changes in working patterns, there is a limited reduction in operating costs and no members of staff were furloughed.

Cash reserves have increased by 38% to £4.08m (2019: £2.96m) and reflects both the improved profitability and strong cash collection processes. During the period, the Group did not require to utilise the existing lending facility, other external debt or take advantage of the financial assistance schemes offered by the Government due to the pandemic. Further consideration of the impact of Covid-19 is set out in the going concern statement on page 7.

Business Update

The Group has responded magnificently to the challenges of Covid-19. With the support of our key clients, we have been able to operate the business on a fully remote basis since the beginning of the financial year. Immediately lockdown was announced, the Group implemented a new approach to communication and staff engagement which has enabled us to manage a distributed workforce without compromising service to our clients.

Activity levels with our existing major clients were maintained, although new business development was quieter than expected during the period. One of our major contracts with Ministry of Justice was extended until February 2021.

The Group did not furlough any staff, instead utilising all available capacity to support the Group's intention to grow the number of permanent consulting staff. This has resulted in sixteen new hires since the beginning of the year, taking our consultancy headcount to nearly 50 – the highest number for several years.

The Group successfully won places on various frameworks, including Government's Artificial Intelligence framework, a Dynamic Purchasing framework at Ofgem, and version 12 of the G-Cloud framework. Our service offering on G-Cloud has been substantially extended and this is an area where we project future growth.

Delivery successes included being part of the Crime Programme at Ministry of Justice which saw the Common Platform going live during the summer. This was a notable achievement by all concerned given the challenges of remote working. We also launched into full live operation the Greenhouse Gas Emissions system at Department for Transport after a successful service assessment under the Government Digital Services standard.

Our staff delivered a number of thought-provoking public webinars during the period, including "Technology trends through a Covid lens", "The rise of intelligent automation", and "Running software development teams 100% remotely".

Outlook

Going in to the second half of the year consultant utilisation levels are at their highest for several years, in percentage and absolute terms. Our major accounts continue to provide opportunities, whilst significant work is planned to start in the new calendar year with two private sector clients (one from the technology distribution sector and the other from the renewable energy sector). Consultant headcount continues to increase at another central government client, with the recent intention to award a contract to supply multiple resources.

Recruitment of more permanent consultants continues, as we steadily increase the ratio of permanent staff to non-permanent staff on our consulting engagements. Not only does this improve margins, but it increases the Group's resilience with regard to the impending roll-out of Off Payroll (IR35) legislation in 2021.

The Group has a proven business model that allows for the operation of a remote workforce and we do not envisage needing to make substantial changes to these arrangements during the second half of the year.

Dividend

The continued uncertainty caused by the Covid-19 outbreak has led the Board to decide not to pay an interim dividend (2019 interim dividend: 1p).

Employees

On behalf of the Board of Directors I would like to thank our staff for their hard work last year and for the positive way in which they have continued to deal with the unprecedented challenges thrust upon us and our wider community that commenced in March of this year.

Dr John Rigg
Executive Chairman
26 November 2020

Unaudited condensed consolidated statement of comprehensive income and expense for the six months ended 30 September 2020

Group and Company	Note	Unaudited 2020 £'000	Unaudited 2019 £'000	Audited year ended 31 March 2020 £'000
Revenue		8,727	9,027	19,354
Cost of sales		(7,237)	(7,709)	(16,500)
Gross profit		1,490	1,318	2,854
Administrative expenses		(1,477)	(1,586)	(3,422)
Profit/(Loss) from operations		13	(268)	(568)
Finance income		7	13	20
Finance expense	2	(19)	(29)	(54)
Profit/(Loss) before tax		1	(284)	(602)
Tax Credit/(Charge)	3	49	(106)	(159)
Profit/(Loss) for the period and total comprehensive income attributable to equity holders of the parent		50	(390)	(761)
Basic earnings/(loss) per share	5	0.31p	(2.44p)	(4.76p)
Diluted earnings/(loss) per share	5	0.31p	(2.44p)	(4.76p)

All amounts relate to continuing activities.

