

Triad Group Plc

Half year results for the six months ended 30 September 2021

Financial highlights

	Six months to 30 September 2021	Six months to 30 September 2020	Change
Revenue	£8.58m	£8.73m	-£0.15m
Gross profit	£2.30m	£1.49m	+£0.81m
Gross profit %	26.8%	17.1%	+9.7%
Profit before tax	£0.67m	£1k	+£0.67m
Profit after tax	£0.85m	£0.05m	+£0.80m
Cash reserves	£5.34m	£4.08m	+£1.26m
Basic earnings per share	5.24p	0.31p	+4.93p
Interim dividend	2p	nil	+2p

Chairman's statement

Dr John Rigg

For the period ended 30 September 2021 the Group reports revenue of £8.58m (2020: £8.73m). The profit before tax was £0.67m (2020: £1k), gross profit has increased by 54% to £2.30m (2020: £1.49m) and gross profit as a percentage of revenue has increased to 26.8% (2020: 17.1%).

This has been a very strong first half, building on the progress made during last year. The Group continued to recruit more permanent staff, with 34 consultants joining in the period. The increase in headcount, taking the Group total to over 100 during the period, contributed significantly to improved gross profit without diluting utilisation levels. Gross profit as a percentage of sales also increased significantly versus the same time last year, as well as improving on the second half of last year.

These results are a direct consequence of the strategy to concentrate our efforts on consulting services and reflect the reduction in emphasis on our IT contractor resourcing activities. The reduction in emphasis on contractor resourcing combined with our ability to increase fully payrolled services, also reduced significantly the Group's exposure to risk associated with IR35 legislation, with no material impact arising from the legislative changes introduced at the beginning of the period.

The Group continued to deal effectively with the circumstances brought about by the Covid-19 situation. Full service was maintained throughout the period, albeit with the majority of our staff continuing to work remotely. Indeed, out of the Covid adversity the Group seized the opportunity to widen its recruitment net using remote working practices to enable the hiring of staff from beyond the normal catchment areas. Thankfully, none of our staff was taken seriously ill by the virus. The Group chose not to furlough any of its staff.

Cash reserves have increased by 31% to £5.34m (2020: £4.08m) and reflects both the improved profitability and strong cash collection processes. During the period, the Group did not need 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.

Business Highlights

Work continued on the Ministry of Justice's Crime Programme as our teams provided the Business Analysis services to this major national programme. Elsewhere within the Ministry of Justice, we were very pleased to secure the Project Management Delivery service and have significantly increased the number of project management and programme management resources to support an array of

initiatives including the implementation of “Nightingale courts” and supporting the modernisation of the prison estate. We also successfully handed over operation of the Production Services contract to the new incumbent.

Our teams at Department for Business, Energy and Industrial Strategy have increased our footprint and are now engaged across a number of workstreams as they deal with significant workloads that have been increased by the pressures of Covid response and post-Brexit requirements.

Our delivery team helped Department for Transport (DfT) to secure a successful “alpha” assessment from Government Digital Services in respect of the ROS platform under development, and the team continues to progress through the “beta” stage.

A successful working prototype was delivered to the Marine Stewardship Council (MSC) by a Triad team in another project closely associated with sustainability. Other work in the renewable energy sector, alongside MSC, DfT and Ofgem, is helping to reinforce the Group’s credentials as a significant player in the delivery of digital capability to those organisations in the energy/renewables/sustainability arenas.

Two of our clients within the renewable energy sector are using Workpoint technology to complement their Microsoft platforms. With Triad now a Workpoint partner, this has opened up opportunities for recurring revenue connected with Workpoint licences the first of which were recognised towards the end of the reporting period.

Work at the leading technology distributor, Westcoast, continued during the period as Triad teams worked with Westcoast personnel and other partners to deliver API-driven services into Westcoast’s legacy architecture.

The Group was pleased to win a place on the Technology Services (3) framework, an important commercial route into public sector opportunities. The Group also gained acceptance on to the Fortrus framework providing an additional commercial route into the law enforcement sector.

The Group was extremely proud to win the award for “Tech company of the year” in the medium category at the Global Business Tech awards. Our work at Department for Transport has also seen the Group short-listed for the best public sector project of the year at the British Computer Society (The Chartered Institute for IT) awards. On the other side of the award process, the Group is proud to be supporting the forthcoming blockchain hackathon run by our technology partner Stratis.

It was rewarding to see a hardy bunch of Triad volunteers raise money for the Action for Children charity during the Summer by participating in the “Boycott your Bed” event.

