

tpgroup



Annual Report & Financial Statements

2017

Company Number: 3152034

tpgroup

TPG is a professional services and technology partner to global prime contractors that are active in security, energy and aerospace programmes. We advise on and deliver management and technology solutions using advanced manufacturing skills and expertise.

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FINANCIAL REPORT

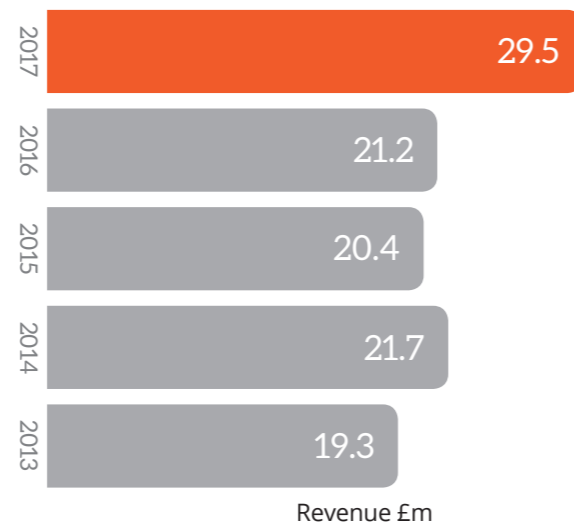
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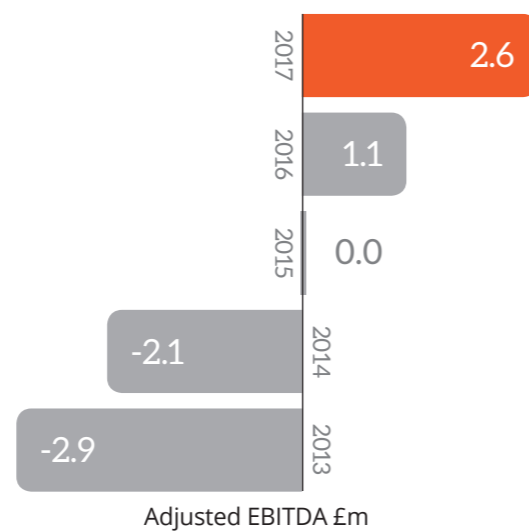
Group revenue up 39%
(2016: £21.2m)

£29.5m



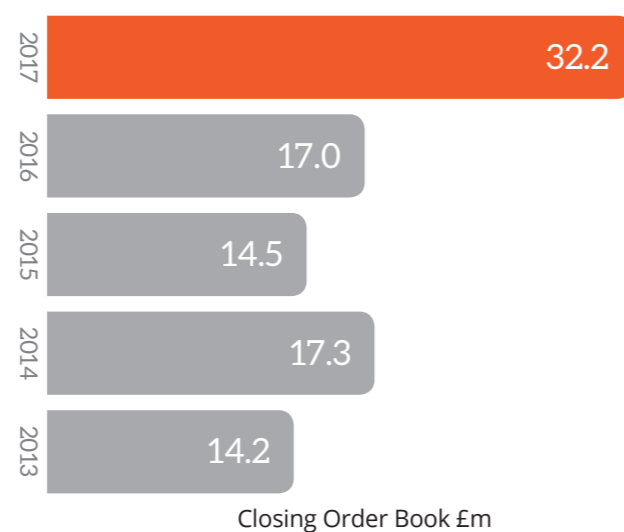
Adjusted EBITDA¹ up 142%
(2016: £1.1m)

£2.6m



Group closing order book up 89%
(2016: £17.0m)

£32.1m



Notes

¹ Adjusted EBITDA is defined as operating profit adjusted to add back depreciation of property, plant and equipment, amortisation and impairment of acquired tangible and intangible assets and any other acquisition-related charges, share based payment charges and non-operating items. Non-operating items are those items believed to be exceptional in nature by virtue of their size and or incidence. The directors believe this measure is more reflective of the underlying performance of the Group than equivalent GAAP measures. This is primarily due to the exclusion of non-cash items, such as share-based payments, impairment, depreciation and amortisation, as well as non-operating items. This provides shareholders and other users of the financial statements with the most representative year-on-year comparison of operating performance. This measure and the separate components remain consistent with 2016.

Financial and Business Highlights

An excellent year that delivered the first phase of our ambitious growth plans.

Revenue up 39% to £29.5m (2016: £21.2m)

- Converted strong order intake into revenue
- Added revenues from acquired companies

Adjusted EBITDA up 142% to £2.6m (2016: £1.1m)

- Operational focus on improving margins and delivery performance

Operating loss £0.5m (2016: £0.3m)

- Includes business transformation costs of £0.7 million
- One-time impairment charge of £0.5 million

Closing cash of £21.9m (2016: £9.2m)

- £20.8m additional funding secured through equity raise

Order intake up 88% to £44.7m (2016: £23.8m)

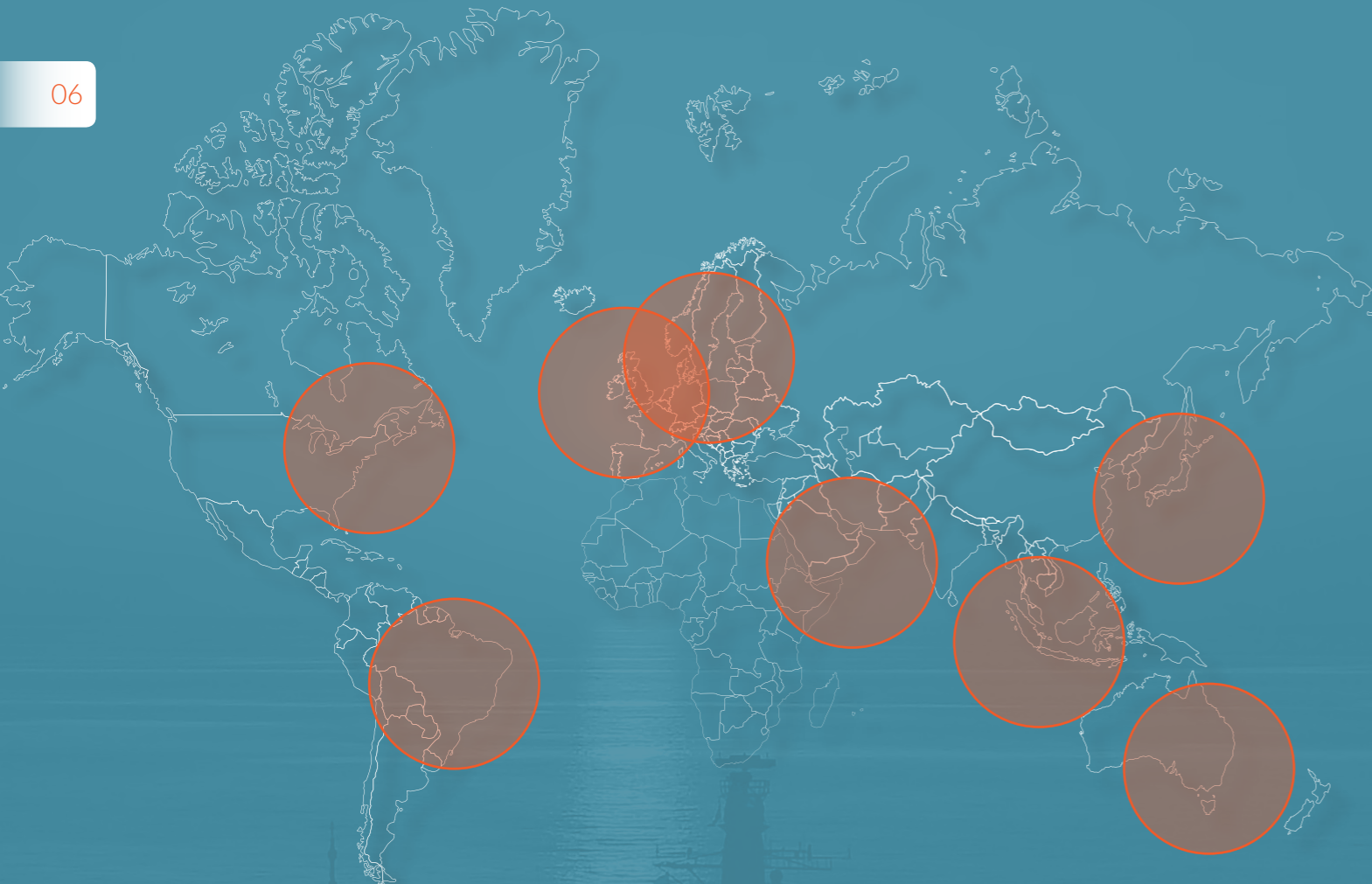
- Concluded negotiations on long-term defence contracts

Closing Group order book up 89% to £32.1m (2016: £17.0m)

- Good visibility of future core business

2017 achievements

- Continued implementation of growth strategy across the business
- Strengthened management team
- Raised £20.8m to fund acquisition-led growth plans
- Invested in Advanced Manufacturing Centre (£1.3m)
- Completed two acquisitions for an initial combined consideration of £2.75m on a debt-free, cash-free, normalised working capital basis



Widening our geographic reach

“ World-class skills in complex technologies with modern design and manufacturing facilities. ”

TP Group in Focus

TPG is a professional services and technology partner to global prime contractors that are active in security, energy and aerospace programmes. We advise on management and technology solutions and deliver with advanced manufacturing skills and expertise.

Our team links world-class skills in complex technologies with modern design and manufacturing facilities to provide a fully balanced and agile support network to our customers and partners wherever they may be.

There are two main themes within our business:

- **Consulting & Programme Services** - advising clients on strategic problems and implementing technology-driven solutions
- **Engineering & Technology** - capability to design, manufacture and support mission-critical systems

These themes are founded on the principles of technology and partnership, an expression that underpins what we do and how we do it.

Our specialist consulting and advisory services focus on secure information systems, high technology projects and through-life equipment support. Working with global prime contractors, we go on to manufacture specialist equipment as part of major programmes.

Our experience spans critical equipment and systems in many sectors and geographies. These include secure communications systems, mission systems software, aircraft cockpit integration, autonomous vessels, high integrity equipment in refineries and power stations and atmosphere management systems to protect submariners.

The Group is committed to a growth strategy, in both the scale of operations and the nature and range of the work we do. This builds on our heritage of innovating commercially, technically and operationally.

Outsourcing and availability contracts

The Group has been working hard to extend the scope of activity around the equipment we supply and support. Outsourcing and availability contracts are becoming an important part of our business and demonstrate how we can blend services and engineering capabilities within a services-led approach.

On 3 April 2017, the Group announced an agreement with the Ministry of Defence ("MoD") to manage equipment availability and spares provision for TPG equipment on board Royal Navy submarines. This contract comprises a framework agreement and so is called off progressively over its term, with the final value dependent on spares usage. The five-year contract has an option for a further two-year extension and is estimated by the Company and the MoD to be worth at least £22.0 million (at 2017 prices) over seven years. The value of orders booked in 2017 was £9.0 million.

We have similar arrangements in place with Petrolneos at the Grangemouth refinery in Scotland and will be looking to extend this kind of customer engagement in the coming years.

Technical services framework agreements

During the year, we grew our services business through the supply of additional specialist consultants to a number of defence and security customers. A key part of this approach is to qualify and be listed on customer service catalogues. These allow the MoD and others to procure technical service work packages from pre-approved participants.

In June 2017, the Group was awarded listing on the MoD's Multi-Participant Framework Agreement for Technical Support (FATS/5). This provides the Group with ready access to a pipeline of future business opportunities from customer technology projects. We were also admitted as one of just 11 partners in the MoD's Submarine Enduring Naval Design Partnering framework.

Advanced manufacturing services

The Group's facility in Manchester has been transformed through the year with the installation of two advanced machining centres and one of the UK's largest co-ordinate measuring machines as part of the Group's Advanced Manufacturing Centre ("AMC"). Working closely with partners in the north-west, the first components were machined in August and this work has introduced us to six new organisations within complex equipment supply chains during 2017. This is important in three ways - it is building the experience and market position for the AMC as a part of these supply chains, the new relationships that are being built outside our traditional heat exchanger activity and it allows us to connect these companies to the wider capabilities of the Group.

Long-term equipment supply

Our engineers have built long-lasting relationships with customers so that they can perform at the highest levels. This allows us to provide a full range of services, from design to manufacture, installation and ongoing support. When equipment reaches its end of life or needs to be modified or replaced to meet new requirements, we are there to respond to these requirements. On 11 April 2017, we announced a framework contract with the MoD, to supply multiple Combined Oxygen Generating Systems to upgrade in-service Royal Navy submarines. This work, worth up to £22.5m over the next 5 to 8 years, provides continuity of service for this critical equipment and the submarines within which they operate. The first call-off from this contract, worth £9.7 million, was received in May 2017.

International markets

The Group has enjoyed long term relationships with international customers through its work on defence equipment and was able to secure three further contracts in Europe and South-East Asia worth in aggregate more than £3.3m in 2017. Two of these are with global shipbuilding prime contractors who also have interests in civilian sectors like energy and transportation. These relationships and contacts allow us to enter into discussions to support them in their wider activities.

Secure network services

The TPG Services team has been steadily building its presence in major information programmes with the Army Headquarters and the Maritime and Coastguard Agency. This work is on the demand side where our consultants assist the customer to specify, procure and implement a complex IT or communications system. The range of services required is broad and includes technical, commercial and project management activities at both an advisory and functional level.

Consulting & Programme Services

Our Consulting and Programme Services business unit (“TPG Services”) works with executives and leaders to help them make better decisions and then to translate those decisions into successful high-technology projects.

We work through specialist service teams:

- **Advisory services** – analysis and guidance on project approach and performance
- **Programme delivery services (demand side)** – working on behalf of end-users to specify, procure and implement technology solutions
- **Programme delivery services (supply side)** – developing software and other technology solutions for delivery to end-user customers

Our teams comprise of industry and subject matter experts who are responsive and aligned to their customers’ needs and locations. The application areas are diverse and our capabilities are applied to:

- Space systems – project support for ground and mission systems
- Maritime platforms – innovation and deployment of integrated systems and services
- Control systems to guide autonomous vehicles
- Artificial Intelligence - machine learning with intelligence gathering and processing
- Secure information systems specification, procurement and implementation
- Cost engineering and project controls to assure programme performance and delivery
- Simulation and emulation of complex systems for training and testing
- Championing small enterprise engagement – making the most of small specialist companies within large customer programmes

“ Specialist services to define and deliver technology programmes. ”

Engineering & Technology

Our Engineering and Technology business unit (“TPG Engineering”) combines a range of high-end capabilities to produce high-integrity equipment from factory facilities in Portsmouth and Manchester.

We conduct technical analysis and use this to guide electrical, thermal and mechanical design of components and equipment. Manufacturing includes machining, electrical and mechanical assembly, a vast array of testing and verification techniques within an overarching quality management system to deliver excellent products to our customers.

The engineering team continues to innovate, and is currently working on:

- Advanced machining and metrology – a service based upon highly accurate machining centres and measurement systems that are among the largest in the UK for physically large components
- Alternative carbon dioxide management – a number of methods under review using different chemical techniques to produce the next generation of smaller, safer, more efficient systems
- Hydrogen processing – demonstrating the use of hydrogen within the atmosphere management within the fuel cells of submarines and potentially other vehicles
- Outsourcing equipment management – monitoring the status of equipment and supplying consumables, or refurbishing main equipment under a managed process on behalf of the customer

“ Our capability is at the heart of complex programme delivery and ongoing support for our customers. ”

Chairman's Statement

Andrew McCree

"These are excellent results and underline the potential of the Group to work successfully within our established markets and technologies."

In last year's report I commented that we had created a strong platform for growth that benefits from our reputation for reliability and engineering excellence. Over the course of 2017 we have made good progress and I am pleased to report that the executive team has responded well to the challenges and opportunities for the Group. Revenue grew by 39% to £29.5m (2016: £21.2m), order intake almost doubled to £44.7m (2016: £23.1m) and Adjusted EBITDA rose to £2.6m (2016: £1.1m).

