

Triad Group Plc

Half year results for the six months ended 30 September 2023

Financial highlights

	Six months to 30 September 2023	Six months to 30 September 2022	Change	Audited year ended 31 March 2023
Revenue	£6.39m	£7.12m	-£0.73m	£14.9m
Gross profit	£0.95m	£1.38m	-£0.43m	£3.5m
Gross profit %	14.9%	19.3%	-4.4%	23.6%
(Loss)/Profit before tax	(£0.99m)	(£0.41m)	-£0.58m	£0.0m
Loss after tax	(£1.00m)	(£0.41m)	-£0.59m	(£0.0m)
Cash reserves	£2.62m	£4.37m	-£1.75m	£4.8m
Basic loss per share	(6.03p)	(2.48p)	-3.55p	(0.27p)
Interim/final dividend payable	2p	2p	-	4p

Chairman's statement

Dr John Rigg

Overview of results

In my Chairman's statement accompanying the first half year results for the previous year, I explained that a weak first half had been entirely the result of "external factors beyond our control". I also said that we were expecting a strong upturn in the second half, and this in fact proved to be the case. The disappointing results announced above are the result of similar circumstances and influences as those we experienced during the first half of last year but significantly worse. We had expected this would not be the case, but unfortunately, once again due to factors entirely outside our control, this has not proved to be so.

Now to the excellent news. During the last two months, we have succeeded in winning four new longer-term lines of business, with prestigious clients in the public sector. All four have now been formally awarded. One major result of this will be that the cliff edge which we have experienced, particularly in the last two years at March 31st will not affect us in future as we will be able to continue working seamlessly through that period. This should transform our second half results for the current year, and in particular the full year results for the next financial year and going forward. I personally have never felt so confident and enthusiastic about the state and prospects of the Company for more than 20 years.

Unlike many firms in our sector who have sought to lay off staff, the Company held its nerve and used its strong position to maintain staffing levels in line with those established over the last two years. Without doing so, our successful efforts to secure the long-term pipeline would have been severely undermined. We are now vigorously pursuing the recruitment of a substantial number of the very best professional staff.

The model of the business reflects a commitment to the use of permanent staff to produce the very best outcomes for our clients. Steps were taken during the period to improve and increase our work-winning rate to sustain higher headcount levels and the associated risk of bench costs arising from the model.

Our strategy concentrates on providing outstanding digital consultancy services to Central Government clients and their agencies. In addition, we are continuing to develop our footprint in the UK's law enforcement arena including both national bodies and local forces. Whilst we have other clients within the portfolio, our work-winning efforts have been focused on these two important sectors where our track record and strength in depth allows us to make a real impact on society.

I believe that we are at the beginning of a period of increasing major success and growth. I have no doubt that other significant client wins will follow in due course.

Outlook

I can do no better than to repeat and confirm what I said last year that "The vital signs of the Company, including cash, margins and control of overheads, continue to be extremely robust. The quality of our technological expertise is constantly improving and our business is based upon the reality of delivering working effective systems and advice to meet real client needs and policy demands. As a result, the level of internal morale, client confidence and accumulated goodwill also continues to strengthen. Our staff turnover is very low."

Underlying this impressive level of success is the superb quality of our people at every level.

Business highlights

The first half saw several projects concluding successfully, including two separate engagements around the implementation of legislation within policing, the completion of development on a major project at DfT, and the successful handover of a discovery project to an existing team at our OPSS client.

Our consultants on the MoJ project management service continued to deliver outcomes in areas as diverse as prisons expansion, legacy justice systems replacements, and deployment of Wi-Fi across the probation estate.

Within law enforcement, we delivered a common user interface template for a national policing organisation and completed the fit out of regional operations room capabilities. We also started work to introduce a new records management system into a pioneering police force. Our policing footprint expanded as we took on Kent and Essex police forces, helping them to develop their contact management strategy.

For DEZLNZ, we successfully moved the digital service for the Clean Heat Market Mechanism (CHMM) from alpha to beta, passing the GDS assessment in record time.

The recent significant contract wins involve providing digital expertise across domains including programme and project management, business architecture and business analysis, and full-spectrum digital delivery capabilities (including the implementation of AI co-pilots within corporate functions) to support ongoing pipelines of work at our new clients.

In November, at the highly prestigious BCS UK IT Industry Awards ceremony attended by many of the best known names in our industry, our work in two separate projects was rewarded when we received two top prizes: for Digital Transformation Project of the Year with MoJ, and for User Experience (UX) Project of the Year with DfT. We were also delighted to see one of our staff recognised as the Rising Star of the Year at the same award ceremony. No other company at the ceremony received as many as three awards.

Dividend

The Board now have the confidence to maintain the interim dividend at the same level as last year at 2p.