Unaudited condensed consolidated statement of changes in equity for the six months ended 30 September 2020

Group	Share Capital	Share premium account	Capital redemption reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2019	160	659	104	4,843	5,766
Loss for the period and total comprehensive income	-	-	-	(390)	(390)
Dividend paid	-	-	-	(319)	(319)
Ordinary shares issued	-	-	-	-	-
Share-based payments	-	-	-	13	13
At 30 September 2019 (unaudited)	160	659	104	4,147	5,070
At 1 April 2020	160	660	104	3,631	4,555
Profit for the period and total comprehensive income	-	-	-	50	50
Dividend paid	-	-	-	-	-
Ordinary shares issued	-	1	-	-	1
Share-based payments	-	-	-	14	14
At 30 September 2020 (unaudited)	160	661	104	3,695	4,620
At 1 April 2019	160	659	104	4,843	5,766
Loss for the year and total comprehensive income	-	-	-	(761)	(761)
Dividend paid	-	-	-	(479)	(479)
Ordinary shares issued	-	1	-	-	1
Share-based payments	-	-	-	28	28
At 31 March 2020	160	660	104	3,631	4,555

Unaudited condensed consolidated statement of financial position as at 30 September 2020

	Note	Unaudited 2020 £'000	Unaudited 2019 £'000	Audited year ended 31 March 2020 £'000
Non-current assets				
Intangible assets		8	12	10
Property, plant and equipment		245	301	275
Right-of-use assets	6	539	705	622
Finance lease receivables	6	245	347	297
Deferred tax	3	81	85	32
		1,118	1,450	1,236
Current assets				
Trade and other receivables	7	2,193	3,811	2,741
Cash and cash equivalents		4,081	2,955	3,840
		6,274	6,766	6,581
Total assets		7,392	8,216	7,817
Current liabilities				
Trade and other payables	8	(1,770)	(1,933)	(2,127)
Lease liabilities	6	(281)	(214)	(272)
		(2,051)	(2,147)	(2,399)
Non-current liabilities				
Long term provisions		(197)	(197)	(197)
Lease liabilities	6	(524)	(802)	(666)
		(721)	(999)	(863)
Total liabilities		(2,772)	(3,146)	(3,262)
Net assets		4,620	5,070	4,555
Shareholders' equity				
Share capital		160	160	160
Share premium account		661	659	660
Capital redemption reserve		104	104	104
Retained earnings		3,695	4,147	3,631
Total shareholders' equity		4,620	5,070	4,555

Unaudited condensed consolidated statement of cash flows for the six months ended 30 September 2020

	Unaudited 2020 £'000	Unaudited 2019 £'000	Audited year ended 31 March 2020 £'000
Note			
Cash flows from operating activities			
Profit/(Loss) for the period before taxation	1	(284)	(602)
Adjustments for:			
Depreciation of property, plant and equipment	44	50	97
Amortisation of right of use assets	83	83	166
Amortisation/impairment of intangible assets	2	3	5
Interest received	(7)	(10)	(20)
Finance expense	26	26	60
Share-based payment expense	14	13	28
Changes in working capital			
Decrease/(Increase) in trade and other receivables	548	(478)	593
Decrease in trade and other payables	(357)	(566)	(374)
Increase in provisions	-	115	115
Cash generated/(consumed) by operations	354	(1,048)	68
Finance expense	(3)	2	(4)
Net cash inflow/(outflow) from operating activities	351	(1,046)	64
Investing activities			
Finance lease interest received	7	10	20
Finance lease payments received	52	73	123
Purchase of property, plant and equipment	(13)	(146)	(166)
Net cash used in investing activities	46	(63)	(23)
Financing activities			
Lease liabilities principal payments	(133)	(192)	(270)
Lease liabilities interest payments	(23)	(28)	(56)
Finance lease principal payments	-	(1)	-
Dividends paid	4	(319)	(479)
Net cash outflow from financing activities	(156)	(540)	(805)
Net increase/(decrease) in cash and cash equivalents	241	(1,649)	(764)
Cash and cash equivalents at beginning of the period	3,840	4,604	4,604
Cash and cash equivalents at end of the period	4,081	2,955	3,840

Notes to the financial statements for the six months ended 30 September 2020

1. Principal accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS and IFRIC interpretations), as adopted by the European Union (EU), issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS. The comparative financial information for the year ended 31 March 2020 included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Financial Statements for 2020 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2020 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The financial information for the half years ended 30 September 2020 and 30 September 2019 does not constitute statutory accounts within the meaning of section 434 (3) of the Companies Act 2006 and has been neither audited nor reviewed pursuant to guidance issued by the Auditing Practices Board.