These results are underpinned by a business transformation led by the CEO, which has seen management strengthened, investment in facilities and the successful acquisition and integration of new businesses.

Fund-raising and acquisitions

The Group's strategy is to expand the business through a combination of organic growth and acquisitions. In practice, we will grow business with existing accounts while looking for acquisitions which will strengthen our position and enhance margins.

The process began with the acquisition of ALS Technologies Limited ("ALS") and Flexible Software Solutions Limited ("FSS") in February 2017.

In July 2017 we undertook an equity fundraising process that raised approximately £20.8 million net of expenses, from existing and new shareholders, to fund investment in acquisitions and organic growth initiatives.

Since the fundraising, we have completed one further transaction – the acquisition of Polaris Consulting Holdings Ltd. ("Polaris") for a maximum consideration of £3.5m which we announced on 13 December 2017. Polaris satisfied our business, technical and operational criteria and will further add to the Group's Services business capability.

Management has, throughout the year, been introduced to many acquisition opportunities from a number of sources. Market conditions, particularly in the defence sector, have put pressure on many SMEs that may have been potential acquisitions. The directors work carefully through the opportunities and enter into negotiations only where clear value and benefit is visible at a price that is appropriate to the interests of the Group and our investors.

The acquisition process continues, and shareholders will be notified of significant events as they occur.

" We have built our capabilities, invested in our teams and facilities to capitalise on these exciting opportunities. "



Board changes

Phil Holland and Jeremy Warner-Allen joined the board in February 2017 as Non-Executive Directors. They bring a wealth of M&A, industry and capital markets expertise as we seek to capitalise on our acquisitions pipeline and execute our growth strategy.

Post year-end, Simon Kings stepped down from the Board and left the company. We wish him every success in his future endeavours.

Outlook

The Group has made a successful start in executing our ambitious plans for growth. As we look forward, we see both organic and acquisitive growth opportunities.

- **Organic growth** – with many long-term contracts already signed and with the prospect of more to come from both our UK and international customers, we have built our capabilities, and invested in our teams and facilities to capitalise on these exciting opportunities.
- **Acquisition growth** – the Group continues to engage on several acquisition opportunities. TPG has been selective in reviewing these opportunities and will act quickly on transactions that satisfy the directors' criteria to enhance the Group's offering and build shareholder value.

On behalf of the board I would like to thank the entire Group, including management and employees for their contribution to a successful performance in 2017, and for their commitment to delivering our goals over the next three years.

Chief Executive Officer's Strategic Review

Phil Cartmell

"We have built a strong set of capabilities across the Group and our plan now is to build on our success and accelerate growth where it is available."

The Group has responded strongly to trends in our core markets, having secured significant major orders in key programmes. This has led to growth in both revenue and adjusted EBITDA and opened routes to new technical propositions, new market areas and a wider international presence.

The executive team has led and implemented a business transformation over the last few years that has delivered these financial results and set the business up for continued growth. Our focus now is to pursue this path through the delivery of premium services and engineering projects.

This means achieving organic growth through enhanced account management – continuing to deliver excellence in existing activities, doing more with our existing clients, building new account relationships and working in new sectors where our skills are transferable.

We are also continuing to identify and evaluate suitable companies for acquisition that will add business volume, further capabilities, further customer relationships or any combination of these benefits.

The placing and open offer in July raised £20.8 million and was well supported by existing shareholders and also by new shareholders. The proceeds of the fundraising have supported internal investment programmes and an acquisition strategy that yielded its first successful conclusion with the purchase of Polaris in December 2017.

Positioning

The majority of our work is with selected high-end global prime contractors and end-users. We are an active player in the markets we serve, committed to understanding customer needs better than our competitors, rising to their challenges and leading them forward through innovation and excellent service.

We enjoy very good relationships with our global customer base that includes equipment end-users and also major prime contractors that deliver top-level contracts to the end-users. We consult widely with our customer base and their feedback has triggered much of our transformation around new leadership, and investment in people and facilities.

End users or operators are increasingly looking to us for long-term performance or management of their equipment. These are the relationships that provide steady activity over long periods and good revenue visibility to underpin the business through market fluctuations.

With the prime contractors we act as specialist contributors to their supply chain. This is an advantageous position because once we qualify as a preferred supplier or partner, we benefit from their outreach and continuing success. For example, European prime contractors build submarines for defence forces all over the world, they also work in other non-defence projects and it is our aim to grow into these areas with them. This leverage is an important part of our strategy to act on a global scale from our UK facilities.

A winning team

As always, it is through our people coming together that we can deliver excellent performance. As we focus our capabilities and apply them more widely than in the past, we have tested the creativity and enterprise of our teams. They have risen to this challenge in all areas of the business.

We simplified the internal structure by aligning sites under a common leadership within the Services and Engineering streams. This has created clearer reporting lines and stimulated closer co-operation between the teams under a common banner.

From this we have formalised an executive management team to be responsible for the hands-on running of the business and to provide greater opportunity to cross-sell the wider Group offerings. This in turn creates more capacity for the directors to work on acquisition and other strategic developments.

Acquisitions

Our acquisition strategy is to engage with technology and services businesses that operate in markets we know and understand. They should be additive to our existing offerings and help us to improve scale and margins. This approach delivered its first success early in the year with the purchase of ALS and FSS, followed in December by the acquisition of Polaris.

ALS, based in Wincanton, Somerset, provides systems engineering and assurance capability for mission support, flight control, combat systems and tactical information systems in the aerospace and defence markets. FSS, also based in Wincanton, develops safety-critical software for the defence and commercial sectors. Polaris, with bases in Fareham and Bristol, delivers technical consultancy including operational analysis, project controls and cost engineering services across the defence and security sectors, with additional activity in energy and transportation.

These acquisitions added scale to the Group's Services business and added significant new aviation activity.

As discussed in more detail below, we continue to review and assess acquisition opportunities that will both complement and/or add to the Group offering and enhance value. Shareholders will be informed of any significant developments in this regard.

Cross-Group integration

As the newly acquired businesses were brought into the Services team, we began to see the positive effects of combining front and back-office business capabilities and processes. This provides a template for future acquisitions.

Similarly, in TPG Engineering, Portsmouth and Manchester now share manufacturing capacity, quality processes and project management resources. Synergies are beginning to be realised, with fabrication tasks that the Portsmouth site would previously have bought from their supply chain being increasingly delivered by the Manchester facility.

We have also linked our business development resources across delivery centres. The combined propositions of the Group are now being offered to customers who previously may have known us for a single product or service offering.

A platform for success

During the first half of the year, we confirmed two large defence contracts, one to supply multiple atmosphere management systems and the other a framework contract for spares and support, which provides long-term revenue visibility. The breadth of these contracts demonstrates how our services extend beyond simple build and supply projects so that we also lock in future activities and revenue possibilities over the long-term use and performance of the equipment we work with.

The Group has also invested in manufacturing and inspection equipment to launch the Advanced Manufacturing Centre in Manchester. The AMC was set up initially to support the Group's contract with GE Oil & Gas (now Baker Hughes, a GE company) secured in

December 2016. It is equipped with high precision, high capacity machining centres, metrology and manufacturing systems that will serve a wide range of opportunities in energy, defence and other high-integrity applications.

Our markets

We continue to see strong demand for our core products and services in the UK and overseas.

In the UK, we are active on certain critical protected programmes that are identified through the Government's ongoing refresh of the UK's Strategic Defence & Security Review of 2015. These programmes such as the new submarine replacement have been protected whilst other areas of the defence establishment are under increasing pressure with budgets severely cut.

We are also witnessing some modest recovery in the downstream oil and gas market and an ever-present focus on secure information and communications systems in both defence and civil government departments.

Delivering the strategy

In last year's annual report we committed to a growth strategy and have progressed this plan by pursuing further acquisitions to complement the organic growth opportunities that were visible within the existing business units. The typical profile of attractive companies is privately owned, successful yet constrained in some way and where the owners are seeking to realise value.

We have continued to pursue several acquisition opportunities in our target sectors of security, energy and aerospace. We have also expanded our search parameters as the traditional small defence contractors we have examined have either been struggling for performance, or, if successful, have carried very high valuations. Our strategy remains clear to make best use of the funds we have available and does not include pursuing recovery plays at this time.

The acquisition team has explored a wide range of engineering and services businesses in the UK, Europe and the United States. These businesses have spanned a number of sectors including space, aviation, complex control systems, transportation and cyber security. This activity will continue to identify suitable companies that will contribute to our growth plans.

Our next steps

As we look toward the year ahead we see a wide range of opportunities and increased market interest in what we are doing. Our goal is to capitalise fully on this buoyant position and so a number of actions have been planned:

- Pursue innovation in services and propositions to work creatively with our customers and realise the true value of our capability
- Communicate the breadth of our capabilities to demonstrate the potential value of working with TPG. This is important for business development, attracting talent through our recruitment and talking clearly to our investors
- Fully integrate the Polaris team to mobilise their skills to our wider customer base and add complementary resources to their activities
- Widen our geographic reach through agents in various territories opening their horizons to the greater range of capabilities across the Group and supporting them fully to carry these to large clients all around the world
- Acquire and integrate suitable businesses to the Group - there are interesting opportunities, but they must be carefully assessed to find suitable technical or operational alignment alongside leadership that shares our views and approaches, and of course at a sensible price

With all that the Group has achieved in the last few years, the team and the platform we have built, and the range of opportunities laid out before us, we look forward to an exciting year ahead with confidence that we can continue to deliver on our plans.

Group Key Performance Indicators (KPIs)	2017 £M	2016 £M	Change £M
Revenue	29.5	21.2	8.3
Adjusted EBITDA	2.6	1.1	1.5
Operating loss	(0.5)	(0.3)	(0.2)
Cash and bank balances	21.9	9.2	12.7
Closing order book	32.1	17.0	15.1
Order intake	44.7	23.8	20.9

Revenue	2017 £M	2016 £M	Change £M
TPG Engineering	23.7	19.0	4.7
TPG Services	5.8	2.2	3.6
Group revenue	29.5	21.2	8.3

Adjusted EBITDA	2017 £M	2016 £M	Change £M
TPG Engineering	4.5	3.2	1.3
TPG Services	(0.8)	(1.0)	0.2
Central costs	(1.1)	(1.1)	0.0
Adjusted EBITDA profit	2.6	1.1	1.5

CFO's Financial and Business Review

Derren Stroud

"I am pleased to report that TP Group has continued to deliver growth and built an order book to secure future business volume. The Group made a profit on an Adjusted EBITDA basis of £2.6 million, more than double the 2016 result."

Following the refinement of the Group's strategy, the business has been managed during the year through two distinct business units, Consulting and Programme Services ("Services") and Engineering and Technology ("Engineering").

The principal activities of these business units comprise:

- **Services** – the provision of know-how and experience to add value in large and complex enterprises. Services include technical project management, systems engineering, design, software development and assurance. This segment, for 2017 revenue and Adjusted EBITDA, is a combination of the prior segments TPG Design & Technology, TPG Managed Solutions and the acquired businesses of ALS and FSS, and will include Polaris in future periods.
- **Engineering** – activities include the design, manufacture, installation and support of complex equipment. These include air purification equipment for submarines including oxygen/hydrogen generation and purification, air handling and distribution systems, heat exchange equipment used in the heating and cooling of large scale industrial processes, and other fabricated structures. This segment is a combination of the prior segments TPG Maritime and TPG Engineering.

Operating Results

Group KPIs

2017 delivered significant improvement in all our KPIs, which reflects a balanced approach to strategic development alongside operational focus on the business fundamentals. The leadership has concentrated on generating demand for our resources, efficient execution of contracts, tight control of costs and continuous improvement throughout the business.

Revenue

Revenue increased by 39% to £29.5 million (2016: £21.2m), with growth in all parts of the business. Organic growth contributed more than half of this increase (£4.7m), the balance coming from acquisitions.

Engineering realised growth of 24% in revenues, driven by increased activity at both our Portsmouth and Manchester locations. We have benefitted from our role in protected long-term programmes for submarine build in the UK and our embedded position with international prime contractors delivering submarine programmes around the world. These relationships delivered major long-term contract wins that are converting to revenue at the intended rate.

Modest improvement in conditions in the downstream oil & gas and chemical processing sectors delivered additional orders and revenue to the Manchester facility.

Services revenues grew strongly through a combination of new contracts in the legacy defence consulting activity, new work outside defence in the Department of Transport and the addition of the acquired ALS and FSS businesses.

Adjusted EBITDA

Group Adjusted EBITDA increased by £1.5 million to £2.6 million, an increase of 142% on the 2016 result of £1.1 million. Organic growth contributed £1.4m of this increase, the balance coming from acquisitions.

In the Engineering business unit, revenue growth, executed at a consistent gross margin, delivered an improved Adjusted EBITDA position of £4.5 million (2016: £3.2 million).

Strong performance in our UK and overseas defence sector projects has been tempered slightly by weaker results from our activity in the oil & gas sector. Whilst volumes in this sector are improving, it remains very price competitive in our traditional areas of activity. This has caused gross margins to suffer and supports our decision to develop into premium market areas where competition becomes more capability and quality driven than purely price. This was demonstrated by the Group winning its first multi-unit long term contract in nuclear power generation at the end of 2016, and the subsequent investment in the AMC during 2017 to drive the business in this direction.

The Services business is a key part of our growth strategy. Having launched the proposition in 2016, the Group has continued to invest in people, processes and systems to support long-term business growth. New contracts and relationships have started to yield benefits in 2017 and so we have seen an improvement in business volume and some flow through to the gross margin level. This does not, however, fully translate to Adjusted EBITDA because there is a lag of up to a year from investment in the business infrastructure and people to the delivery of both top-line growth and operating margins. We anticipate that these benefits will be seen from 2018 onwards. As a result, Adjusted EBITDA improved by £0.2 million in 2017 to a loss of £0.8 million (2016: loss £1.0m).

Group Operating Loss

Group operating loss increased by £0.2 million to £0.5 million. This was driven by year-on-year incremental non-operating expenses in relation to business transformation of £0.5 million, a one-time non-cash impairment charge of £0.5 million relating to the tangible and intangible assets of our low-end fabrication activity, based in Oldham, Lancashire and an increased non-cash share-based payments charge of £0.4 million arising from the replacement and issue of management share options in 2017.

Cash and bank balances

Year-end Group cash of £21.9 million (2016: £9.2m), was primarily due to receipts from the equity placement received at the end of July 2017. This was marginally below expectations due to the timing of a major customer payment (£2.6m) which was received in early January 2018.

Order book

During 2017, the Group's closing order book increased by 89% to £32.1 million (2016: £17.0 million) as a result of the successful capture of strategic long-term contracts. Investment in business development resources has driven enhanced account management methods and conversion of sales campaigns in the Services business.



Equity raise

On 28 July, TP Group plc issued 336,101,128 new ordinary shares at an issue price of 6.5 pence per share. This raised a total of £21.85 million before expenses, which provided the Group with £20.8 million, net of expenses, to be used primarily to help fund the Group's acquisition programme and other internal investments.

Following the fundraising, the Group now has 758,565,854 ordinary shares in issue, and admitted to trading on AIM.

Acquisitions, investments and disposals

The Company announced the acquisition of ALS and FSS in February 2017. The purchase was completed for a combined initial consideration of £1.25 million on a debt-free, cash-free, normalised working capital basis, funded from the Group's cash resources. Further consideration of up to £1.5 million may fall due on achieving profit related earn-out targets over the first 20 months from completion. The maximum consideration payable for ALS and FSS, assuming all earn-out targets are met, is £2.75 million.

Both companies operate from Wincanton, Somerset, and between them provide systems engineering and assurance capability safety-critical software for the defence, aerospace and commercial sectors.

We announced the acquisition of Polaris in December 2017 for an initial consideration of £1.5 million on a debt-free, cash-free, normalised working capital basis, with a maximum additional £2.0 million payable also contingent on profit related earn-out targets over the first 21 months from completion.

