tpgroup

Innovation / Trust / Delivery

TP Group **Annual Report 2019**

Innovation / Trust / Delivery

TP Group is a technology services business, working to make the world a safer place, employing more than 400 highly skilled individuals across six European countries.

Our people deliver mission, business and safety-critical services and equipment across three high growth sectors - defence, space and energy.

We operate through two distinct but highly complementary integrated business units - Consulting & Programme Services and Technology & Engineering.

Our profitable and growing business has significant revenue visibility through long-term contracts and has amassed a significant order book and future business pipeline.

This approach has helped to insulate us from extreme events such as the COVID-19 outbreak; further details are contained in the relevant section of the CFO's report.

Our strategy is to leverage our expanding geographical footprint and to continue to build upon our ongoing investment programmes, focusing on internal capability improvements alongside external partnerships and acquisitions in order to continue delivering shareholder value.

Strategic Report
01 Highlights
02 At a glance
04 Automation & intelligent decisions
06 Chairman's statement
08 Market review
12 A strategy for growth
14 Business model
16 Space sector
18 Chief Executive's statement
22 In-situ clean gas production
24 Financial and operational review
31 Key performance indicators
32 Corporate social responsibility
38 Section 172 statement
40 Principal risks and uncertainties

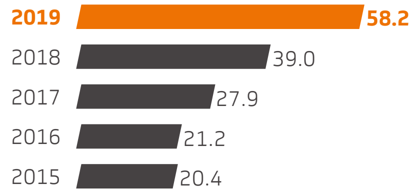
Governance
44 Board of Directors
46 Directors' report
49 Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements
50 Corporate governance report
54 Remuneration report

Financial Statements
56 Independent auditor's report to the members of TP Group plc
62 Consolidated statement of comprehensive income
63 Consolidated and Parent Company statement of financial position
64 Consolidated statement of changes in equity
65 Parent Company statement of changes in equity
66 Consolidated and Parent Company statement of cash flows
67 Notes to the financial statements
111 Company information

Group revenue[1] up 49%
(2018: £39.0m)

£58.2m

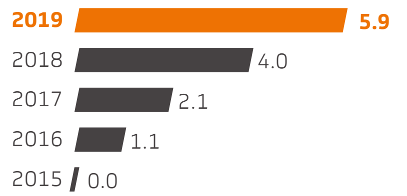
Group revenue (£m)



Adjusted operating profit[1,2] up 48%
(2018: £3.8m)

£5.9m

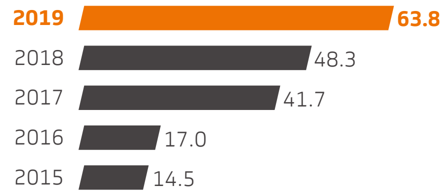
Adjusted operating profit[1,2] (£m)



Group closing order book up 32%
(2018: £48.2m)

£63.8m

Group closing order book (£m)



Revenue up 49% to £58.2m

(2018: £39.0m)

- Organic growth 16% (£6.2m), Technology & Engineering up 10%, and Consulting and Programme Services up 29%
- Added £13.0m revenues, or 33% growth from acquisition of Westek[3] and Sapienza[4]

Adjusted operating profit[2] up 48% to £5.9m

(2018: £4.0m)

- Organic growth of £1.1m (c. 28%)
- Additional £0.7m of profit contributed by acquired companies, Westek[3] and Sapienza[4]

Operating losses[2] £1.7m

(2018: nil) include:

- Acquisition-related expenses of £1.5m (2018: £0.7m)
- Earn-out provision of £1.6m (2018: £0.6m) relating to Westek[3] and Sapienza[4]

Closing cash of £6.6m

(2018: £22.4m)

- £7.7m cash used in the acquisition of Sapienza[4]
- Settlement of final earn-out payments, £2.0m for Polaris[5] and Westek[3]
- £1.5m Invested in AI technologies, business systems and infrastructure

Order intake £73.8m

(2018: £43.2m)

- Organic growth of £8.4m (c. 20%)
- Opening order book of £15.0m acquired with Sapienza[4]
- Additional £7.2m new orders post- acquisition from Westek[3] and Sapienza[4]

Group closing order book up 32% to £63.8m

(2018: £48.3m)

- Organic growth of £5.5m
- Includes additional £10.0m from Sapienza[4]

1 2017 values are restated to reflect the impact of IFRS 15; prior years are as originally reported.
2 Refer to the CFO Report section "Adjusted operating profit" for the bridge from operating loss to adjusted operating profit.
3 Westek Technology Ltd. acquired November 2018
4 Sapienza Consulting Holdings B.V. acquired April 2019
5 Polaris Consulting Holdings Ltd. acquired December 2017

A resilient and sustainable business, relied upon for mission-critical equipment and systems

Better decisions

We are specialists in Artificial Intelligence ("AI"), Machine Learning and Spatial Computing. Using the digital landscape as the environment, we use advanced tools and technical know-how to provide business and military leaders with the insight and methods to make effective decisions.

Read more on p4

Safe, reliable systems

We deliver complex technology and systems that are relied upon for mission performance. Our solutions are designed and built to perform in the most challenging environments whilst protecting those depending on them.

Read more on p16

Experience and innovation

With over 75 years of history, TP Group and its subsidiary companies have unparalleled experience in providing equipment for a wide range of operating conditions. Our continuous focus on research, development and innovation gives end-users confidence in our technologies' safety, reliability and performance.