Outlook

The second half of the year should see a continuation of high utilisation levels and increases in consultant headcount, in response to persistent demand anticipated within the Group’s key accounts.

Work will continue to unwind the remaining lower-margin contractor accounts and to replace them with margin-enriching consultancy engagements, following a clear direction in terms of new business development.

Recruitment remains a challenge across the industry, but with a dedicated in-house resourcing team the Group believes it has the wherewithal and the proposition to attract the best affordable talent into the company.

With the Group’s sharp focus on its consultancy credentials, and with a business model that is extremely well-suited to the needs of the market, I am optimistic about the prospects.

Dividend

The Group believes that dividend payments play a vital role in demonstrating the health of the business. Given the strong performance over the period combined with the positive outlook an interim dividend of 2p is proposed (2020 interim dividend: nil).

Employees

On behalf of the Board of Directors I would like to thank our staff for their hard work and for their continued efforts in dealing so positively with the challenges caused by the ongoing Covid situation.

Dr John Rigg
Executive Chairman
1 November 2021

Unaudited condensed consolidated statement of comprehensive income and expense for the six months ended 30 September 2021

Group and Company	Note	Unaudited 2021 £'000	Unaudited 2020 £'000	Audited year ended 31 March 2021 £'000
Revenue	2	8,576	8,727	17,815
Cost of sales		(6,278)	(7,237)	(14,005)
Gross profit		2,298	1,490	3,810
Administrative expenses		(1,613)	(1,477)	(3,124)
Profit from operations		685	13	686
Finance income		5	7	15
Finance expense	3	(17)	(19)	(57)
Profit before tax		673	1	644
Tax credit	4	174	49	41
Profit for the period and total comprehensive income attributable to equity holders of the parent		847	50	685
Basic earnings per share	6	5.24p	0.31p	4.28p
Diluted earnings per share	6	5.18p	0.31p	4.24p

All amounts relate to continuing activities.

Unaudited condensed consolidated statement of changes in equity for the six months ended 30 September 2021

Group	Share Capital	Share premium account	Capital redemption reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
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 2021	160	666	104	4,353	5,283
Profit for the period and total comprehensive income	-	-	-	847	847
Dividend paid	-	-	-	(324)	(324)
Ordinary shares issued	3	96	-	-	99
Share-based payments	-	-	-	-	-
At 30 September 2021 (unaudited)	163	762	104	4,876	5,905
At 1 April 2020	160	660	104	3,631	4,555
Profit for the year and total comprehensive income	-	-	-	685	685
Dividend paid	-	-	-	-	-
Ordinary shares issued	-	6	-	-	6
Share-based payments	-	-	-	37	37
At 31 March 2021	160	666	104	4,353	5,283

Unaudited condensed consolidated statement of financial position as at 30 September 2021

	Note	Unaudited 2021 £'000	Unaudited 2020 £'000	Audited year ended 31 March 2021 £'000
Non-current assets				
Intangible assets		5	8	6
Property, plant and equipment		212	245	225
Right-of-use assets	7	438	539	532
Finance lease receivables	7	27	245	85
Deferred tax	4	247	81	73
		929	1,118	921
Current assets				
Trade and other receivables	8	2,572	2,193	2,514
Finance lease receivables	7	112	-	108
Cash and cash equivalents		5,338	4,081	4,918
		8,022	6,274	7,540
Total assets		8,951	7,392	8,461
Current liabilities				
Trade and other payables	9	(2,270)	(1,770)	(2,248)
Lease liabilities	7	(315)	(281)	(307)
		(2,585)	(2,051)	(2,555)
Non-current liabilities				
Long term provisions		(197)	(197)	(197)
Lease liabilities	7	(264)	(524)	(426)
		(461)	(721)	(623)
Total liabilities		(3,046)	(2,772)	(3,178)
Net assets		5,905	4,620	5,283
Shareholders' equity				
Share capital		163	160	160
Share premium account		762	661	666
Capital redemption reserve		104	104	104
Retained earnings		4,876	3,695	4,353
Total shareholders' equity		5,905	4,620	5,283

Unaudited condensed consolidated statement of cash flows for the six months ended 30 September 2021