These financial statements have been prepared on a going concern basis.

Going Concern

The unprecedented effects of the Covid-19 pandemic upon the UK economy have been weathered well by the Group. During the period to September 2020, trading continued almost as normal as the workforce and the vast majority of clients have been able to work effectively on a remote basis. Profitability has improved during this period, with a strong focus on both quality, efficiency and building upon strong relationships with existing and new clients. No advantage has been taken of the financial assistance schemes offered by the Government during this period, and the Group continues to grow fee earning consultant numbers, with no staff having been furloughed.

The Group continues to operate an efficient low-cost and cash generative model. For the six months ended 30 September 2020, the Group has not utilised any external debt or lending facilities (2019: nil) with no exposure to bad debts in the period. Cash balances have grown to £4.08m at the balance sheet date (2019: £2.96m) and the future cash position remains strong.

The going concern assessment made at the year ended 31 March 2020 is still intact and has shown only increased optimism as we look towards future trading prospects. This going concern assessment included in particular a reverse stress test model which assumed that the effects of the pandemic would worsen with all current client contracts discontinued at expiry, with no extension or replacement and with no cost mitigation. Following a review of these assessments in light of current trading performance and cash flow forecasts for the next 12 months, the Directors have concluded that the Group would have sufficient headroom and cash balances to continue in operation.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and at least twelve months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the half year accounts.

New standards, interpretations and amendments

The accounting policies applied in these financial statements are as applied in the annual report and accounts for the year ended 31 March 2020. In this annual report, the Group revised its policy with respect to IFRS16 and the recognition of a financial lease receivable, representing rentals payable to the Group for a rental of a proportion of a leased property.

The 30 September 2019 income statement and balance sheet have been restated to reflect this change in policy and the corrections made to the balance sheet were an increase of £103k to property, plant and equipment, a decrease of £539k to right-of-use assets, a recognition of the finance lease receivable of £347k, a reduction to trade and other payables of £30k related to rental payments received in the period, and a reduction to current leased liabilities of £76k.

2. Finance expense

	Unaudited six months ended 30 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
Other interest payable	-	-	1
Interest expense on lease liability	23	29	56
Net foreign exchange gain	(4)	-	(3)
Total finance expense	19	29	54

3. Tax (credit)/charge

	Unaudited six months ended 30 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
Current tax			
Current tax on profits for the period	-	-	-
Deferred tax			
(Increase)/Decrease in recognised deferred tax asset	(49)	106	159
Total tax (credit)/charge for the period	(49)	106	159

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

	Unaudited six months ended 30 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
Profit/(Loss) before tax	1	(302)	(602)
Profit/(Loss) before tax multiplied by standard rate of corporation tax in the UK of 19% (2019:19%)	-	(57)	(114)
Expenses not deductible for tax purposes	10	8	13
(Increase)/Decrease in unrecognised deferred tax asset	(59)	155	-
Reversal of previously recognised deferred tax on losses	-	-	156
Movement in deferred tax not recognised for current year losses	-	-	101
Prior year adjustments	-	-	3
Tax (credit)/charge for the period	(49)	106	159

	Unaudited six months ended 30 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
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Deferred tax asset

The movement in deferred tax is as follows:

At beginning of the period	32	191	191
Utilisation against taxable profits	-	-	-
Recognition/(reversal) of previously unrecognised deferred tax on losses	48	(116)	(149)
Increase/(Decrease) in relation to timing differences	1	10	(10)
At end of the period	81	85	32

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 £662,000 (2019: £608,000) has not been recognised in respect of trading losses which can be carried forward indefinitely.