Polaris operates from offices in Fareham and Bristol and delivers technical consultancy including operational analysis, project controls and cost engineering services across the defence and security sectors, with additional activity in energy and transportation.

The Group incurred £0.2 million of acquisition-related costs (2016: £0.0m) predominantly relating to the transactions noted above. These were charged to the Statement of Comprehensive Income in the year.

The Group has committed to invest in the facilities and staff already in the business to build capability and develop our propositions. Across the Group, £2.0 million was invested on capital equipment and new systems and facilities improvements in 2017.

The major investment was the commissioning of the Advanced Manufacturing Centre in Manchester, totalling £1.3 million. The AMC has the latest precision engineering equipment including high-precision machine tools and metrology, which better positions TP Group to deliver complex engineering solutions in high value sectors. A local government grant of £0.2million was secured toward the financing of this investment.

Other significant investments were made in IT systems and business transformation activities across the Group.

Post year-end, the directors have reached an agreement with the local management to dispose of the trade and assets of our low-end fabrication activity, based in Oldham, Lancashire, under a management buy-out. These assets, following their impairment,

are valued at less than £0.1 million as at 31 December 2017 and will be disposed of for a total consideration of £0.3 million payable over the next 3 years. These activities achieved break even at an operating profit level in 2017.

These transactions all contribute to the Group's transformation and growth strategy that focuses on high technology services and engineering businesses in sectors that the Group knows and understands.

Non-operating items

During the year, the Group incurred one-off non-operating costs of £0.7 million (2016: £0.2m). These relate to the business transformation actions required by the strategic plan, and include staff and contract termination costs, and facility liabilities relating to the closure of the legacy TPG Design & Technology office.

Finance costs

Finance costs of £0.1 million were incurred, predominantly relating to the fair valuation of a forward currency exchange contract.

Taxation

The Group expects to incur cash tax payments of £0.1m for the 2017 financial year (2016: £nil).

Results and dividends

The directors do not recommend the payment of a dividend (2016: £nil).

Going concern

The directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future and accordingly continue to adopt the going concern basis in preparing the accounts. In reaching this conclusion, the directors have considered forecasts that cover a period of at least twelve months from the date of the approval of these financial statements.

The forecasts take into account the Group's existing cash resources which, as a result of the equity raise of £20.8 million in July 2017, provides sufficient insulation against any reasonable downside scenarios and risks.



Corporate and Social Responsibility

At TP Group, we take pride in our global reputation for providing specialist services and engineering solutions in a manner that never compromises our integrity or our high standards of business conduct. We take seriously our responsibility to behave in a manner which is both responsible and ethical. This code applies to all officers, employees, workers, contractors and all those representing TP Group (including its subsidiaries) in any capacity.

Equality of opportunity

We create an environment where individuals are treated with dignity and respect, in line with our duty to provide equal opportunities to all.

We respect human rights and do not directly or indirectly discriminate between persons based on reasons of race, creed, sex, gender, sexual orientation, social status, religion, nationality, pregnancy, age or bodily or mental disability.

We respect the cultures, customs and history of every country in which we operate or with whom we may come into contact.

Healthy work environment

We respect one another and make every effort to ensure that the work environment, whether in an office, workshop or other location where work is carried out, is an open and comfortable environment.

No one should disturb the sound discipline, environment and good order of the work environment by conduct, such as sexual harassment, which is contrary to public order and good moral standards.

We do not tolerate any forms of bullying. For the avoidance of doubt, bullying involves any offensive, intimidating or insulting behaviour involving the misuse of power that can make a person feel vulnerable, upset, humiliated, undermined or threatened.

If someone's actions in the work environment are offensive and hostile, we encourage others to speak up without fear so that we can remedy the situation quickly and sensitively.

Service standards to clients/customers

We listen with sincerity to the opinions of customers and shall reflect upon them in the carrying out of business affairs in the future.

We shall provide customers with accurate information (proper labelling and representation) relating to products, services, etc. in order to achieve customer reassurance and satisfaction.

Compliance with anti-corruption law

In our business dealings we never act in a manner which results in an illegal restraint of trade, such as collusion in tender or collusion with a view to the fixing of price levels or levels of production or supply or the division of markets.

We never conduct unfair trade practices, such as boycott, resale price maintenance or payment of unjustified rebates.

Anti-bribery, gift and favour

We take a zero-tolerance approach to bribery and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate.

We conduct ourselves in an ethical and responsible manner in the communities in which we work. In particular, we do not:

- render public officials or persons in a similar position, any economic favour such as money, gift or other favour in return for performance of their duties.
- pay any agent, advisor or consultant any commission which they have reason to know will be used for influencing public officials or persons in a similar position in an unlawful manner.
- render employees or officers of customers any economic favour such as money, gift or other favour, the value of which is greater than a generally accepted commercial level, nor receive such economic favour from employees or officers of customers.

Conflicts of interest

Our business judgement is free from bias, conflicts of interest or undue influence of others. Any situation that might interfere with our ability to perform our jobs effectively, or even create an appearance of bias, should be avoided. In particular, employees should not:

- participate in any activity or association which creates or appears to create a conflict between his or her personal interest and TP Group's business interest.
- use TP Group's property, assets or information system for any purpose other than that of TP Group's business.

Treatment of confidential information

We strive to protect those who have placed their trust in us. We therefore conduct our business with transparency and honesty. As such, employees should:

- hold any secret information of TP Group as strictly confidential and should not divulge such information to any third party, nor should they use the same for any purpose other than that of the business of TP Group.
- not infringe the intellectual property rights of any third party, including the copying of computer software, without express permission of such third party.
- timely disclose any information of TP Group in accordance with any laws and regulations protecting the interests of investors including the rules of any relevant stock exchanges.

If employees become acquainted with any information of the TP Group or its customers which may materially influence the judgement of investors in the TP Group or in such customers, they should not sell or purchase any stock of TP Group or stock of such customers unless and until such information becomes public and in any event employees should comply with all relevant insider dealing laws including but not limited to the Market Abuse Regulations 2016.

We understand the importance of ensuring the privacy, security and appropriate handling of the data of and relating to employees, customers and suppliers, including all personal data and we ensure that this is managed effectively through policies, procedures, education and audits throughout our businesses. Preparation for compliance with General Data Protection Regulation 2016/679 started in August 2016 and is on track to ensure we are fully prepared for its introduction in May 2018.

Government agencies rely on the accuracy of the records we hold. As such, employees should:

- make accurate and timely accounting reports and should not make any false or misleading entries in the company's books and records.
- not use the assets or funds of the company for any unlawful purpose, nor should they establish or maintain undisclosed or unrecorded assets or funds.

No modern slavery

Modern slavery takes various forms, such as slavery, servitude, forced or compulsory labour and human trafficking, all of which involve a violation of fundamental human rights by another in order to exploit them for personal or commercial gain.

We take a zero-tolerance approach to modern slavery and are committed to acting ethically and with integrity in all our business dealings and relationships. As such, employees:

- are encouraged to raise concerns about any issue or suspicion of modern slavery in any parts of our business or supply chains of any supplier at the earliest possible stage.
- if they believe or suspect a breach of this policy has occurred or that it may occur they must notify their manager or report it in accordance with our Whistleblowing Policy as soon as possible.

Protection of the environment

We comply with all laws and regulations concerning the protection of the environment and make every effort to be informed and aware of environmental issues concerning TP Group and its business.

All business undertaken by TP Group should be conducted in accordance with the laws and regulations concerning the protection of the environment and every effort should be made to try to ensure, so far as reasonably possible, that TP Group's business does not cause damage to the environment, and the relevant employees should always conduct an environmental assessment to ensure that this is the case.

Report and sanction

If an employee finds evidence of violation of these guidelines, he or she should inform the business immediately. Employees should cooperate in any investigation of such alleged violation.

If, as a result of the investigation, it becomes clear that there was a violation of the guidelines, sanctions will be imposed on the violator (and possibly on his or her superiors) in accordance with the regulations of TP Group in force from time to time.

The persons concerned with the investigation of such alleged violation should make every effort to prevent such informant and other employees who cooperate in such investigation from suffering any disadvantage.




Principal Risks and Uncertainties

In addition to the financial risk management that is detailed in note 27 to the financial statements, management has identified a number of key risks and uncertainties that could have a material impact on the Group. Risks are reviewed by the Board and appropriate processes and controls have been implemented in respect of monitoring and control.

The Group's strategy is implemented to achieve the following key objectives:

- 1 Deliver premium services and engineering in high-technology applications and market sectors
- 2 Grow the business organically through investment in people, systems and facilities
- 3 Grow the business by the acquisition of suitably aligned companies
- 4 Concentrate on high-value major accounts
- 5 Develop our international footprint



The table below details key risks that have been identified and the strategic themes they most impact. They are also characterised in terms of the directors' perceptions of changes in the risks facing the business.


-  Increasing likelihood or severity of impact
-  No change in likelihood or severity of impact
-  Decreasing likelihood or severity of impact

Risk	Management strategy	Change
1. Government policy, regulation and legislation 2 3 5		
Brexit	Brexit is expected to have limited impact on the Group as a result of our competitive position in the key programmes we support across Europe. We will continue to monitor our position as the exit date draws closer.	
Revenue generated from defence and energy industry contracts are impacted by government policies and legislation.	Defence contracts are with long-term customers with whom we have well established and close working relationships. Defence policy, at least in the UK, has protected the key programmes we are active on. This risk typically impacts revenue timing only.	
There are underlying risks associated with health, safety, environmental, privacy and social regulations.	These risks are managed by the Group's accreditation under BS EN ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety Management System). The Group is implementing measures to comply with GDPR during the first half of 2018.	

2. Customers, competitors and commercial relationships 1 2 4		
Commercial contracts for customers may be large and long term, with risks relating to contract delivery and performance, including cost.	Internal procedures are in place to ensure that risks are managed on a case-by-case basis so that contracts can be successfully delivered to customers on time, on budget and to the highest quality specification.	
The Group has a number of major competitors in its key markets with varying levels of capability and competitive proposition.	The Group's approach is to manage business development primarily through the business unit teams who are closely aligned to their propositions and the competitive threats they face. Know-how has been built up over time, and close relationships with customers provide insight into trends in the requirement which create barriers to entry for competitors.	
The Group is affected by the commercial conditions in the energy and defence markets.	The Group carries out review and analysis of emerging trends in our key markets including political and economic aspects. This market intelligence informs strategy and planning decisions at the Group and business unit levels.	
The Group has a niche position in the naval defence market. The main external market risks relate to political and socio-economic factors.	Close links with customers and suppliers provides insight into future trends and issues that allow management actions to be taken at the earliest opportunity. Group diversification reduces the overall extent of this risk and our involvement in certain protected UK programmes, and growth in overseas opportunities works in our favour.	

Risk	Management strategy	Change
3. Acquisitions		3
Issues may arise from an acquisition that could add unexpected costs or liabilities to the Group.	Such risks cannot be eliminated, however they are mitigated through, amongst other things, due diligence, vendor warranties and integration plans developed and executed in a timely fashion. All acquisitions are directed, approved and monitored by the Board.	

4. Availability of key resources		1
Key employee knowledge and skill base	The Group seeks to avoid single points of failure or capacity constraints by attracting and retaining suitably skilled and experienced staff to support the business performance. This is achieved through appropriate and competitive remuneration packages, a framework for personal and professional development and working environments that make TPG an attractive place to work.	
Major capital assets - the Group depends on the performance, reliability and availability of certain key equipment and information technology systems.	The Group seeks to avoid single points of failure or capacity constraints by managing technical focus across teams. Attraction of suitably skilled and experienced staff to support the growth of the business may lead to increased costs or constraints on delivery of customer projects. The Group has good relationships with an approved list of recruiters with good market coverage, utilises the network of existing experienced staff to identify candidates, and has taken steps to position and present the Group as an appealing place to work.	

5. Technology and security		1
Cybersecurity threats come in a number of forms, posing a risk to sensitive data held in the normal course of business, as well as business interruption risk.	The Group has implemented Cyber Essentials across its businesses and continuously reviews the quality of its security shields and protocols to mitigate the threat.	

The Report and Accounts are approved by the board of directors and signed on their behalf on 16 April 2018 by:

Derren Stroud
Chief Financial Officer

Registered number: 3152034

Registered office: A2/1064, Cody Technology Park, Farnborough, Hampshire GU14 0LX

Board of Directors

Executive directors

Phil Cartmell Chief Executive Officer

Phil Cartmell was appointed to the Board in September 2009. He has a highly active career in business, having formerly been Chief Executive of Vega Group plc between 2001 and 2008, where he grew the company into a leading European aerospace and defence business. In February 2008, Vega Group was acquired by Italian multi-national, Finmeccanica, for a substantial premium. Phil has served as a Non-Executive Director and adviser for a number of companies including Alterian plc a leading provider of Global Information Management Solutions, where he was Non-Executive Chairman until its acquisition by SDL plc in January 2012 and Trafficmaster.

Derren Stroud Chief Financial Officer

Derren Stroud was appointed to the Board in March 2016. Derren, a member of the Chartered Institute of Management Accountants has over 20 years of industry experience, including senior finance roles at Retail Decisions, Envoy and Safenet. He has worked within a range of specialist innovation and engineering businesses, with both public and private equity backing, serving a global customer base from manufacturing and commercial sites worldwide.

Non-executive directors

Andrew McCree Non-Executive Chairman

Andrew McCree was appointed to the Board in October 2014 and has over 35 years' experience of energy and environmental technology and consulting businesses, with an extensive knowledge of technologies and markets. Following his early career with BP Exploration, he then joined the UK Atomic Energy Authority (UKAEA) and in 2005 became Chief Executive of AEA Technology. Since 2011 he has worked for Gustin Partners, a US specialist consulting business. His principal role has been to advise on a range of defence, energy and climate change matters working with both government agencies and private sector clients.

Phil Holland (appointed 21 February 2017) Non-Executive Director

Phil joined the Group in February 2017. He is a chartered accountant and has over 20 years' experience in board-level finance roles, previously with Atlas Estates Limited, Laing O'Rourke plc, Teesland plc and Estates & General plc. In 2011, Phil became Finance Director and Deputy Managing Director of Primary Health Properties PLC ('PHP'), a leading investor in primary care real estate, with a portfolio of over 300 medical centre properties across the UK and Republic of Ireland, until leaving that role on 31 March 2017. Phil joined Prime plc, a healthcare real estate developer as Chief Investment Officer on 10 April 2017. Phil chairs the Audit Committee and has held this position since appointment.

Jeremy Warner-Allen (appointed 27 February 2017) Non-Executive Director

Jeremy joined the Group in February 2017. He has over 25 years' experience in capital markets, most recently as Executive Director, Board Member and Head of the Growth Companies Team at Cenkos Securities plc, where he advised a number of AIM companies over a period of 11 years. Prior to joining Cenkos, he was a founding member of Beeson Gregory Limited and responsible for the UK sales desk, a role he retained when Beeson Gregory merged with Evolution Securities in 2002. Jeremy chairs the Remuneration Committee and has held this position since appointment.

Report of the Directors

The directors present their report together with the audited financial statements for the year ended 31 December 2017.

Principal activity

TP Group is a professional services and technology partner to global prime contractors that are active in security, energy and aerospace programmes. We advise on management and technology solutions and deliver with advanced manufacturing skills and expertise. Our team combines world-class skills in complex technologies with modern design and manufacturing facilities to provide a fully balanced and agile support network to our customers and partners wherever they may be. The Group consists of two interlinked business units:

- **Consulting & Programme Services** - advising clients on strategic problems and implementing technology-driven solutions; and
- **Engineering & Technology** - capability to design, manufacture and support mission-critical systems.

Results and dividends

The directors do not recommend the payment of a dividend (2016 - £nil).

The results of the financial year and future developments of the Group are detailed in the Strategic Review and the Financial and Business Review.

Research and development

Total R&D expenditure in the year was £0.2m (2016 - £0.8m), all of which was charged to the income statement in the year.

Capital management

Capital consists of equity attributable to the shareholders of TP Group plc (the "Parent Company").