	Unaudited 2021 £'000	Unaudited 2020 £'000	Audited year ended 31 March 2021 £'000
Note			
Cash flows from operating activities			
Profit for the period before taxation	673	1	644
Adjustments for:			
Profit on sale of asset	-	-	(7)
Depreciation of property, plant and equipment	40	44	80
Amortisation of right of use assets	94	83	173
Amortisation/impairment of intangible assets	2	2	5
Interest received	(5)	(7)	(15)
Finance expense	21	26	45
Share-based payment expense	-	14	37
Changes in working capital			
(Increase)/Decrease in trade and other receivables	(59)	548	226
Increase/(Decrease) in trade and other payables	22	(357)	121
Cash generated by operations	788	354	1,309
Finance expense	(2)	(3)	6
Net cash inflow from operating activities	786	351	1,315
Investing activities			
Finance lease interest received	5	7	15
Finance lease payments received	54	52	104
Proceeds from sale of asset	-	-	15
Purchase of intangible assets	(1)	-	(1)
Purchase of property, plant and equipment	(27)	(13)	(38)
Net cash used in investing activities	31	46	95
Financing activities			
Proceeds of issue of shares	99	-	6
Lease liabilities principal payments	(154)	(133)	(287)
Lease liabilities interest payments	(18)	(23)	(51)
Dividends paid	5 (324)	-	-
Net cash outflow from financing activities	(397)	(156)	(332)
Net increase in cash and cash equivalents	420	241	1,078
Cash and cash equivalents at beginning of the period	4,918	3,840	3,840
Cash and cash equivalents at end of the period	5,338	4,081	4,918

Notes to the financial statements for the six months ended 30 September 2021

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 UK adopted international accounting standards.

The comparative financial information for the year ended 31 March 2021 included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Financial Statements for 2021 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2021 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 2021 and 30 September 2020 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.

These financial statements have been prepared on a historical cost basis and are presented in sterling, the functional currency of the Company.

Going Concern

Despite the continued negative effects of the Covid-19 pandemic upon the UK economy, the Group has continued to improve trading during the period. All key ratios and profitability have improved, and the Group continues to build cash reserves without the requirement for any external funding or take advantage of Government support schemes.

The Group continues to operate an efficient low-cost and cash generative model. For the six months ended 30 September 2021, the Group has not utilised any external debt or lending facilities (2020: nil) with no exposure to bad debts in the period. Cash balances have grown to £5.34m at the balance sheet date (2020: £4.08m) and the future cash position remains strong.

The going concern assessment made at the year ended 31 March 2021 is still relevant to both current and future trading expectations. This going concern assessment included in particular a reverse stress test model which included the effects of any future Covid-19 pandemic issues, 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 2021 with the addition that revenue earned on the reselling of licences where the company is acting as agent rather than principal is recognised in full on inception of the licence.

2. Revenue

The Group operates solely in the UK. All material revenues are generated in the UK.

In accordance with IFRS 15, the Group disaggregates revenue by contract type as management believe this best depicts how the nature, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors. Accordingly, the following table disaggregates the Group's revenue by contract type:

Group and company	Unaudited six months ended 30 September 2021	Unaudited six months ended 30 September 2020	Audited year ended 31 March 2021
	£'000	£'000	£'000
Time and materials	8,246	8,383	17,344
Fixed price	69	48	175
Licencing	82	-	-
Percentage fee based	179	296	296
	8,576	8,727	17,815

The Group also disaggregates revenue by operating sector reflecting the different commercial risks (e.g.credit risk) associated with each.

Group and company	Unaudited six months ended 30 September 2021	Unaudited six months ended 30 September 2020	Audited year ended 31 March 2021
	£'000	£'000	£'000
Public sector	5,098	5,342	11,357
Private sector	3,478	3,385	6,458
	8,576	8,727	17,815

3. Finance expense

	Unaudited six months ended 30 September 2021	Unaudited six months ended 30 September 2020	Audited year ended 31 March 2021
	£'000	£'000	£'000
Interest expense on lease liability	18	23	51
Net foreign exchange (gain)/loss	(1)	(4)	6
Total finance expense	17	19	57

4. Tax (credit)/charge

	Unaudited six months ended 30 September 2021 £'000	Unaudited six months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
Current tax			
Current tax on profits for the period	-	-	-
Deferred tax			
Increase in recognised deferred tax asset	(174)	(49)	(41)
Total tax credit for the period	(174)	(49)	(41)

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 2021 £'000	Unaudited six months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
Profit before tax	673	1	644
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	128	-	122
Expenses not deductible for tax purposes	1	10	2
Recognition of deferred tax on losses	(303)	(59)	(165)
Tax credit for the period	(174)	(49)	(41)

	Unaudited six months ended 30 September 2021 £'000	Unaudited six months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
Deferred tax asset			
The movement in deferred tax is as follows:			
At beginning of the period	73	32	32
Utilisation against taxable profits	-	-	-
Reversal of previously unrecognised deferred tax on losses	174	48	41
Increase in relation to timing differences	-	1	-
At end of the period	247	81	73

Deferred tax assets have been recognised in respect of tax losses where the Directors believe it is probable that the assets will be recovered. This expectation of recovery is calculated by modelling conservative estimates of future taxable profits that can be offset with historic trading losses brought forward. A deferred tax asset amounting to £244,000 (2020: £662,000) has not been recognised in respect of trading losses which can be carried forward indefinitely.