4. Dividends

The Directors do not propose a dividend for the period to 30 September 2020 (2019 interim dividend: 1.0p per share).

5. Earnings per ordinary share

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

	Unaudited 30 September 2020 £50,000	Unaudited 30 September 2019 £(390,000)	Audited 31 March 2020 £(761,000)
Profit/(Loss) for the period			
Average number of shares in issue	15,981,400	15,968,979	15,972,842
Effect of dilutive options	281,274	-	-
Average number of shares in issue plus dilutive options	16,262,674	15,968,979	15,972,842
Basic earnings/(loss) per share	0.31p	(2.44)p	(4.76)p
Diluted earnings/(loss) per share	0.31p	(2.44)p	(4.76)p

6. Leases

Right-of-use Assets

The carrying amounts of the right-of-use assets recognised and the movements during the period are outlined below:

	Land and buildings £'000	Total £'000
At 31 March 2019		
Opening position	788	788
Amortisation	(83)	(83)
At 30 September 2019	705	705
At 31 March 2020		
Opening position	622	622
Amortisation	(83)	(83)
At 30 September 2020	539	539

Lease Liabilities

The carrying amounts of the lease liabilities recognised are as follows:

	Land and buildings £'000	Total £'000
At 31 March 2019		
Opening position	1,128	1,128
Interest expense	28	28
Lease payments	(140)	(140)
At 30 September 2019	1,016	1,016
At 31 March 2020		
Opening position	938	938
Interest expense	23	23
Lease payments	(156)	(156)
At 30 September 2020	805	805

At the balance sheet date, the Group had outstanding commitments for future lease payments as follows:

At 30 September 2019	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Lease Liabilities	34	180	322	480
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At 30 September 2020	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Lease Liabilities	69	212	295	229

Finance lease receivables

The carrying amounts of the lease receivable asset are as follows:

	Land and buildings £'000	Total £'000
At 31 March 2019		
Opening position	420	420
Interest received	10	10
Payments received	(83)	(83)
At 30 September 2019	347	347
At 31 March 2020		
Opening position	297	297
Interest received	7	7
Payments received	(59)	(59)
At 30 September 2020	245	245

7. Trade and other receivables

	Unaudited six months ended 30 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
Trade receivables	1,660	3,336	2,526
Less: provision for expected credit losses	(17)	(20)	(26)
Trade receivables-net	1,643	3,316	2,500
Contract assets	192	241	68
Other debtors	201	95	17
Trade and other receivables	2,036	3,652	2,585
Prepayments	157	159	156
	2,193	3,811	2,741

The fair value of trade and other receivables approximates closely to their book value.

Movements on the provision for expected credit loss are as follows:

	Unaudited six months ended 30 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
At beginning of the period	26	20	20
Charged to income statement	-	-	6
Credited to income statement	(4)	-	-
Written-back during the period	(5)	-	-
At end of the period (credit loss allowance)	17	20	26

The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	Unaudited six months ended 30 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
Sterling	2,036	3,634	2,566
Euros	-	18	19
	2,036	3,652	2,585

8. Trade and other payables

	Unaudited six months ended 30 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
Trade payables	865	1,186	1,205
Accruals	402	262	312
	1,267	1,448	1,517
Contract liabilities	39	50	41
Other taxation and social security	464	435	569
	1,770	1,933	2,127

The majority of trade and other payables are settled within three months from the period end.

The fair value of trade and other payables approximates closely to their book value.

The carrying amount of trade and other payables is denominated in the following currencies:

	Unaudited six months ended 30 September 2020 £'000	Unaudited six months ended 30 September 2019 £'000	Audited year ended 31 March 2020 £'000
Sterling	1,257	1,422	1,492
Euros	10	26	25
	1,267	1,448	1,517

9. Related party transactions

The Group and Company rents one of its offices under a lease expiring in 2028, with a break clause in 2023. The current annual rent of £215,000 was fixed, by independent valuation, at the last rent review in 2008. 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 (2019: £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 2020 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

J V McDonald
Company Secretary
26 November 2020

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