The primary objective of the Group's capital management actions is to ensure that it maintains sufficient capital to support the on-going expenditure requirements of the business with a view to future commercial success from these activities in order to maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of working capital requirements. To adjust the capital structure, the Group may issue new shares or raise debt capital.

Report of the Directors (continued)

Capital management (continued)

In July 2017, the Group raised further funds through an issuance of ordinary shares. On 28 July, 336,101,128 shares were issued for trading on AIM at an issue price of 6.5 pence per share. This raised gross proceeds of £21.8 million, realising £20.8 million net of fees and expenses, to be used primarily to help fund the Group's acquisition programme and other internal investments.

Following the fundraising, the Group now has 758,565,854 ordinary shares in issue admitted to trading on AIM.

Creditor payment policy

The Group and Parent Company seek to agree payment terms with their suppliers in advance of a transaction and will pay in accordance with the agreed terms as long as the Group and Parent Company are satisfied that the supplier has provided goods and services in accordance with the order.

The Group's creditor payment period was 31 days (2016 - 31 days). The Parent Company's creditor payment period was 31 days (2016 - 35 days).

Employees

The success of the Group depends on maintaining a highly qualified and well-motivated workforce. Every effort is made to achieve a common awareness of the financial and economic factors affecting the performance of the Group. Regular communication with all employees is essential and achieved by informal meetings, email updates and internal briefings.

The Group's Equality Policy encourages recruitment, training, career development and promotion on the basis of professional capability and is committed to retaining and retraining as necessary employees who become disabled during the course of their employment.

Directors' and Officers' liability insurance

The Group has purchased liability insurance covering the directors and officers of the Parent Company and its subsidiaries.

Report of the Directors (continued)

Directors and their Interests

The directors during the year and up to the date of this report were as follows:

Executive

P Cartmell
S Kings (resigned 9 February 2018)
D Stroud

Non-executive

A McCree
P Holland (appointed 21 February 2017)
J Warner-Allen (appointed 27 February 2017)

Directors' interests in shares are shown in the Remuneration Report.

Related party transactions

These have been disclosed within note 30 to the accounts.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information to establish that the Group's auditor is aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to be re-appointed for another term. A resolution to re-appoint them as the Group's auditor will be proposed at the next annual general meeting.

By order of the board

Claire MacPherson
Company secretary
Cody Technology Park
Old Ively Road
Farnborough
Hampshire
GU14 0LX
16 April 2018

Corporate Governance Report

Principles of Good Corporate Governance

The Group is committed to high standards of corporate governance. It has adopted procedures to institute good governance insofar as it is practical and appropriate for an organisation of its size and nature, notwithstanding the fact that companies that have securities traded on the AIM market operated by the London Stock Exchange are not required to comply with the Combined Code as appended to the Listing Rules issued by the Financial Conduct Authority. Whilst not required to comply with the Combined Code, the Group has chosen to give selected disclosures which they believe are necessary or valuable to readers.

As the Group grows, it will regularly review the extent of its corporate governance practices and procedures. At its current stage of development, the Parent Company does not consider it appropriate to be fully compliant with the Combined Code.

On 9 March 2018 the London Stock Exchange announced that all AIM companies will be required to apply a recognised corporate governance code from 28 September 2018. The Group is reviewing the small selection of recognised corporate governance codes that are proportionate to a company of its size, such as the Quoted Companies Alliance "Corporate Governance Code for Small and Mid-Size Quoted Companies", and will select and apply an appropriate code at the earliest opportunity ahead of the required date.

Application of Principles

Directors

Following the departure of Richard King at the end of 2016 and Andrew McCree assuming the role of non-executive Chairman, two new independent non-executive directors were appointed to the board in February 2017, taking the total to three. Until February 2018 the board included three full time executive directors, which was then reduced to two. The board met 9 times in the year and is provided with relevant information on financial, business and corporate matters sufficiently prior to meetings to enable it to properly discharge its duties.

The board is responsible for overall Group strategy, acquisition and divestment policy, approval of the budget, approval of major commercial contracts and capital expenditure projects and consideration of significant operational and financial matters.

The board is responsible for effective risk management across the Group and retains ownership of the significant risks that are faced by the Group. This includes ultimate responsibility for determining and reviewing the nature and extent of the principal risks faced by the Group and assessing the Group's risk management processes and controls. These systems and controls are designed to identify, manage and mitigate risks that the Group faces but will not eliminate such risks and can provide reasonable but not absolute assurance. The Group's risk management processes include the close involvement of the executive directors in the day-to-day running of the business and regular reports submitted to and considered at meetings of the board and its committees. The board also considers employee issues, key appointments and compliance with relevant legislation.

The board has both an Audit and a Remuneration Committee. The board does not consider it necessary to constitute a separate Nominations Committee and all members of the board are consulted on the potential appointment of a new director or a company secretary.

All directors can receive appropriate training as necessary and are able to take independent professional advice in relation to their duties if necessary at the Parent Company's expense. Directors are subject to re-election in accordance with the Articles of Association.

Corporate Governance Report (continued)

Application of Principles *(continued)*

Relationship with shareholders

The board attaches a high importance to maintaining good relationships with all shareholders. The board holds regular meetings with institutional shareholders to keep them updated on the Group's performance, strategy, management and board membership. In addition, the board welcomes as many shareholders as possible to attend the Parent Company's Annual General Meeting and encourages an open discussion after the formal proceedings. The executive directors give regular briefings to a number of analysts, who cover the Group's sector and actively encourage more analysts to follow the Group.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company Law requires the directors to prepare financial statements for each financial year. Under that law, the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU.

Under Company Law, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- assess the Group's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Governance Report (continued)

Application of Principles *(continued)*

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Parent Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Parent Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Parent Company's position and performance, business model and strategy.

Audit Committee

The Audit Committee, comprises three non-executive directors and is chaired by Philip Holland, being appointed as chair in February 2017 upon his appointment to the board. The Committee has specific terms of reference that deal with its authority and duties. It meets at least twice a year, with the executive directors, and the auditor attending by invitation. The Committee reviews the independence and objectivity of the auditor each year. The Committee reviews the adequacy of the Group and the Parent Company's internal controls, accounting policies and financial reporting and provides a forum through which the Parent Company's external auditor reports to the non-executive directors. The chair of the committee meets periodically with the auditor away from management to discuss matters relevant to the Group.

The board has decided that the size of the Group does not justify a dedicated internal audit function. This position will be reviewed as the Group's activities increase.

Going Concern

A review of going concern is included within the accounting policies described in note 2 to the Financial Statements.

Internal Control and Risk Management

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The board has overall responsibility for ensuring that the Group and the Parent Company have processes to identify, evaluate and manage key risks. The nature of the Group's business comprises a mix of commercial design, manufacturing, system engineering and through life support. The processes are designed to manage and minimise risk of failure to achieve the Parent Company's strategic objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Audit Committee is delegated responsibility for reviewing the Group's systems of risk management and their effectiveness on behalf of the Board. These systems and processes have been in place for the year under review and remained in place up to the date of approval of the Annual Report and accounts.

The directors consider that the present system of internal control is sufficient for the needs of the Group and the Parent Company and adequately addresses the risks to which the Group is perceived to be exposed.

On behalf of the board

Philip Holland
Chairman, Audit Committee
 16 April 2018

Unaudited Information

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Remuneration Committee

The Remuneration Committee, as of April 2018, is made up of three non-executive directors and is chaired by Mr Jeremy Warner-Allen. Meetings were attended by the Chief Executive by invitation. The Remuneration Committee sets and annually reviews the terms and conditions of employment of the executive directors. The remuneration of non-executive directors is fixed by the board as a whole.

Remuneration Policy

The Parent Company's policy on executive directors' remuneration is to attract and retain high quality executives by paying competitive remuneration packages relevant to each director's role, experience and the external market. The packages include a basic salary, pension contributions, bonus scheme and share options. Share options are granted with performance conditions.

Service Agreements

Executive directors are employed on service contracts with either 6 or 12 month notice periods. Non-Executive directors are appointed on three year contracts, with no notice period.

*Audited Information***Directors' Emoluments**

	Basic salary or fees £000	Pension contributions £000	Other benefits £000	Total emoluments 2017 £000	Total emoluments 2016 £000
Executive					
P Cartmell	257	12	36	305	460
S Kings	161	11	17	189	216
D Stroud ¹	140	10	14	164	146
M Blomley ²	-	-	-	-	69
M Crawford ^{2 3}	-	-	-	-	222
Non-executive					
A McCree	52	-	-	52	32
P Holland ⁴	27	-	-	27	-
J Warner-Allen ⁴	25	-	-	25	-
R King ²	-	-	-	-	52
	662	33	67	762	1,197

¹ Directors' 2016 emoluments recorded relate only from date of appointment to the board in March 2016.

² Directors resigned during 2016 and emoluments relate to the period through to resignation.

³ Includes a termination payment of £201,050.

⁴ 2017 emoluments are for the period from the date of appointment to the board in February 2017.

Remuneration Report (continued)

Directors' Share Options

The interests of the directors, who were in office during the financial year, in options over the new Ordinary Shares at 31 December 2017 and 31 December 2016 were:

	As at 31 December 2016 number	Exercised in year Number	Cancelled in year number	Issued in year Number	As at 31 December 2017 number	Exercise price (p)	Lapse date
Executive							
P Cartmell	3,000,000	-	(3,000,000)	-	-	15.00	9 December 2020
P Cartmell	4,000,000	-	(4,000,000)	-	-	10.00	9 April 2024
P Cartmell	2,300,000	-	(2,300,000)	-	-	10.00	21 May 2025
P Cartmell	-	-	-	22,179,398	22,179,398	7.00	9 May 2027
D Stroud	-	-	-	9,980,729	9,980,729	7.00	9 May 2027
S Kings	250,000	-	(250,000)	-	-	10.00	5 October 2024
S Kings	-	-	-	9,980,729	9,980,729	7.00	9 May 2027
Non-executive							
A McCree	250,000	-	-	-	250,000	10.00	30 September 2024

The closing mid-market price of an Ordinary Share as quoted on the Daily Official List as published by the London Stock Exchange was 6.000p at 31 December 2017 and in the period 1 January 2017 to 31 December 2017 was a closing mid-market high of 8.375p per Ordinary Share and a low of 5.250p per Ordinary Share.

Remuneration Report (continued)

Directors' Interests

The directors who were in office during the financial year, and appointed prior to the date of this report, had the following beneficial interests in the Ordinary Shares of the Parent Company at 31 December 2017, at 31 December 2016 and at the date of this report:

	Number held at 31 December 2017 Ordinary Shares of 1 pence each	Number held at 16 April 2018 Ordinary Shares of 1 pence each	Number held at 31 December 2016 Ordinary Shares of 1 pence each
P Cartmell	3,136,105	3,136,105	2,520,700
A McCree	333,847	333,847	180,000
S Kings ¹	1,557,693	n/a	1,250,000
D Stroud	653,847	653,847	500,000
P Holland	421,978	421,978	-
J Warner-Allen	1,854,945	1,854,945	350,000

¹ S Kings resigned as a director on 9 February 2018 and therefore only his shareholdings as of 31 December 2017 and 31 December 2016 are disclosed.

On behalf of the Remuneration Committee

Jeremy Warner-Allen
Chairman, Remuneration Committee
 16 April 2018

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of TP Group plc (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the Consolidated statement of comprehensive income;
- the Consolidated and Parent company statement of financial position;
- the Consolidated statement of changes in equity;
- the Parent company statement of changes in equity;
- the Consolidated and Parent Company statement of cash flows;
- the Consolidated and Parent Company financial statement related notes 1 to 31;

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: <ul style="list-style-type: none"> - Revenue recognition on long-term contracts; and - Provision for warranty.
Materiality	The materiality that we used for the Group financial statements was £400,000, which equates to 1.5% of Revenue.
Scoping	We have performed full scope audits of all components excluding non-trading entities, providing full coverage of the Group's revenue, Group's net assets and the Group's profit before tax.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition on long-term contracts

Key audit matter description



Revenue in the engineering and services businesses is recognised when significant risks and rewards of ownership are transferred to the buyer in line with IAS 18. The key audit matter relates to contracts accounted for under the percentage-of-completion method per IAS 18. There is a heightened risk around the accuracy of the cost to complete estimates for contracts spanning the year end and the recoverability of accrued income of £5.7m as disclosed in note 15.

These estimates are reviewed by Management and represent their best estimate of the stage of completion on open contracts at 31 December 2017.





The accounting policy is described in more detail in note 2.5.

How the scope of our audit responded to the key audit matter



We have performed the following procedures in order to address this key audit matter:

- Inspected a sample of contracts to establish the terms and conditions, along with the milestones for revenue recognition.
- Made enquiries of lead engineers for each project to assess the stage of completion and estimated costs to complete.
- Recalculate revenue recognised on the contract as at 31 December 2017 based on stages of completion and costs incurred to date.
- Contracts have been assessed for post balance sheet performance and out-turn against that forecast.
- Assessed the recoverability of any accrued income by verifying to signed contract, post year-end billing/payment and third-party correspondence where appropriate.

	Key observations From the work performed, we concluded that revenue recognised on the contracts spanning the year end is appropriate.
Provision for warranty	
	Key audit matter description Since 2014, a subsidiary of the Group has been providing for the rectification of a faulty component provided to one customer. The Group has provided £436,000 in note 23 in these financial statements under IAS 37 <i>Provisions</i> . This is its best estimate of the expected outflow associated with this obligation. The provision requires a significant amount of estimation owing to the inherent uncertainty in the cost and time required to amend the component, and as such this represents an area of judgement for Management.
	How the scope of our audit responded to the key audit matter We have reviewed the assumptions used in management's calculation in the provision. Our procedures included the following: - Discussed with the CFO and operational staff involved in the project with the customer and reviewed their documentation in order to understand the process and costs to resolve the identified issue. - Reviewed the probability of the best and worst case scenario in terms of costs to be incurred in order to resolve the identified issue. - Assessed the value calculated by Management on each of the scenarios presented and assessed their relative likelihood based on past experience within the Group.
	Key observations As a result of our work, we have concluded that the provisions held by the Group in relation to the provision for future costs appear reasonable based on the evidence available.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£400,000	£160,000
Basis for determining materiality	Our materiality of £400,000 is determined based on 1.5% of consolidated revenue.	Our materiality of £160,000 equates to 1.3% of the parent company equity. This has been capped at 40% of Group materiality.
Rationale for the benchmark applied	In determining our benchmark we considered the focus of the principal users of the financial statements and the stability of the metrics. Revenue is a key performance measure for the Group, as this is one of the key metrics reported to the markets and considered to be a key share price driver. We considered alternative benchmarks such as profit/loss before tax and adjusted EBITDA. Loss before tax and adjusted EBITDA are considered to be too volatile year-on-year for us to form a consistent and representative view on materiality. We therefore concluded that Revenue is the most appropriate basis on which to determine materiality.	The parent company's principal activity is not to generate revenue, but more to provide the subsidiary entities with expertise through the experience of the Board and Management. As such, the investments are the key component of the individual financial statements and therefore equity is deemed to be a more representative and stable view of how the company is performing.

We agreed with the audit committee that we would report to them all audit differences in excess of £20,000 for the Group and £8,000 for the parent company, as well as differences below that threshold that in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment we focused our group audit scope primarily on audit work at all components of the group, inclusive of the parent company but excluding non-trading entities of the Group. All of these companies were subject to a full audit. These components represent the principal business units and account for 100% of the Group's net assets, revenue and pre-tax profit. They were selected to provide an appropriate basis for undertaking audit work to address the key matters identified above. Our audit work at the components was executed at levels of materiality applicable to each individual entity which were lower than group materiality, ranging between £160,000 and £300,000.