Employees

I would like to thank all our staff, both our long serving employees and first rate recent recruits, who have performed excellently despite some of the most challenging external circumstances the Company has experienced in its 35 year history.

Dr John Rigg
Executive Chairman
19 December 2023

Unaudited condensed consolidated statement of comprehensive income and expense for the six months ended 30 September 2023

Group and Company	Note	Unaudited 2023 £'000	Unaudited 2022 £'000	Audited year ended 31 March 2023 £'000
Revenue	2	6,393	7,123	14,858
Cost of sales		(5,442)	(5,745)	(11,354)
Gross profit		951	1,378	3,504
Administrative expenses		(1,932)	(1,783)	(3,469)
(Loss)/Profit from operations		(981)	(405)	35
Finance income		14	2	17
Finance expense	3	(27)	(10)	(43)
(Loss)/Profit before tax		(994)	(413)	9
Tax (charge)/credit	4	(5)	2	(53)
Loss for the period and total comprehensive income attributable to equity holders of the parent		(999)	(411)	(44)
Basic loss per share	6	(6.03p)	(2.48p)	(0.27p)
Diluted loss per share	6	(6.03p)	(2.48p)	(0.27p)

All amounts relate to continuing activities.

Unaudited condensed consolidated statement of changes in equity for the six months ended 30 September 2023

Group	Share Capital	Share premium account	Capital redemption reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2022	165	880	104	4,869	6,018
Loss for the period and total comprehensive income	-	-	-	(411)	(411)
Dividend paid	-	-	-	(663)	(663)
Ordinary shares issued	1	6	-	-	7
Share-based payments	-	-	-	117	117
At 30 September 2022 (unaudited)	166	886	104	3,912	5,068
At 1 April 2023	166	894	104	4,030	5,194
Loss for the period and total comprehensive income	-	-	-	(999)	(999)
Dividend paid	-	-	-	(664)	(664)
Ordinary shares issued	-	7	-	-	7
Share-based payments	-	-	-	110	110
At 30 September 2023 (unaudited)	166	901	104	2,477	3,648
At 1 April 2022	165	880	104	4,869	6,018
Loss for the year and total comprehensive income	-	-	-	(44)	(44)
Dividend paid	-	-	-	(995)	(995)
Ordinary shares issued	1	14	-	-	15
Share-based payments	-	-	-	200	200
At 31 March 2023	166	894	104	4,030	5,194

Unaudited condensed consolidated statement of financial position as at 30 September 2023

	Note	Unaudited 2023 £'000	Unaudited 2022 £'000	Audited year ended 31 March 2023 £'000
Non-current assets				
Intangible assets		1	1	1
Property, plant and equipment		177	238	199
Right-of-use assets	7	481	251	572
Finance lease receivables	7	348	-	396
Deferred tax	4	103	163	108
		1,110	653	1,276
Current assets				
Trade and other receivables	8	2,529	2,294	2,541
Finance lease receivables	7	96	29	94
Cash and cash equivalents		2,621	4,369	4,795
		5,246	6,692	7,430
Total assets		6,356	7,345	8,706
Current liabilities				
Trade and other payables	9	(1,610)	(1,815)	(2,269)
Short term provisions		-	(61)	-
Lease liabilities	7	(271)	(168)	(292)
		(1,881)	(2,044)	(2,561)
Non-current liabilities				
Long term provisions		(197)	(136)	(197)
Lease liabilities	7	(630)	(97)	(754)
		(827)	(233)	(951)
Total liabilities		(2,708)	(2,277)	(3,512)
Net assets		3,648	5,068	5,194
Shareholders' equity				
Share capital		166	166	166
Share premium account		901	886	894
Capital redemption reserve		104	104	104
Retained earnings		2,477	3,912	4,030
Total shareholders' equity		3,648	5,068	5,194

Unaudited condensed consolidated statement of cash flows for the six months ended 30 September 2023

	Unaudited 2023 £'000	Unaudited 2022 £'000	Audited year ended 31 March 2023 £'000
Note			
Cash flows from operating activities			
(Loss)/Profit for the period before taxation	(994)	(413)	9
Adjustments for:			
Depreciation of property, plant and equipment	33	44	87
Amortisation of right of use assets	91	94	185
Amortisation/impairment of intangible assets	-	1	1
Interest received	(14)	(2)	(17)
Finance expense	27	11	43
Share-based payment expense	110	117	200
Changes in working capital			
Decrease in trade and other receivables	12	391	143
(Decrease)/Increase in trade and other payables	(660)	(422)	32
Cash (consumed)/generated by operations	(1,395)	(179)	683
Foreign exchange gain	-	-	1
Net cash (outflow)/inflow from operating activities	(1,395)	(179)	684
Investing activities			
Finance lease interest received	14	2	17
Finance lease payments received	45	55	102
Purchase of property, plant and equipment	(8)	(5)	(9)
Net cash used in investing activities	51	52	110
Financing activities			
Proceeds of issue of shares	6	6	15
Lease liabilities principal payments	(145)	(161)	(300)
Lease liabilities interest payments	(27)	(11)	(44)
Dividends paid	5 (664)	(663)	(995)
Net cash outflow from financing activities	(830)	(829)	(1,324)
Net decrease in cash and cash equivalents	(2,174)	(956)	(530)
Cash and cash equivalents at beginning of the period	4,795	5,325	5,325
Cash and cash equivalents at end of the period	2,621	4,369	4,795