The main rate of UK corporation tax is to increase on 1 April 2023 from 19% to 25%. The prevailing corporation tax rate of 19% has been reflected in the calculation of the deferred tax.

5. Dividends

The Directors propose an interim dividend for the period to 30 September 2021 of 2p per share (2020 interim dividend: nil per share).

The Company will pay the dividend on 24 December 2021 to all shareholders on the register of members of the Company at the close of business on 3 December 2021. The ex-dividend date will be on 2 December 2021.

6. Earnings per ordinary share

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

	Unaudited 30 September 2021	Unaudited 30 September 2020	Audited 31 March 2021
Profit for the period	£847,000	£50,000	£685,000
Average number of shares in issue	16,177,584	15,981,400	15,994,082
Effect of dilutive options	172,420	281,274	176,113
Average number of shares in issue plus dilutive options	16,350,004	16,262,674	16,170,195
Basic earnings per share	5.24p	0.31p	4.28p
Diluted earnings per share	5.18p	0.31p	4.24p

7. 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 2020		
Opening position	622	622
Amortisation	(83)	(83)
At 30 September 2020	539	539
At 31 March 2021		
Opening position	532	532
Amortisation	(94)	(94)
At 30 September 2021	438	438

Lease Liabilities

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

	Land and buildings	Total
	£'000	£'000
At 31 March 2020		
Opening position	938	938
Interest expense	23	23
Lease payments	(156)	(156)
At 30 September 2020	805	805
At 31 March 2021		
Opening position	733	733
Interest expense	18	18
Lease payments	(172)	(172)
At 30 September 2021	579	579

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

At 30 September 2020	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years
	£'000	£'000	£'000	£'000
Discounted lease liabilities	69	212	295	229
Undiscounted lease liabilities	80	241	322	245
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At 30 September 2021	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years
	£'000	£'000	£'000	£'000
Discounted lease liabilities	77	238	168	96
Undiscounted lease liabilities	86	258	182	102

Finance lease receivables

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

	Land and buildings £'000	Total £'000
At 31 March 2020		
Opening position	297	297
Interest received	7	7
Payments received	(59)	(59)
At 30 September 2020	245	245
At 31 March 2021		
Opening position	193	193
Interest received	5	5
Payments received	(59)	(59)
At 30 September 2021	139	139

At the balance sheet date, the Group had future lease receivables as follows:

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
Discounted lease receivables	26	80	111	28
Undiscounted lease receivables	30	89	119	30
<hr/>				
At 30 September 2021	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	
Discounted lease receivables	27	85	27	
Undiscounted lease receivables	30	89	30	

8. Trade and other receivables

	Unaudited six months ended 30 September 2021 £'000	Unaudited six months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
Trade receivables	1,474	1,660	2,015
Less: provision for expected credit losses	(17)	(17)	(19)
Trade receivables-net	1,457	1,643	1,996
Contract assets	650	192	170
Other debtors	242	201	229
Trade and other receivables	2,349	2,036	2,395
Prepayments	223	157	119
	2,572	2,193	2,514

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 2021 £'000	Unaudited six months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
At beginning of the period	19	26	26
Charged to income statement	3	-	-
Credited to income statement	(5)	(4)	(7)
Written-back during the period	-	(5)	-
At end of the period (credit loss allowance)	17	17	19

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

	Unaudited six months ended 30 September 2021 £'000	Unaudited six months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
Sterling	2,346	2,036	2,395
Euros	3	-	-
	2,349	2,036	2,395

9. Trade and other payables

	Unaudited six months ended 30 September 2021 £'000	Unaudited six months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
Trade payables	773	865	923
Accruals	520	402	324
	1,293	1,267	1,247
Contract liabilities	155	39	256
Other taxation and social security	822	464	745
	2,270	1,770	2,248

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 2021 £'000	Unaudited six months ended 30 September 2020 £'000	Audited year ended 31 March 2021 £'000
Sterling	1,277	1,257	1,237
Euros	16	10	10
	1,293	1,267	1,247

10. 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 (2020: £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 2021 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as per UK adopted international accounting standards; 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

James McDonald
Company Secretary
1 November 2021

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