At the parent company level we tested the consolidation process and performed analytical review procedures on entities outside of those subject to full scope audit procedures to confirm that there were no significant risks of misstatement relating to those entities.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

We have nothing to report in respect of these matters.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and or the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

SIMON OLSEN FCA
(SENIOR STATUTORY AUDITOR)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom
16 April 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	Group	
		2017	2016
		£'000	£'000
Revenue	3		
-Continuing operations		25,900	21,226
-Acquisitions		3,560	-
		29,460	21,226
Cost of sales		(21,232)	(14,748)
Gross profit		8,228	6,478
Distribution costs		(67)	(361)
Administrative expenses		(8,693)	(6,381)
Operating loss			
-Continuing operations		(665)	(264)
-Acquisitions		133	-
	4	(532)	(264)
Adjusted EBITDA	3	2,582	1,066
Depreciation, amortisation and impairment		(1,842)	(1,051)
Acquisition-related costs		(242)	(44)
Non-operating costs		(655)	(231)
Share based payments		(375)	(4)
Operating loss		(532)	(264)
Net finance cost	6	(65)	(69)
Loss before income tax		(597)	(333)
Income tax (charge)/credit	7	(122)	134
Total comprehensive loss for the year attributable to shareholders		(719)	(199)
Loss per share expressed in pence per share			
Basic and diluted loss per share	8	(0.12)	(0.05)

All comprehensive income relates to shareholders of the Parent Company and all amounts relate to continuing activities. The notes on pages 55 to 100 form part of these financial statements.

Consolidated and Parent Company Statement of Financial Position

At 31 December 2017

	Note	Group		Parent Company	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
ASSETS					
Non-current assets					
Goodwill	9	4,170	3,918	-	-
Other intangible assets	10	11,759	8,775	180	177
Property, plant and equipment	11	2,126	667	33	13
Deferred taxation	17	-	130	-	-
Investments	12	-	-	15,435	11,681
Amounts owed by EBT	13	-	-	96	104
		18,055	13,490	15,744	11,975
Current assets					
Inventories	14	230	116	-	-
Trade and other receivables	17	13,798	7,161	3,130	2,984
Taxation recoverable		10	71	-	-
Cash and bank balances	18	21,931	9,160	17,617	714
		35,969	16,508	20,747	3,698
Total assets		54,024	29,998	36,491	15,673
LIABILITIES					
Current liabilities					
Trade and other payables	20	(10,962)	(8,391)	(5,833)	(3,040)
Obligations under hire purchase contracts	21	(211)	(7)	-	-
		(11,173)	(8,398)	(5,833)	(3,040)
Non-current liabilities					
Deferred taxation	22	(1,425)	(823)	-	-
Obligations under hire purchase contracts	21	(747)	(13)	-	-
Provisions	23	(561)	(1,101)	(10)	(10)
		(2,733)	(1,937)	(10)	(10)
Total liabilities		(13,906)	(10,335)	(5,843)	(3,050)
Net assets		40,118	19,663	30,648	12,623
EQUITY					
Share capital	24	7,586	4,225	7,586	4,225
Share premium		17,438	-	17,438	-
Own shares held by the EBT		(561)	(561)	-	-
Share-based payments reserve		1,553	1,178	1,459	1,084
Retained earnings		14,102	14,821	4,165	7,314
Total equity		40,118	19,663	30,648	12,623

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 16 April 2018. The notes on pages 55 to 100 form part of these financial statements.

Phil Cartmell
Chief Executive
(Company number: 3152034)

Derren Stroud
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Group						
	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held by EBT £'000	Share-based Payments Reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2016	42,246	13,769	575	(561)	1,174	(37,345)	19,858
Capital reduction	(38,021)	(13,769)	(575)	-	-	52,365	-
IFRS 2 share option charge	-	-	-	-	4	-	4
Total comprehensive loss	-	-	-	-	-	(199)	(199)
Balance at 31 December 2016	4,225	-	-	(561)	1,178	14,821	19,663
Share issue	3,361	17,438	-	-	-	-	20,799
IFRS 2 share option charge	-	-	-	-	375	-	375
Total comprehensive loss	-	-	-	-	-	(719)	(719)
Balance at 31 December 2017	7,586	17,438	-	(561)	1,553	14,102	40,118

The notes on pages 55 to 100 form part of these financial statements.

Parent Company Statement of Changes in Equity

For the year ended 31 December 2017

	Parent Company					
	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share-based payments reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2016	42,246	13,769	575	1,080	(40,176)	17,494
Capital reduction	(38,021)	(13,769)	(575)	-	52,365	-
IFRS 2 share option charge	-	-	-	4	-	4
Total comprehensive loss	-	-	-	-	(4,875)	(4,875)
Balance at 31 December 2016	4,225	-	-	1,084	7,314	12,623
Share issue	3,361	17,438	-	-	-	20,799
IFRS 2 share option charge	-	-	-	375	-	375
Total comprehensive loss	-	-	-	-	(3,149)	(3,149)
Balance at 31 December 2017	7,586	17,438	-	1,459	4,165	30,648

The notes on pages 55 to 100 form part of these financial statements.

Consolidated and Parent Company Statement of Cash Flows

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For the year ended 31 December 2017

	Note	Group		Parent Company	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Operating activities					
Loss before income tax		(597)	(333)	(3,149)	(4,875)
Adjustments for:					
Depreciation		217	98	15	9
Amortisation		1,132	953	44	37
Impairment losses on tangible and intangible assets		493	-	-	-
Finance cost/(income)		65	69	(14)	(1)
Share-based payment expense		375	4	375	4
Increase in impairment on loan to the EBT	13	-	-	8	(60)
Provision against long term inter-company loan	12	-	-	1,055	3,998
Decrease in inventories		66	53	-	-
Increase in trade and other receivables		(5,277)	(836)	(146)	72
(Decrease)/increase in trade and other payables		(264)	2,563	1,370	730
(Decrease)/increase in provisions		(540)	5	-	10
		(4,330)	2,576	(442)	(76)
Income tax received		(87)	-	-	-
Net cash (used)/generated in operating activities		(4,417)	2,576	(442)	(76)
Investing activities					
Acquisition of subsidiary, net of cash acquired	25	(2,564)	-	(3,071)	-
Interest received		14	1	14	1
Purchase of property, plant and equipment		(908)	(313)	(35)	-
Purchase of computer software		(47)	(106)	(47)	(106)
Long term loan to subsidiary		-	-	(315)	(652)
Net cash used in investing activities		(3,505)	(418)	(3,454)	(757)
Financing activities					
Proceeds from issue of ordinary share capital		20,799	-	20,799	-
Interest payable		(26)	-	-	-
Repayment of hire purchase liabilities		(80)	(3)	-	-
Net cash from/(used in) financing activities		20,693	(3)	20,799	-
Net increase/(decrease) in cash and cash equivalents		12,771	2,155	16,903	(833)
Cash and cash equivalents at beginning of year		9,160	7,005	714	1,547
Cash and cash equivalents at end of year		21,931	9,160	17,617	714

The notes on pages 55 to 100 form part of these financial statements.

Notes to the Financial Statements

1 Nature of operations

The Group is a professional services and technology partner to global prime contractors that are active in security, energy and aerospace programmes. The Group advises on management and technology solutions and deliver with advanced manufacturing skills and expertise.

The Group's team links world-class skills in complex technologies with modern design and manufacturing facilities to provide a fully balanced and agile support network to our customers and partners wherever they may be.

The Group consists of two interlinked business units:

Consulting & Programme Services - advising clients on strategic problems and implementing technology-driven solutions; and

Engineering & Technology - capability to design, manufacture and supports mission-critical systems.

TP Group plc (the "Parent Company") is the Group's ultimate parent company, which is incorporated under the Companies Act and domiciled in the United Kingdom. The address of the registered office of the Parent Company is Cody Technology Park, Old Ively Road, Farnborough, Hampshire, GU14 0LX. The Parent Company's shares are traded on AIM.

2 Summary of Significant Accounting Policies

2.1 Basis of preparation

The consolidated and Parent Company financial statements have been prepared in accordance with applicable International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board as adopted by the European Union. The Group presents the consolidated financial statements in pounds sterling, which is the Parent Company's functional and presentation currency, and all values are rounded to the nearest thousand except when otherwise indicated.

The financial statements have been prepared under the historical cost convention. The measurement bases and principal accounting policies of the Group and Parent Company are set out below. The accounting policies adopted are consistent with those of the previous financial year with exception of matters noted below.

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2017

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2017 that had a significant effect on the Group's financial statements, although an amendment to IAS 7 Statement of Cash Flows has resulted in a reconciliation of liabilities disclosed for the first time in note 20.

b) New standards, interpretations and amendments not yet effective

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are:

- IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers (both mandatorily effective for periods beginning on or after 1 January 2018); and
- IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019).

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2 Summary of Significant Accounting Policies (continued)**2.1 Basis of preparation** (continued)*b) New standards, interpretations and amendments not yet effective* (continued)

The Group has progressed its projects dealing with the implementation of these three key new accounting standards since reporting its interim annual results for the 6 months ended 30 June 2017 and is able to provide the following information regarding their likely impact:

IFRS 9 Financial Instruments

The Group has identified that the adoption of IFRS 9, which replaces IAS 39 *Financial Instruments Recognition and Measurement from 1 January 2018*, will have no material impact to its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

The Group's operations generate revenues through both the provision of services and the production of high-integrity equipment. Due to the nature of its business the Group recognises revenue on contracts both at point in time, and as the order progresses.

The Group has reviewed its open contracts in line with the requirements of IFRS 15 and in the case of TPG Services concluded that the adoption of IFRS 15 has no material impact. However, in the case of TPG Engineering, a number of contracts have been identified where either the terms do not permit recoverability of profit when the contract allows termination for convenience or costs incurred through the Group's supply chain cannot be taken as incurred until receipt of the good or service that will need to be accounted for differently.

The board has decided that it will apply IFRS 15 retrospectively, making use of any practical expedient available. The Group is still gathering data to finalise the impact on its 2017 result had IFRS 15 been applied this year, but estimates that revenue would have been approximately £1,300,000 lower than reported in these financial statements, with operating loss and Adjusted EBITDA approximately £400,000 lower in the current financial year. The recognition of this revenue and associated operating profit and Adjusted EBITDA following the Group's revised revenue recognition policy in accordance with IFRS 15 is deferred to subsequent financial periods. There is no impact on the cash position of the Group from these adjustments.

IFRS 16 Leases

Adoption of IFRS 16 will result in the Group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The board has decided it will apply the modified retrospective in IFRS 16, and will adopt the standard one year early on 1 January 2018. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to the net assets on this date. At 31 December 2017 operating lease commitments amounted to £4,847,000 before the application of any discount rate to these future cash flows. However, further work needs to be carried out to determine whether and when extension and termination options are likely to be exercised, which may result in the actual liability recognised being higher than this.

Instead of recognising an operating expense for the operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported Adjusted EBITDA and reduce operating loss by the current operating lease cost, which for the year ended 31 December 2017 was approximately £579,000.

2 Summary of Significant Accounting Policies (continued)**2.1 Basis of preparation** (continued)**Other**

At the date of authorisation of these financial statements, the following other Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRIC 22 Foreign Currency Translations and Advance Consideration (effective 1 January 2018)
- Amendments to IFRS 2 classification and Measurement of Share-based payment Transactions (effective 1 January 2018)
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 January 2018)
- Annual Improvements to IFRS Standards 2014-2016 cycle dealing with matters in IFRS 1
- First-time Adoption and IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2018)
- IFRIC 23 Uncertainty over Income Tax Positions (effective 1 January 2019)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective 1 January 2019)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective 1 January 2019)

At the date of authorisation of these financial statements, the directors have considered the other standards and interpretations which have not been applied in these financial statements, were in issue but not yet effective (and in some cases, had not yet been adopted by the EU). Application of these standards may result in some changes in presentation of information within the Group's financial statements, but they are not expected to have a material impact on the results of the Group.

Going concern

The directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future, and accordingly continue to adopt the going concern basis in preparing the accounts. In reaching this conclusion, the directors have considered forecasts that cover a period of at least twelve months from the date of the approval of these financial statements and mitigating actions available to them, including the ability of management to make certain reductions to the Group's discretionary expenditure if required.

2.2 Significant management judgements in applying accounting policies

The directors do not believe there to be any material judgements made in the process of applying the Group's accounting policies which are likely to lead to a material change to the amounts recognised in the consolidated financial statements in the next twelve months.

2 Summary of Significant Accounting Policies *(continued)*

2.3 Key sources of estimation uncertainty

The following are the key assumptions concerning the future activities of the Group, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities with the next financial year.

i) Impairment of intangible assets, goodwill and investments in subsidiaries

Determining whether intangible assets and goodwill are impaired requires an estimation of the value in use of the cash-generating units to which intangible assets and goodwill have been allocated. Investment in subsidiaries are based on the estimation of recoverability based on the value in use calculation of the cash-generating unit invested in. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

ii) Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, or at the date that the need for remediation under warranty becomes known, at the directors' best estimate of the expenditure required to settle the Group's obligation.

iii) Deferred contingent consideration

During the year, the Group acquired ALS Technologies Limited, FSS Limited and Polaris Consulting (Holdings) Limited. The consideration for the purchase of shares includes an initial cash payment and capped contingent consideration value.

The contingent consideration calculation requires management to estimate the value based on facts and circumstances that existed at the reporting date and a suitable discount rate in order to calculate present value. The value will be updated at each applicable reporting date and the initial estimate is based on expected future earnings which may differ to final reported numbers and therefore the actual consideration may differ to the initial estimated value.

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and all entities controlled by the company (its subsidiaries) and the TP Group Employee Benefit Trust (see note 26) made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in to line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Subsidiary undertakings are entities over which the Group has the power to control the financial and operating policies to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

2 Summary of Significant Accounting Policies *(continued)*

2.4 Basis of consolidation *(continued)*

The TP Group Employee Benefit Trust, which is managed by an independent trustee, is an employee share scheme established for the benefit of and as an incentive for the employees of the Group.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The Parent Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and has not presented its Statement of Comprehensive Income. The Parent Company's result for the year was a loss of £3.1m (2016 - £4.9m).

2.5 Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding sales related taxes and trade discounts. Revenue is recognised upon the performance of services or transfer of risk to the customer.

i) Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

ii) Long term contracts

Where the outcome of a long-term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably, and its receipt is considered probable.

Where the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2 Summary of Significant Accounting Policies (continued)**2.5 Revenue** (continued)

ii) Long term contracts (continued)

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billing exceeds contract costs incurred to date plus recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the Consolidated Statement of Financial Position, as a liability as advances received. Amounts billed for work performed but not yet paid by the customer are included in the Consolidated Statement of Financial Position under trade and other receivables.

2.6 Cost of sales

Cost of sales represents the actual costs of materials, direct labour and overheads incurred with reference to the stage of completion of the contract at the reporting date.

2.7 Finance income

Finance income represents interest earned on cash deposits that is earned over the relevant financial period and 'mark to market' adjustments in respect of derivative financial assets for forward currency exchange contracts.

2.8 Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets, less their residual values over their useful lives (as below), using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis.

- Computer equipment 33% per annum
- Office furniture and fittings 20% per annum
- Plant and machinery 10% to 20% per annum

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount.

An item or property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item or property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount and is recognised in Statement of Comprehensive Income.

2 Summary of Significant Accounting Policies (continued)**2.9 Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership. All other leases are classified as operating leases.

Assets held under finance leases, are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between the finance lease expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance lease expenses are recognised immediately in the Statement of Comprehensive Income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the period in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative if the time pattern in which economic benefits from the leased asset are consumed.

2.10 Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

i) Current tax

Current taxation is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the Consolidated Statement of Comprehensive Income because items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Income tax recoverable in respect of R&D tax credits is recognised when the decision has been taken to claim such amounts in cash. The Group has made claims for R&D tax credits under the large company Research and Development Expenditure Credit (RDEC) Scheme.

The income tax recoverable in respect of R&D cash tax credits is based upon management estimates, judgements and assumptions considered reasonable at the time but the actual income tax recoverable may differ from those estimates.