Notes to the financial statements for the six months ended 30 September 2023

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 Financial Reporting Standards (IFRSs) and the provisions of the Companies Act 2006.

The comparative financial information for the year ended 31 March 2023 included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Financial Statements for 2023 have been filed with the Registrar of Companies. The Independent Auditor's Report on the Annual Report and Financial Statements for 2023 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 2023 and 30 September 2022 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 pounds sterling, generally rounded to the nearest thousand, the functional currency of the Company.

Going Concern

The Group continues to operate an efficient low-cost and cash generative model. For the six months ended 30 September 2023, the Group has not utilised any external debt or lending facilities (2022: nil) with no exposure to bad debts in the period. Cash balances have reduced to £2.6m at the balance sheet date (2022: £4.4m), which reflects a total dividend paid in the 6 months period of £0.7m (2022 £0.7m). The future cash position remains robust.

The going concern assessment made at the year ended 31 March 2023 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 most extreme scenario possible 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 2023.

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 2023 £'000	Unaudited six months ended 30 September 2022 £'000	Audited year ended 31 March 2023 £'000
Time and materials	6,161	7,043	14,386
Fixed price	234	62	442
Licencing	(2)	-	12
Permanent recruitment fees	-	18	18
	6,393	7,123	14,858

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 2023 £'000	Unaudited six months ended 30 September 2022 £'000	Audited year ended 31 March 2023 £'000
Public sector	4,994	5,594	11,597
Private sector	1,399	1,529	3,261
	6,393	7,123	14,858

3. Finance expense

	Unaudited six months ended 30 September 2023 £'000	Unaudited six months ended 30 September 2022 £'000	Audited year ended 31 March 2023 £'000
Interest expense on lease liability	27	10	44
Net foreign exchange gain	-	-	(1)
Total finance expense	27	10	43

4. Tax charge/(credit)

	Unaudited six months ended 30 September 2023 £'000	Unaudited six months ended 30 September 2022 £'000	Audited year ended 31 March 2023 £'000
Current tax			
Current tax on profits for the period	-	-	-
Deferred tax			
Decrease/(increase) in recognised deferred tax asset	5	(2)	40
Change in tax rate	-	-	13
Total tax charge/(credit) for the period	5	(2)	53

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 2023 £'000	Unaudited six months ended 30 September 2022 £'000	Audited year ended 31 March 2023 £'000
(Loss)/Profit before tax	(994)	(413)	9
(Loss)/Profit before tax multiplied by standard rate of corporation tax in the UK of 25% (2022:19%)	(249)	(103)	2
Expenses not deductible for tax purposes	6	44	4
Allowances recognised	(3)	(7)	(13)
Derecognition of deferred tax on losses	251	66	58
Change in tax rate	-	(3)	13
Prior year adjustments	-	1	(11)
Tax charge/(credit) for the period	5	(2)	53

	Unaudited six months ended 30 September 2023 £'000	Unaudited six months ended 30 September 2022 £'000	Audited year ended 31 March 2023 £'000
Deferred tax asset			
The movement in deferred tax is as follows:			
At beginning of the period	108	161	161
Reversal of previously recognised deferred tax on losses	(5)	(1)	(40)
Increase in relation to timing differences	-	3	-
Tax rate changes	-	-	(13)
At end of the period	103	163	108

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 estimates of future taxable profits that can be offset with historic trading losses brought forward. A deferred tax asset amounting to £689,022 (2022: £530,000) has not been recognised in respect of trading losses of £2,756,089 (2022: £2,125,000), which can be carried forward indefinitely.

Deferred tax assets have not been recognised for potential temporary differences arising from unexercised share options and restricted stock units of £114k (2022: £107k) and general provisions of £27k (2022: £24k) as the Directors believe it is not certain these assets will be recovered.

The UK Budget on 3 March 2021 announced an increase in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The effect of the rate increase is reflected in the consolidated financial statements as has been substantively enacted at the balance sheet date.

5. Dividends

The Directors propose an interim dividend for the period to 30 September 2023 of 2p per share (2022 interim dividend: 2p per share).

The Company will pay the dividend on 31 January 2024 to all shareholders on the register of members of the Company at the close of business on 5 January 2024. The ex-dividend date will be on 4 January 2024.

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 2023	Unaudited 30 September 2022	Audited 31 March 2023
Loss for the period	(£999,000)	(£411,000)	(£44,000)
Average number of shares in issue	16,571,366	16,554,727	16,565,870
Effect of dilutive options	-	-	-
Average number of shares in issue plus dilutive options	16,571,366	16,554,727	16,565,870
Basic loss per share	(6.03p)	(2.48p)	(0.27p)
Diluted loss per share	(6.03p)	(2.48p)	(0.27p)

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 2022		
Opening position	345	345
Amortisation	(94)	(94)
At 30 September 2022	251	251
At 31 March 2023		
Opening position	572	572
Amortisation	(91)	(91)
At 30 September 2023	481	481

As of 6th October 2022, the lease break option on one lease was not enacted, and the lease continues until 27th March 2028. As of this date, the total asset value was increased by £412,000.

Lease Liabilities

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

	Land and buildings £'000	Total £'000
At 31 March 2022		
Opening position	426	426
Interest expense	11	11
Lease payments	(172)	(172)
At 30 September 2022	265	265
At 31 March 2023		
Opening position	1,046	1,046
Interest expense	27	27
Lease payments	(172)	(172)
At 30 September 2023	901	901

As of 6th October 2022, the lease break option on one premises was not enacted, and the lease continues until 27th March 2028. As of this date, the total lease liability was increased by £920,000.

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

At 30 September 2022	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	
Discounted lease liabilities	79	89	97	
Undiscounted lease liabilities	86	97	102	
At 30 September 2023	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 liabilities	74	197	184	446
Undiscounted lease liabilities	86	231	215	484

Finance lease receivables

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

	Land and buildings £'000	Total £'000
At 31 March 2022		
Opening position	84	84
Interest received	2	2
Payments received	(57)	(57)
At 30 September 2022	29	29
At 31 March 2023		
Opening position	490	490
Interest received	13	13
Payments received	(59)	(59)
At 30 September 2023	444	444

As of 2nd October 2022, the lease break option on one premises was not enacted by the tenant, and the lease continues until 23rd March 2028. As of this date, the total finance lease receivable was increased by £508,000.

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

At 30 September 2022	Up to 3 months £'000			
Discounted lease receivables	29			
Undiscounted lease receivables	30			
At 30 September 2023				
	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	24	72	101	247
Undiscounted lease receivables	30	89	119	267

8. Trade and other receivables

	Unaudited six months ended 30 September 2023 £'000	Unaudited six months ended 30 September 2022 £'000	Audited year ended 31 March 2023 £'000
Trade receivables	1,643	1,241	2,006
Less: provision for expected credit losses	(5)	(14)	(5)
Trade receivables-net	1,638	1,227	2,001
Contract assets	603	548	225
Unbilled income	1	141	150
Other debtors	5	160	-
Trade and other receivables	2,247	2,076	2,376
Prepayments	282	218	165
	2,529	2,294	2,541
Analysed as:			
Current asset	2,529	2,294	2,541
Total	2,529	2,294	2,541

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

Unbilled income is in respect to the billing profile of a licence agreement.

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

	Unaudited six months ended 30 September 2023 £'000	Unaudited six months ended 30 September 2022 £'000	Audited year ended 31 March 2023 £'000
At beginning of the period	5	14	14
Credited to income statement	-	-	(9)
At end of the period (credit loss allowance)	5	14	5

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

	Unaudited six months ended 30 September 2023 £'000	Unaudited six months ended 30 September 2022 £'000	Audited year ended 31 March 2023 £'000
Sterling	2,222	2,076	2,376
Euros	25	-	-
	2,247	2,076	2,376

9. Trade and other payables

	Unaudited six months ended 30 September 2023 £'000	Unaudited six months ended 30 September 2022 £'000	Audited year ended 31 March 2023 £'000
Trade payables	606	524	666
Accruals	165	301	335
	771	825	1,001
Contract liabilities	33	81	37
Other taxation and social security	806	909	1,231
	1,610	1,815	2,269
Analysed as:			
Current liability	1,610	1,815	2,269
Total	1,610	1,815	2,269

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 2023 £'000	Unaudited six months ended 30 September 2022 £'000	Audited year ended 31 March 2023 £'000
Sterling	641	825	1,001
Euros	130	-	-
	771	825	1,001

10. Related party transactions and ultimate control

The Group and Company rents one of its offices under a lease with a sub-tenant in occupation on one floor. The current annual rent of £215,000 was fixed, by independent valuation, at the last rent review in 2008. J C 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 (2022: £nil). There is no ultimate controlling party.

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 2023 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
19 December 2023

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