2 Summary of Significant Accounting Policies *(continued)***2.10 Taxation** *(continued)*

ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

iii) Current and deferred tax for the reporting period

Current and deferred tax are recognised in profit or loss, except where they related to other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.11 Cash and bank balances

Cash and bank balances comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2 Summary of Significant Accounting Policies *(continued)***2.12 Financial instruments**

Financial assets and financial liabilities are recognised when the Group or Parent Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added or deducted from the fair value of the financial assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash), are measured at cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

ii) Impairment of financial assets

All financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

iii) De-recognition of financial assets

The Group derecognises a financial asset when the contractual right to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards of ownership are transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises the collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On de-recognition of a financial asset other than in its entirety, the Group allocated the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised to profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

2 Summary of Significant Accounting Policies *(continued)***2.12 Financial instruments** *(continued)*

iv) Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

v) Financial liabilities

The Group and Parent Company's financial liabilities comprise trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest rate method except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss. Discounting is omitted where the effect of discounting is immaterial.

vi) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange risks.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in the Statement of Comprehensive Income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing or the recognition in the Statement of Comprehensive Income depends on the nature of the hedge relationship.

vii) De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.13 Equity

Equity comprises the following:

- "Share capital" which represents the nominal value of equity shares;
- "Share premium" which represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue;
- "Own shares held by Employee Benefit Trust" which represents the costs of purchasing own shares held by the Employee Benefit Trust;
- "Share-based payment reserve" which represents equity-settled share-based employee remuneration until such share options are exercised or lapse; and
- "Retained earnings" which represents retained profits and losses.

2 Summary of Significant Accounting Policies *(continued)***2.14 Employee benefits**

i) Retirement benefit costs

The Group operates a defined contribution stakeholder pension scheme for employees. Payments to the defined contribution retirement benefit plans are recognised as an expense when the employees have rendered service entitling them to contributions.

ii) Share-based payment

All equity-settled share-based payments are measured at fair value at the date of grant, which is ultimately recognised as an expense in the Consolidated Statement of Comprehensive Income with a corresponding credit to reserves.

Options with only time-based vesting conditions are valued using a Black-Scholes model. Share options issued with market based vesting conditions are measured using the Monte Carlo method. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Market vesting conditions are factored into the fair value of the options granted.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the number of share options expected to vest. This estimate takes into account a number of factors including performance conditions applying to the relevant options. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period.

No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

iii) Employee benefit trust

The assets and liabilities of the Employee Benefit Trust ("EBT") have been included in the Group accounts.

Any assets held by the Employee Benefit Trust cease to be recognised on the Group Statement of Financial Position when the assets vest unconditionally in identified beneficiaries.

The costs of purchasing own shares held by the Employee Benefit Trust are shown as a deduction against consolidated equity. The proceeds from the sale of own shares held increase consolidated equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group Consolidated Statement of Comprehensive Income.

(iv) Short-term employee benefit costs

The undiscounted amount of short-term benefits attributable to services that have been rendered in the period are recognised as an expense, unless specifically required or permitted within the scope of IFRS reporting to be included in the cost of an asset. Any difference between the amount of cost recognised and cash payments made is treated as a liability or prepayment as appropriate.

2 Summary of Significant Accounting Policies *(continued)***2.15 Foreign currency translation**

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences on monetary items are recognised in the Statement of Comprehensive Income in the period in which they arise.

2.16 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-to-date fair values of the assets transferred to the Group, liabilities incurred by the Group to the former owners of the acquired and the equity interests issued by the Group in exchange for control of the acquired. Acquisition related costs are generally recognised in the Statement of Comprehensive Income as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value, except deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements which are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively.

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in the Statement of Comprehensive Income as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at the acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2 Summary of Significant Accounting Policies *(continued)***2.17 Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 2.16 above) less accumulated impairment losses, if any.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.18 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives (being 3, 5, 10 and 15 years). The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

i) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

ii) De-recognition of intangible assets

An intangible asset is derecognised on disposal, or when no economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is recognised.

2.19 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

2 Summary of Significant Accounting Policies *(continued)*

2.19 Impairment of tangible and intangible assets other than goodwill *(continued)*

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.20 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

2.21 Government Grants

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to purchase of assets are treated as deferred income in the Statement of Financial Position and allocated to the Income statement and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

2.22 Non-operating expenses

Items which are material either because of their size or their nature and are non-recurring, are presented within their relevant consolidated income statement category, but highlighted separately on the face of the income statement within the section showing adjusted EBITDA (as detailed and set out in note 3); to help provide a better picture of the Group's underlying performance. The tax and cash flow implications of non-operating items are identified wherever necessary.

2 Summary of Significant Accounting Policies *(continued)*

2.23 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3 Segmental information

Following the refinement of the Group's strategy, the business has been managed throughout the year along two distinct business units, Consulting and Programme Services ("TPG Services") and Engineering and Technology ("TPG Engineering"). Segmental information is presented in a consistent format with management information considered by the Chief Operating Decision Maker.

The principal activities of these business units comprise:

- **TPG Services** – the provision of know-how and experience to add value in large and complex enterprises. Services include technical project management, systems engineering, design, software development and assurance. This segment is a combination of the prior segments TPG Design & Technology, TPG Managed Solutions and the acquired businesses of ALS Technologies Limited and Flexible Software Solutions Limited, and will include Polaris Consulting (Holdings) Limited in future periods.
- **TPG Engineering** – activities include the design, manufacture, installation and support of complex equipment. These include air purification equipment for submarines including oxygen/hydrogen generation and purification, air handling and distribution systems, heat exchange equipment used in the heating and cooling of large scale industrial processes, and other fabricated structures. This segment is a combination of the prior segments TPG Maritime and TPG Engineering.

The directors of the Parent Company had previously chosen to organise the Group around four interconnected business units. The presentation of the segmental results for the year ended 31 December 2016 have been reclassified to be consistent with the current year presentation in line with the Group's refined strategy. The overall reported loss for the period has not changed.

3 Segmental information (continued)**3.1 Segment revenues and results**

The following is an analysis of the Group's revenue and results from the continuing operations by reportable segment.

	2017 £'000	2016 £'000
Revenue		
TPG Engineering	23,694	19,080
TPG Services ¹	5,766	2,146
Group revenue	29,460	21,226
Segment operating result		
TPG Engineering	2,734	2,168
TPG Services	(1,223)	(1,008)
Central unallocated costs	(2,043)	(1,424)
Group loss from operations	(532)	(264)
Finance cost	(65)	(69)
Loss before income tax	(597)	(333)
Income tax (charge)/credit	(122)	134
Loss after tax	(719)	(199)

¹ Included with TPG Services segmental results are the results of the acquisitions of ALS Technologies Limited (renamed TPG Services Limited) and Flexible Software Solutions Limited.

Segment revenue reported above represents revenue generated from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit or loss represents the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, other gains and losses, as well as finance costs.

3 Segmental information (continued)**3.1 Segment revenues and results** (continued)

	TPG Engineering £'000	TPG Services £'000	Central unallocated -costs £'000	Group £'000
2017				
Segment operating result	2,734	(1,223)	(2,043)	(532)
Depreciation, amortisation and impairment	1,602	10	230	1,842
Acquisition-related costs	-	-	242	242
Non-operating costs	124	420	111	655
Share based payments	-	-	375	375
Adjusted EBITDA¹	4,460	(793)	(1,085)	2,582
2016				
Segment operating result	2,168	(1,008)	(1,424)	(264)
Depreciation, amortisation and impairment	1,032	19	-	1,051
Acquisition-related costs	-	-	44	44
Non-operating costs	-	-	231	231
Share based payments	-	-	4	4
Adjusted EBITDA¹	3,200	(989)	(1,145)	1,066

¹ Adjusted EBITDA is defined as operating profit adjusted to add back depreciation of property, plant and equipment, amortisation and impairment of acquired tangible and intangible assets and any other acquisition-related charges, share based payment charges and non-operating costs. Non-operating costs are those items believed to be exceptional in nature by virtue of their size and or incidence. The directors believe this measure is more reflective of the underlying performance of the Group than equivalent GAAP measures. This is primarily due to the exclusion of non-cash items, such as share-based payments, impairment, depreciation and amortisation, as well as non-operating costs. This provides shareholders and other users of the financial statements with the most representative year-on-year comparison of operating performance. This measure and the separate components remain consistent with 2016.

3 Segmental information (continued)**3.1 Segment revenues and results** (continued)

The following is an analysis of the Group's revenue and results from the continuing operations as reportable segment, presented under the format disclosed in the financial statements for the year ended 31 December 2016.

	2017 £'000	2016 £'000
Revenue		
TPG Maritime	16,119	12,229
TPG Engineering	7,575	6,851
TPG Design and Technology	381	757
TPG Managed Solutions ¹	5,385	1,389
Group revenue	29,460	21,226
Segment operating result		
TPG Maritime	4,818	3,335
TPG Engineering	(2,084)	(1,167)
TPG Design and Technology	(800)	(975)
TPG Managed Solutions ¹	(423)	(33)
Central unallocated costs	(2,043)	(1,424)
Group loss from operations	(532)	(264)
Finance cost	(65)	(69)
Loss before income tax	(597)	(333)
Income tax (charge)/credit	(122)	134
Loss after tax	(719)	(199)

¹ Included with TPG Managed Solutions segmental results are the results of the acquisitions of ALS Technologies Limited (renamed TPG Services Limited) and Flexible Software Solutions Limited.

Segment revenue reported above represents revenue generated from external customers.

3 Segmental information (continued)**3.1 Segment revenues and results** (continued)

	TPG Maritime £'000	TPG Engineering £'000	TPG D&T £'000	TPG MS £'000	Central unallocated -costs £'000	Group £'000
2017						
Segment operating result	4,818	(2,084)	(800)	(423)	(2,043)	(532)
Depreciation, amortisation and impairment	853	749	2	8	230	1,842
Acquisition-related costs	-	-	-	-	242	242
Non-operating costs	-	124	420	-	111	655
Share based payments	-	-	-	-	375	375
Adjusted EBITDA¹	5,671	(1,211)	(378)	(415)	(1,085)	2,582
2016						
Segment operating result	3,335	(1,167)	(975)	(33)	(1,424)	(264)
Depreciation, amortisation and impairment	859	173	16	3	-	1,051
Acquisition-related costs	-	-	-	-	44	44
Non-operating costs	-	-	-	-	231	231
Share based payments	-	-	-	-	4	4
Adjusted EBITDA¹	4,194	(994)	(959)	(30)	(1,145)	1,066

¹ Adjusted EBITDA is defined as operating profit adjusted to add back depreciation of property, plant and equipment, amortisation and impairment of acquired tangible and intangible assets and any other acquisition-related charges, share based payment charges and non-operating costs. Non-operating costs are those items believed to be exceptional in nature by virtue of their size and or incidence. The directors believe this measure is more reflective of the underlying performance of the Group than equivalent GAAP measures. This is primarily due to the exclusion of non-cash items, such as share-based payments, impairment, depreciation and amortisation, as well as non-operating costs. This provides shareholders and other users of the financial statements with the most representative year-on-year comparison of operating performance. This measure and the separate components remain consistent with 2016.

3 Segmental information (continued)**3.2 Geographical segments**

The following is an analysis of the Group's revenue from continuing operations from its products and services:

	2017 £'000	2016 £'000
Geographical analysis – revenue		
United Kingdom	24,860	16,588
Rest of the European Union	2,073	2,156
North America	-	6
Asia	2,034	2,092
Middle East	341	136
Rest of the World	152	248
Total revenue	29,460	21,226

Revenue from continuing operations from external customers and non-current assets are all generated from operations in the UK. All segment assets are located in the UK.

Information about major customers

Revenue includes sales from customers who contributed 10% or more to the Group's revenue:

	2017 £'000	2016 £'000
Engineering		
Customer 1	6,794	4,715
Customer 2	4,747	3,883
Total revenue	11,541	8,598

4 Operating loss

The Group operating loss for the year is stated after charging the following:

Group	2017 £'000	2016 £'000
Staff costs		
Wages and salaries	8,835	7,521
Social security costs	1,016	810
Other pension costs	595	430
Share based payment	375	4
	10,821	8,765
Amortisation of intangible assets	1,132	953
Impairment of intangible assets	192	-
Depreciation of property, plant and equipment	220	98
Impairment of property, plant and equipment	301	-
Operating lease expense – rent	579	778
Auditor's remuneration:		
Audit fees		
fees payable for the audit of the Group and consolidated financial statements	42	21
fees payable to the audit of the subsidiary companies	61	45
Total audit fees	103	66
Non-audit fees		
Fees payable for statutory and regulatory services	5	3
Tax advisory services	20	15
Total auditor remuneration	128	84

Share-based payment expense of £375,000 (2016 – expense £4,000) all arises from transactions accounted for as equity-settled share-based payment transactions and are non-cash in nature.

Staff numbers

The average number of employees, including directors, employed by the Group during the year was as follows:

Group	2017 Number	2016 Number
Engineering	140	111
Business development	17	12
Administration	44	40
	201	163

4 Operating loss (continued)**Retirement benefits**

The Group operates a defined contribution retirement benefit plans for all qualifying employees of the Group. The assets of these plans are held separately from those of the Group in separately administered funds.

The total expense recognised in profit or loss of £595,000 (2016 - £430,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2017, contributions of £88,000 (2016 - £112,000) due in respect of the 2017 (2016 - £nil) reporting remained outstanding. The amounts were paid subsequent to the end of the reporting period.

5 Directors' emoluments

Key management of the Group are members of the board of directors. Key management personnel remuneration includes the following expenses:

Group	2017 £'000	2016 £'000
Emoluments	662	871
Pension contributions paid to defined contribution pension schemes	33	45
Other benefits	67	281 ¹
	762	1,197

¹ Includes bonus payments of £228,000.

During 2017 three directors (2016 - four) accrued pension benefits during the year. No director exercised share options during the year (2016 - none).

Remuneration of the highest paid director included above is as follows:

Group	2017 £'000	2016 £'000
Emoluments	257	257
Pension contributions	12	18
Other benefits	38	185 ²
	307	460

² Includes bonus payments of £160,000.

6 Net finance cost

Group	2017 £'000	2016 £'000
Interest on bank deposits	14	1
Loss on foreign exchange derivative financial assets	(79)	(70)
	(65)	(69)

7 Taxation

(Charge)/credit to the Consolidated Statement of Income

Group	2017 £'000	2016 £'000
UK corporation tax at 19.25% (2016 - 20.00%)	(137)	(24)
Adjustments in respect to prior year	24	-
Corporation tax - R&D charge:		
Prior year under/(over) provision	-	3
	(113)	(21)
Deferred tax:		
Arising on amortisation of acquired intangibles	130	118
Reversal of timing differences	(45)	6
Release of deferred tax asset	(95)	-
Effect of tax rate change on opening balance	-	31
Adjustments in respect to prior year	1	-
	(122)	134

The tax charge for the period is lower than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%). The differences are explained as follows:

7 Taxation (continued)

Group	2017 £'000	2016 £'000
Loss on ordinary activities before tax	(597)	(333)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19.25% (2016 – 20.00%)	115	67
Effects of:		
Expenses not deductible for tax purposes	(84)	(34)
Income not taxable	23	2
Other timing differences	(97)	18
Share based payments	(65)	(1)
Adjustment to deferred tax in respect to change in tax rates	(8)	(229)
Deferred tax not recognised	(32)	306
Adjustment in respect of prior years	26	5
Tax (charge)/credit for the year	(122)	134

At the reporting date, the Group has approximately £20.5m (2016 - £20.4m) of unrelieved tax losses for offset against future taxable profit. No deferred tax asset has been recognised in respect of the £20.5m losses (2016 - £19.9m). Trade generated through TPG Design & Technology Limited created £18.1m of these losses through a trade that is no longer being pursued. Losses can only be utilised against the same trade and management do not expect there to be sufficient trade to recover these losses against future taxable profit. The remaining £2.4m has been generated through ongoing trade but has not been recognised due to the uncertainty of timing of the generation of future taxable profits.

8 Earnings per Share

The calculation of basic earnings per share for the year ended 31 December 2017 is based upon a loss after tax of £719,000 (2016 – loss after tax of £199,000) and a weighted average number of shares of 588,908,520 (2016 - 420,857,956). The weighted average number of shares has been reduced by the weighted average number of shares held by the Employee Benefit Trust.

The issue of additional shares on exercise of employee share options would decrease the basic loss per share and there is therefore no dilutive effect of employee share options.

9 Goodwill

	Total £'000
<i>Cost and net book value</i>	
At 1 January 2016 and 31 December 2016	3,918
Acquired through business combination	252
At 31 December 2017	4,170
Goodwill arose on the acquisition of TPG Maritime Limited and TPG Engineering Limited on 5 April 2012. Goodwill arising in current year on the acquisition of Polaris Consulting (Holdings) Limited on 12 December 2017.	
In accordance with the requirements of IAS 36, Impairment of Assets, goodwill is allocated to the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the business combination that gave rise to the goodwill as analysed in the table below:	
	Total £'000
TPG Maritime Limited	3,316
TPG Engineering Limited	602
Polaris Consulting (Holdings) Limited	252
	4,170

The goodwill balance has been tested for annual impairment on the following basis:

- The carrying values have been assessed by reference to value in use.
- Cash flows based on forecast information for the next financial year, which have been approved by the board.
- The key assumptions on which the impairment tests are based on are a pre-tax discount rate of 11.5% (2016 – 12%), a return to profitability of TPG Engineering Limited in 2019 and a long-term growth rate of 2% (2016 – 2%) on forecast cash flows.
- The 2017 pre-tax discount rate has been verified by independent advisors.
- No impairments were identified as a result of both testing and sensitivity analysis performed. Furthermore, the Group is unaware of any possible change to the business that would cause an impairment.

10 Other intangible assets

	Technical know how £'000	Customer relationships £'000	Trade name £'000	Computer software £'000	Total £'000
<i>Cost</i>					
At 1 January 2016	12,239	324	171	108	12,842
Additions	-	-	-	106	106
At 31 December 2016	12,239	324	171	214	12,948
Additions	-	-	-	47	47
Acquired through business combination	-	4,261	-	-	4,261
At 31 December 2017	12,239	4,585	171	261	17,256
<i>Accumulated amortisation and impairment</i>					
At 1 January 2016	3,021	82	117	-	3,220
Charge for year	883	22	11	37	953
At 31 December 2016	3,904	104	128	37	4,173
Charge for year	883	194	11	44	1,132
Impairment	192	-	-	-	192
At 31 December 2017	4,979	298	139	81	5,497
<i>Net book value</i>					
At 31 December 2016	8,335	220	43	177	8,775
At 31 December 2017	7,260	4,287	32	180	11,759

Intangible assets brought-forward above arose on the acquisition of TPG Maritime Limited and TPG Engineering Limited on 5 April 2012. Brought-forward acquired intangible assets are amortised on a straight-line basis over their useful life of fifteen years.

Intangible asset additions in the current year arose on the acquisition of ALS Technologies Limited and Flexible Solutions Software Limited on 6 February 2017 and Polaris Consulting (Holdings) Limited on 12 December 2017. Customer relationships additions in the current year are amortised on a straight-line basis over their useful life of ten years.

Technical Know How is recognised as TPG Maritime Limited's proprietary expertise and experience of atmosphere management techniques in the defence environment.

Computer software represents externally acquired computer software licences and associated installation costs. Externally acquired computer software are capitalised and amortised on a straight-line basis over their useful life of three years. When the software is available for its intended use, these costs are amortised in equal annual amounts over the estimated useful life of the software.

10 Other intangible assets (continued)

Parent Company	Computer software £'000	Total £'000
<i>Cost</i>		
At 1 January 2016	108	108
Additions	106	106
At 31 December 2016	214	214
Additions	47	47
At 31 December 2017	261	261
<i>Accumulated depreciation</i>		
At 1 January 2016	-	-
Charge for year	37	37
At 31 December 2016	37	37
Charge for year	44	44
At 31 December 2017	81	81
<i>Net book value</i>		
At 1 January 2016	108	108
At 31 December 2016	177	177
At 31 December 2017	180	180

11 Property, plant and equipment

Group	Computer equipment £'000	Office furniture and fittings £'000	Plant and machinery and motor vehicles £'000	Total £'000
<i>Cost</i>				
At 1 January 2016	565	79	766	1,410
Additions	57	42	214	313
At 31 December 2016	622	121	980	1,723
Additions	301	69	1,558	1,928
Acquired through Business combinations	5	47	-	52
Transfers	1	(38)	37	-
Disposals	(456)	-	(138)	(594)
At 31 December 2017	473	199	2,437	3,109
<i>Accumulated depreciation</i>				
At 1 January 2016	492	55	411	958
Charge for year	44	8	46	98
At 31 December 2016	536	63	457	1,056
Charge for year	61	11	145	217
Disposals	(456)	-	(135)	(591)
Impairments	7	7	287	301
Transfers	(2)	(1)	3	-
At 31 December 2017	146	80	757	983
<i>Net book value</i>				
At 1 January 2016	73	24	355	452
At 31 December 2016	86	58	523	667
At 31 December 2017	327	119	1,680	2,126

The Group's obligations under finance leases (see note 21) are secured by the lessors' title to the leased assets, which have a carrying value of £1,136,000 at 31 December 2017 (2016 - £18,000).

Assets still in use with an net book value of zero are £583,000 (2016 - £1,357,000).

11 Property, plant and equipment *(continued)*

Parent Company	Computer equipment £'000	Total £'000
<i>Cost</i>		
At 1 January 2016	25	25
Additions	-	-
At 31 December 2016	25	25
Additions	35	35
At 31 December 2017	60	60
<i>Accumulated depreciation</i>		
At 1 January 2016	3	3
Charge for year	9	9
At 31 December 2016	12	12
Charge for year	15	15
At 31 December 2017	27	27
<i>Net book value</i>		
At 1 January 2016	22	22
At 31 December 2016	13	13
At 31 December 2017	33	33

At 31 December 2017 there are no assets held under finance leases (2016 - £nil).

12 Investments in Subsidiary Undertakings

The Parent Company's investments comprise interests in group undertakings, details of which are listed below. The companies are wholly owned and are incorporated in England and Wales.

Parent Company	2017 £'000	2016 £'000
<i>Cost and net book value</i>		
At 1 January	11,681	20,899
Investment during year:		
Investment in shares in group undertakings	4,494	-
Long term loan to subsidiary	315	652
Provision against long term inter-company loan	(1,055)	(9,870)
At 31 December	15,435	11,681

The total cost of investment in subsidiary undertakings can be analysed as:

	2017 £'000	2016 £'000
Investment in shares in group undertakings	15,404	10,910
Long term loan to subsidiary net of provision	-	740
Share options granted to subsidiary employees	31	31
	15,435	11,681

The increase in investments in shares in Group undertakings relates to the acquisitions of ALS Technologies Limited, Flexible Software Solutions Limited and Polaris Consulting (Holdings) Limited, please refer to note 25.

The long-term loan has been made to TPG Design & Technology Limited ("TPGD&T"). The loan is interest free and has no fixed date for repayment. Following a review of the future expected performance of TPGD&T and timings thereof, the Parent Company has assessed that there is some risk in the full recoverability of the loan. As such, an impairment review was undertaken and an increase in the provision of £1,055k was deemed to be required in the current year, in addition to provisions of £3,998k and £5,872k recognised in 2016 and 2015 respectively.

The key assumptions on which the impairment tests are based are a pre-tax discount rate of 11.5% (2016 - 12%) and a long-term growth rate of 2% (2016 - 2%) on forecast cash flows.

The remaining carrying value of the assets is based on the value in use.

12 Investments in Subsidiary Undertakings (continued)

Name of undertaking	Description of shares held	Proportion of nominal value of shares held by the Parent Company	Principal activity
TPG Maritime Limited	£1.00 ordinary shares	100%	1
TPG Design & Technology Limited	£1.00 ordinary shares	100%	2
TPG Engineering Limited	£1.00 ordinary shares	100%	3
TPG Services Limited	£0.01 ordinary shares	100%	4
Flexible Software Solutions Limited	£1.00 ordinary shares	100%	4
Polaris Consulting (Holdings) Limited	£1.00 ordinary shares	100%	4
Polaris Consulting Limited	£1.00 ordinary shares	100%	4
ALS Technologies Limited (previously Shaw Sheet Metal (Holdings) Limited)	£1.00 ordinary shares	100%	Dormant
Shaw Laser Company Limited	£1.00 ordinary shares	100%	Dormant
Shaw Sheet Metal Group Limited	£1.00 ordinary shares	100%	Dormant
Hunt Thermal Technologies Limited (previously Corac Group Limited)	£1.00 ordinary shares	100%	Dormant
Atmosphere Control International Limited (previously Corac Engineering Limited)	£1.00 ordinary shares	100%	Dormant
Corac Energy Technologies Limited (previously Compact Radial Compressors Limited)	£0.0001 ordinary shares	100%	Dormant
Wellman Defence Limited	£1.00 ordinary shares	100%	Dormant

The registered office for all subsidiary undertakings is A2/1064 Cody Technology Park, Farnborough, Hampshire, GU14 0LX.

- 1 Provision of air purification equipment for submarines including oxygen/hydrogen generation and purification, air handling and distribution systems.
- 2 Innovation and development of turbomachinery systems.
- 3 Design and manufacture of heat exchangers and other critical equipment used in large scale industrial processes.
- 4 The provision of services including technical project management, systems engineering, design, software development and assurance.

13 Amount owed by Employee Benefit Trust

Parent Company	2017 £'000	2016 £'000
Amounts owed by EBT	600	600
Less: impairment	(504)	(496)
	96	104

The loan to the Employee Benefit Trust is interest free and unsecured. Details of the Employee Benefit Trust are provided in note 26. The loan is repayable under the following circumstances:

- From receipt of consideration from the sale of shares in the Parent Company purchased with the loan; and
- Following any lapses in options granted by the Employee Benefit Trust over shares in the Parent Company, the Parent Company can force the sale of shares to repay the loan.

The loan is not expected to be fully repaid within the next 12 months.

Under the terms of the loan facility, should the Employee Benefit Trust be unable to repay the loan following disposal of all its assets then the loan shall be considered waived.

The impairment against the loan is a result of movements in the number and open market value of the shares in the Parent Company held by the Employee Benefit Trust, which could affect its ability to fund future loan repayments.

14 Inventories

	Group	
	2017 £'000	2016 £'000
Raw materials	162	91
Work in progress	68	25
	230	116

The cost of inventories recognised at the reporting date is not materially different to the replacement cost. There has been no write-down of inventory to net realisable value.

15 Long term contracts

The carrying amounts presented in the Group's Statement of Financial Position for long term contracts relate to the following categories of assets and liabilities:

Group	2017 £'000	2016 £'000
Contracts in progress at the reporting date:		
Work in progress included in inventories	-	25
Amounts due from contract customers included in trade and other receivables	5,741	3,052
Amounts due to contract customers included in trade and other payables	(2,737)	(3,329)
Contract losses included in provisions	-	(85)
	3,004	(337)
Contract costs incurred plus recognised profits less recognised losses to date	46,282	46,236
Less progress billings	(43,278)	(46,573)
	3,004	(337)

16 Financial assets and liabilities

The carrying amounts presented in the consolidated and Parent Company Statement of Financial Position relate to the following categories of assets and liabilities:

	Group		Parent Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Financial assets				
Amounts owed by EBT (note 13)	-	-	96	104
Trade and other receivables (note 17)	12,484	6,366	2,985	2,872
Cash at bank and in hand (note 18)	21,931	9,160	17,617	714
	34,415	15,526	20,698	3,690
Financial liabilities				
Trade payables and other payables (note 20)	4,313	2,539	4,160	2,243
Obligations under hire purchase contracts	958	20	-	-
	5,271	2,559	4,160	2,243

See note 2.12 for a description of the accounting policies for each category of financial instruments. The fair values are presented in the related notes. A description of the Group's risk management and objectives for financial instruments is given in note 2.12.

17 Trade and other receivables

	Group		Parent Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Financial assets:				
Trade receivables	6,743	3,314	84	16
Amounts owed by subsidiary undertakings	-	-	2,901	2,856
Amounts due from construction contract customers (see note 15)	5,741	3,052	-	-
	12,484	6,366	2,985	2,872
Non-financial assets:				
Prepayments and other debtors	1,314	795	77	47
Other taxes	-	-	68	65
	13,798	7,161	3,130	2,984

The carrying value of trade and other receivables is considered a reasonable approximation of fair value due to their short-term nature. During 2017, the Group has made a provision of £33,000 in respect of doubtful receivables (2016 - £31,000). This exception aside, no other allowances for doubtful receivables have been made because there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 31 days (2016 - 32 days). The ageing of past due but not impaired receivables is:

	Group		Parent Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
0-30 days	387	729	-	-
31-60 days	223	832	-	-
61-90 days	184	418	-	-
>90 days	24	-	-	-
	818	1,979	-	-

In 2017 a rent deposit of £67,000 (2016 - £67,000) due after more than one year is included within prepayments and other debtors.

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. Credit terms are negotiated as part of each individual contract. No interest is charged on the receivables from the date of the invoice. The Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

17 Trade and other receivables (continued)**Deferred tax comprises:**

Group	2017 £'000	2016 £'000
Accelerated capital allowances and other temporary differences	-	35
Trading losses	-	95
	-	130

18 Cash and bank balances

The funds were placed on floating interest rate deposit as follows:

	Group		Parent Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash and bank balances	21,931	9,160	17,617	714

	Group		Parent Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash and cash equivalents	22,462 ¹	9,316 ¹	17,617	714

¹ Restricted cash of £531,000 (2016 - £156,000) is included in Prepayments and Other Debtors

19 Borrowings

The book value and fair value of loans and borrowings are as follows:

	Group			
	Book value 2017 £'000	Fair value 2017 £'000	Book value 2016 £'000	Fair value 2016 £'000
Secured				
Other loans ¹	66	66	-	-
Finance lease liabilities ² (note 21)	958	958	20	20
	1,024	1,024	20	20
Current	237	237	7	7
Non-current	787	787	13	13
Total loans and borrowings	1,024	1,024	20	20

¹ Fixed interest rate loan at 8.3% over a 48-month term from 11th October 2016. The loans were acquired on the purchase of Polaris Consulting (Holdings) Limited and settled in January 2018.

² Secured by the assets leased. The borrowings are fixed with repayment periods not exceeding 5 years.

20 Trade and other payables

	Group		Parent Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Financial liabilities:				
Amounts falling due within one year				
Other borrowings	26	-	-	-
Trade payables	4,247	2,539	195	243
Amounts owed to subsidiary undertakings	-	-	3,965	2,000
Amounts falling due after one year				
Other borrowings	40	-	-	-
	4,313	2,539	4,160	2,243
Non-financial liabilities:				
Accrued expenses	1,569	1,632	183	454
Amounts due to construction contract customers (see note 15)	2,737	3,329	-	3
Contingent consideration (see note 25)	1,423	-	1,423	-
Corporation tax	156	24	-	-
Other taxes and social security	764	867	67	340
	10,962	8,391	5,833	3,040

The carrying values of trade and other payables are considered to be a reasonable estimate of their fair values.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 31 days (2016 - 31 days). For most suppliers no interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

21 Obligations under finance leases and hire purchase contracts

The Group uses finance leases and hire purchase contracts to acquire plant and machinery. Future minimum lease payments under hire purchase contracts are as follows:

	Group	
	2017 £'000	2016 £'000
Future minimum payments due:		
Not later than one year	243	8
After one year but not more than five years	883	14
Less finance charges allocated to future periods	(168)	(2)
Present value of minimum lease payments	958	20
The present value of minimum lease payments is analysed as follows:		
Not later than one year	211	7
After one year but not more than five years	747	13
	958	20

The average lease term is 5 years. For the year ended 31 December 2017, the average effective borrowing rate was 5.73% (2016 - 5.75%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling. The Group's obligations under finance leases are secured by the lessors' rights over the leased assets as disclosed in note 11.

22 Deferred taxation

	Group	
	2017 £'000	2016 £'000
At 1 January	823	978
Arising on business combination	724	-
Accelerated capital allowances	8	-
Credit to comprehensive income	(130)	(155)
At 31 December	1,425	823

The deferred tax liability arose in respect of intangible assets acquired on the acquisition of TPG Maritime Limited and TPG Engineering Limited on 5 April 2012, and Shaw Sheet Metal Company on 30 January 2015, ALS Technologies Limited and Flexible Solutions Software Limited on 6 February 2017 and Polaris Consulting (Holdings) Limited on 12 December 2017. In the year to 31 December 2017, the credit to Comprehensive Income of £130,000 (2016 - £155,000) comprises the release of deferred tax liability arising on the amortisation of acquired intangibles.

23 Provisions

	Group			Total £'000
	Warranty £'000	Contracts £'000	Property £'000	
At 1 January 2017	686	85	330	1,101
Utilised	-	(85)	(220)	(305)
Released to income statement	(250)	-	-	(250)
Charged to income statement	15	-	-	15
At 31 December 2017	451	-	110	561

The warranty provision recognises future claims for rectification and repair to goods sold and remaining under a contractual warranty period, the majority of which are expected to be incurred in the next one to three years.

The property provision recognises future costs of building dilapidations arising under the terms of property leases expiring over the next 15 years.

24 Share capital

	Allotted, called up and fully paid			
	2017 Number	2016 Number	2017 £'000	2016 £'000
Ordinary shares of 1 pence each	758,565,854	422,464,726	7,586	4,225

In accordance with the Articles of Association for the Parent Company adopted on 19 May 2011, the share capital of the Parent Company at the start of the year consisted of an unlimited number of ordinary shares of nominal value 10 pence each.

The Parent Company on 28th September 2016 reduced the nominal value of its share capital from 10 pence to 1 pence per share by way of a capital reduction.

This reduction of capital received approval at the General Meeting of the Shareholders at the offices of Nabarro LLP, 125 London Wall, London EC2Y 5AL on 8th September 2016, was confirmed on the 28th September by the courts and the order has been registered with Companies House on that date. The Parent Company has given certain undertakings to the court in relation to the reserve arising on the reduction of capital for the protection of the Parent Company's creditors at the date on which the reduction of capital took effect.

All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of TP Group plc. None of the Parent Company shares are held by any company in the Group. The Employee Benefit Trust holds shares in the Parent Company as set out in note 26.

In July 2017, the Group completed an exercise to raise funds through an issuance of ordinary shares. On 28 July, 336,101,128 shares were issued for trading on AIM at an issue price of 6.5 pence per share. This raised gross proceeds of £21.8 million pounds, realising £20.8 million net of fees and expenses, to be used primarily to help fund the Group's acquisition programme and other internal investments.

Following the fundraising, the Group now has 758,565,854 Ordinary Shares in issue admitted to trading on AIM.

24 Share capital (continued)**Options**

The Group has two unapproved share option schemes and an Enterprise Management Incentive (EMI) scheme. Share options have been granted by both the Parent Company and the Corac Employee Benefit Trust (note 26) under the rules of these schemes. The share options granted by the Employee Benefit Trust have no dilutive effect on the Parent Company's share capital.

Number of options	Unapproved schemes		EMI scheme		Total		
	Parent Company Number	EBT Number	Parent Company Number	EBT Number	Parent Company Number	EBT Number	Total Number
At 1 January 2017	10,835,068	-	7,828,360	286,666	18,663,428	286,666	18,950,094
Granted during the year	32,640,856	-	14,777,000	-	47,417,856	-	47,417,856
Lapsed during the year	(1,484,062)	-	(2,246,774)	(160,000)	(3,730,836)	(160,000)	(3,890,836)
Cancelled during the year	(6,800,000)	-	(4,230,448)	(100,000)	(11,030,448)	(100,000)	(11,130,448)
At 31 December 2017	35,191,862	-	16,128,138	26,666	51,320,000	26,666	51,346,666

The exercise of options granted prior to April 2010, those granted during 2014 and 2015 and those granted to the directors during 2017 are subject to the satisfaction of the applicable performance conditions. At 31 December 2017, performance conditions not satisfied relate to the market price of the ordinary shares of the Parent Company as quoted on AIM. Options vest over a three-year period and generally will lapse on cessation of employment or ten years from issue.

The movement on the Group's share option scheme is summarised in the table below:

	2017 Weighted average exercise price (pence)	2017 Number of options	2016 Weighted average exercise price (pence)	2016 Number of options
At 1 January 2017	15.62	18,950,094	15.50	23,514,134
Lapsed during the year	28.42	(3,890,836)	37.50	(366,667)
Cancelled during the year	11.80	(11,130,448)	13.07	(4,197,373)
Granted during the year	7.00	47,417,856	-	-
At 31 December 2017	7.52	51,346,666	15.62	18,950,094
Exercisable at 31 December 2017	13.45	4,152,144	16.75	15,776,097

No share options were exercised during the year (2016 - none). The options outstanding at 31 December 2017 had exercise prices as shown in the following table and a weighted average remaining contractual life of 8.93 years.

24 Share capital (continued)

At 31 December 2017 options over ordinary 1p shares together with the fair value per option granted and the assumptions used in the calculation of fair value for awards made after 7 November 2002, are set out in the table below.

The closing market price of the Parent Company's shares at 31 December 2017 was 6.000p and the range during the year was between 5.250p and 8.375p.

Expected volatility is a measure of the amount by which a share price is expected to fluctuate during a period. For options issued after 2009, expected volatility was based on the volatility of the Parent Company's shares during the previous 12 months. For options issued in earlier periods, the volatility of the Parent Company's share price was calculated as the average of annualised standard deviations of daily continuously compounded returns on the Parent Company's stock, calculated over 1, 2 and 3 years back from the date of grant where possible.

The risk-free rate is the yield to maturity on the date of grant of a UK Gilt Strip, with term to maturity equal to the expected life of the option.

The Group recognised total expenses of £375,000 and £4,000 related to equity-settled share-based payment transactions in 2017 and 2016 respectively.

Date of grant	Number	Option price per share pence	Closing share price at grant pence	Exercise price pence	Expected volatility %	Risk-free interest rate %	Fair value per share pence
2008	26,666 *	14.90	16.75	14.90	79.50	2.76	7.96
2010	200,000	21.75	22.00	21.75	50.63	1.20	6.31
2010	1,950,000	15.00	14.80	15.00	37.43	0.80	3.04
2012	500,000	11.25	11.25	11.25	36.28	0.47	2.27
2012	166,667	10.00	9.50	10.00	36.28	0.51	1.73
2013	295,810	14.00	14.00	14.00	42.23	0.35	3.25
2014	789,667	10.00	9.75	10.00	19.57	0.53	0.99
2014	250,000	10.00	5.50	10.00	42.28	0.76	0.38
2017	24,080,490	7.00	7.25	7.00	56.89	0.66	3.12
2017	12,040,245	7.00	7.25	7.00	56.89	0.66	3.14
2017	6,020,121	7.00	7.25	7.00	56.89	0.66	3.26
2017	5,027,000	7.00	7.25	7.00	56.89	0.66	3.57
	51,346,666						

* These options were issued to the Employee Benefit Trust.

All options expire 10 years after the date of grant.

The dividend yield of 0% in all cases reflects the absence of dividends and of a clear dividend policy statement at the relevant dates of grant.

25 Business combinations**ALS Technologies Limited (renamed TPG Services Limited) and Flexible Software Solutions Limited**

On 6 February 2017 the Group, through its Parent Company, acquired 100% of the issued share capital of ALS Technologies Limited ("ALS") and Flexible Solutions Software Limited ("FSS") for a combined initial consideration of £1,571,000 and a maximum further deferred contingent consideration of £1,500,000 based on the combined performance of both businesses. The initial consideration, paid in cash from the Group's existing cash resources, reflects a normalised working capital position and includes cash retained in the business of £425,000. The companies specialise in providing consulting services to the public and private sectors.

The principal reason for this acquisition is to support the Group's evolution as a diversified services and engineering group providing not only design and manufacture of bespoke engineering solutions but also technical support and management to both the public and private sectors.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

ALS Technologies Limited	Book value £'000	Adjustment £'000	Fair value £'000
Property, plant & equipment	21	-	21
Identifiable intangible assets	-	1,850	1,850
Cash and bank balances	425	-	425
Trade and other receivables	663	-	663
Trade and other payables	(547)	-	(547)
Deferred taxation	-	(314)	(314)
Total net assets	562	1,536	2,098

Flexible Software Solutions Limited	Book value £'000	Adjustment £'000	Fair value £'000
Property, plant & equipment	1	-	1
Identifiable intangible assets	-	21	21
Cash and bank balances	15	-	15
Trade and other receivables	35	-	35
Trade and other payables	(13)	-	(13)
Deferred taxation	-	(4)	(4)
Total net assets	38	17	55

Fair value of consideration	£'000
Cash	1,571
Deferred contingent consideration	582
Total consideration	2,153
Goodwill	-

Acquisition costs of £89,000 in year arose as a result of the transaction. These have been recognised as part of administrative expenses in the Statement of Comprehensive Income.

Included in the operating loss for the year is £133,000 of profit attributable to the additional business generated through the acquisition. Revenue for the year includes £3,560,000 in respect of ALS Technologies Limited and Flexible Software Solutions Limited.

25 Business combinations (continued)**Polaris Consulting (Holdings) Limited**

On 12 December 2017, the Group, through its Parent Company, acquired 100% of the issued share capital of Polaris Consulting (Holdings) Limited for an initial consideration of £1,499,000 and a maximum deferred contingent consideration of £2,000,000 based on the performance of the business. The initial consideration, paid in cash using the Group's existing cash resources, has been adjusted for net debt retained in the business.

The acquisition further extends the Group's services capabilities in the defence and security markets. The acquisition will enable the enlarged group to offer a wider range of services and capabilities, further supporting the broader customer base, alongside delivering greater levels of operational expertise to existing customers.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value £'000	Adjustment £'000	Fair value £'000
Property, plant & equipment	31	-	31
Identifiable intangible assets	-	2,390	2,390
Cash and bank balances	66	-	66
Trade and other receivables	854	-	854
Trade and other payables	(775)	-	(775)
Borrowings	(66)	-	(66)
Deferred taxation	(6)	(406)	(412)
Total net assets	104	1,984	2,088

Fair value of consideration	£'000
Cash	1,499
Deferred contingent consideration	841
Total consideration	2,340
Goodwill	252

Goodwill of £252,000 is primarily applicable to the assembled workforce acquired as part of the transaction. Acquisition costs of £118,000 arose as a result of the transaction. These have been recognised as part of administrative expenses in the Statement of Comprehensive Income.

The initial accounting for the acquisition of Polaris Consulting (Holdings) Limited has only been provisionally determined at the end of the reporting period. At the date of finalisation of these consolidated financial statements, the necessary market valuations and other calculations had not been finalised and they have therefore only been provisionally determined based on the directors' best estimate of the likely values.

Had the acquisitions of ALS, FSS and Polaris Consulting (Holdings) Limited been effective from 1 January 2017, the revenue for the Group would have been approximately £33,500,000, and the operating loss for the year would have been approximately £67,000. The directors consider these values to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for future periods.

26 Employee Benefit Trust

On 8 November 2002, the Parent Company established the Corac Employee Benefit Trust, an employee benefit trust, as an employees' share scheme for the benefit of and as an incentive for the employees of the Group. The Corac Employee Benefit Trust is managed by an independent trustee.

At 31 December 2017 the Parent Company had loaned £600,000 (2016 - £600,000) to the Corac Employee Benefit Trust. With this loan the Trustee purchased shares in the Parent Company and, at 31 December 2017, the Corac Employee Benefit Trust held 1,606,769 (2016 - 1,606,769) ordinary shares in TP Group plc with a book cost of £653,352 (2016 - £653,352) which had a market value of £96,406 (2016 - £104,440). As set out in note 2.15(iii), neither the purchase nor sale of shares in the Parent Company leads to a gain or loss being recognised in the Consolidated Statement of Comprehensive Income but instead these are shown as movements on consolidated equity.

Options have been granted over 26,666 (2016 - 286,666) shares to certain employees being: 26,666 at 14.9p per share until 30 December 2018. At 31 December 2017, performance conditions not satisfied relate to the market price of the ordinary shares of the Parent Company as quoted on AIM.

The Parent Company intends to fund any shortfall should the Employee Benefit Trust need to purchase more shares to fulfil its obligations to option holders.

Dividends on the shares owned by the Employee Benefit Trust, the purchase of which was funded by an interest free loan to the Employee Benefit Trust from the Parent Company, are waived on the condition that the Trustee shall not be liable for any losses to the Employee Benefit Trust as a result of the waiver.

27 Risk management objectives and policies

Liquidity risk

The Group holds investments in bank deposits as a liquid resource to fund its operations. The Group's strategy for managing cash is to maximise interest income whilst ensuring availability to match the profile of the Group's expenditure. Liquidity is further managed by tight controls over expenditure.

Credit risk

The Group's exposure to credit risk arises from holding cash and cash equivalents. The Group places funds on deposit directly with banks. Group credit policy limits deposits to an approved list of specific banks, which is compiled taking into account various factors including credit ratings.

The Group's exposure to credit risk is also attributable to its trade receivables, which, as set out in note 17, at 31 December 2017 were £6,743,000 (2016 - £3,314,000). The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. There are doubtful receivables of £33,000 at the end of 2017 (2016 - £31,000).

Interest rate risk

A further risk arising from the Group's financial instruments is interest rate risk. The directors consider the principal element of risk directly arising from changes in interest rates relates to the level of interest income earned on bank deposits. Funds are invested to maintain a balance between accessibility of funds and competitive rates of return whilst investing funds safely.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

27 Risk management objectives and policies (continued)

Foreign currency risk

The Group undertakes contracts denominated in foreign currencies (principally Euro and US dollar) leading to an exposure in exchange rate movements for both sales and purchase transactions. Where they cannot be offset, forward exchange contracts are utilised to minimise the risk.

28 Financial commitments under operating leases

Future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Parent Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Land and buildings				
Within one year	579	587	15	36
From one to five years	1,313	1,672	-	15
In more than five years	2,831	3,479	-	-
	4,723	5,738	15	51
Office equipment and motor vehicles				
Within one year	43	60	-	-
From one to five years	2	22	-	-
In more than five years	79	-	-	-
	4,847	5,820	15	51

No company in the Group sub-leases any of their leased premises.

Land and building operating lease payments represent rentals payable by the Group for all of its properties. Leases are negotiated for periods of between 1 and 25 years and rentals are fixed for an average of 5 years.

At 31 December 2017, the Group had no capital commitments (2016 - none).

29 Contingent liabilities

As part of the Group's long-term contract trading activities, £531,000 of performance and warranty bonds (2016 - £156,138) have been issued to customers. No liability is expected to arise and no provision is made in the accounts.

30 Related party transactions

There were no related party transactions during the reporting period.

During the prior year, the Parent Company incurred £30,000 of expense with BIE Executive Limited. Richard King was the Chairman of both BIE Executive Limited and TPG Group Plc at the time the expense was incurred (resigned as director on 31 December 2016).

31 Subsequent events

Post-period, the directors have reached an agreement with the local management to dispose of the trade and assets of our low-end fabrication activity, based in Oldham, Lancashire, under a management buy-out. The disposal will be completed for a total consideration of £0.3m, payable over the next 3 years.

Company Information

Company Number

3152034

Directors

P Cartmell - Chief Executive Officer
A McCree - Non-executive Chairman
S Kings – Executive Director (resigned 9 February 2018)
D Stroud – Chief Financial Officer (appointed 1 March 2016)
P Holland – Non-executive Chairman (appointed 21 February 2017)
J Warner-Allen – Non-executive Chairman (appointed 27 February 2017)

Secretary

C MacPherson

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