Read more on p22

Our mission

To design, develop and deliver advanced technologies, and to provide world-class services and support to mission-critical programmes in high-value sectors.

Working with TP Group our customers can:

- make better decisions
- deploy safe, reliable and effective systems; and
- benefit from our experience and innovation.

Key statistics

30%

per year growth in revenue over the last four years

>430

skilled and experienced staff

Operating from facilities in

6

European countries

Delivering to

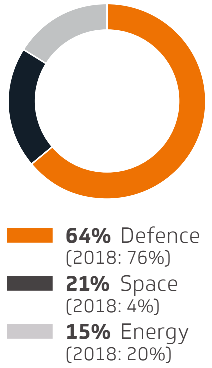
>30

countries worldwide

Our sectors

TP Group provides critical equipment, technology and services to customers working towards global safety and sustainability goals. Currently, TP Group focuses on three core sectors defence, space and energy.

Revenue has grown in all three sectors and the Group has diversified its activity in order to reduce its reliance on the defence sector. Some 36% of 2019's revenue derived from the space and energy markets.



Defence

The foundation of our business for many years has been complex equipment and systems for defence forces around the world. These programmes provide long-term, high-value business, and are a platform for innovation that is transferable to other addressable systems and sectors.

Space

The most notable shift in the balance of our work this year has been the expansion of activities in the space sector. Our expansion into this increasingly valuable sector has been achieved through a combination of organic growth and the acquisition of Sapienza Consulting Holdings B.V. ("Sapienza").

Energy

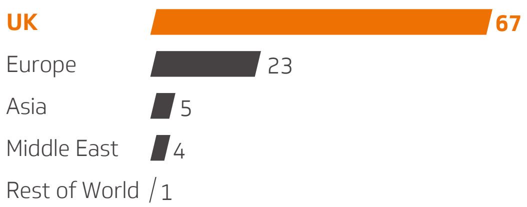
The energy sector is recovering from past pressures on traditional sources whilst evolving rapidly to meet new sustainability challenges. TP Group is active in both traditional and emerging energy markets, benefitting from increasing business in static equipment for downstream oil and gas and nuclear power, while also transferring proven knowledge and equipment into the burgeoning renewables sector, particularly in the field of hydrogen production and storage.

Serving a global market

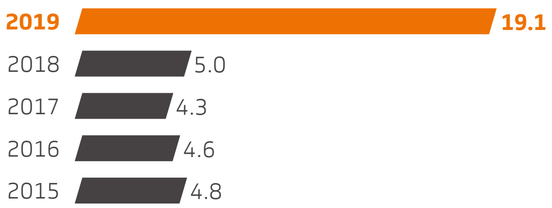
The Group's non-UK revenue grew substantially this year. Our improved international outreach almost doubled the organic non-UK sales achieved in 2018. This was complemented by the contribution of more than £9m of turnover from Sapienza. The most significant growth was seen in Europe and the Middle East, with other regions holding stable.

We are actively exploring business opportunities across Europe and North America, which continue to be areas of significant potential for the Group.

Geographic Reach (%)



Non-UK revenues (£m)



Automation & intelligent decisions

Our AI technology is helping to manage critical and dangerous missions to reduce risks to personnel and enable greater confidence in achieving the intended outcomes

A “big data” approach to critical systems has allowed us to build digital models of complex situations and then apply AI to help customers manage their way through them. We have built autonomous navigation, pattern recognition and complex optimisation systems for safer and swifter management decisions. We have great ambitions in this field and plan to invest further in partnerships and acquisitions, whilst augmenting our own capability to develop new technology solutions that make the most of this exciting opportunity.

>20,000

viable routes considered in under a second, every second, to find the optimal solution

Executing strategy with focus and commitment.

Andrew McCree
Non-executive Chairman

During 2019 we have made significant progress. Our business is now much more diversified and balanced, both geographically and in the markets we serve.

This gives us a more robust foundation in uncertain times, and a solid platform from which to deliver growth.

"We have a robust business to handle uncertain times, and a solid platform for future growth."

We outlined the Group's strategy over the last few years in last year's Report. I am pleased to note that under our excellent leadership team the business has executed this strategy with focus and commitment.

We continue to drive the Group strategy by focusing on:
- **Organic growth**: Our business development teams are winning more new contracts and deepening our existing relationships with key customers. We continue to invest in capability to maintain competitive leadership and grow our core business.
- **Technology transfer**: Our proven technologies and equipment can be extended into new uses with careful investment. This becomes even more valuable when we combine the separate assets of our expanding Group and offer them in combination to meet new requirements.
- **Acquisitive expansion**: We will seek to make acquisitions where the strategic fit is complementary to our existing activities and/or will allow us to provide a more extensive and integrated offering to existing and new customers.

The success of this approach is demonstrated by £19.2m revenue growth in the year, of which 32% was through organic expansion of the core business, with the remaining 68% added through our acquired businesses.

We have expanded our operating footprint in Europe this year and our goal is to extend this even further to become a truly global company.

Governance

The Board has continued to drive transparency across the business with a focus on financial robustness. This is demonstrated by our adoption of the QCA Corporate Governance Code to operate effectively within the current uncertain and evolving business landscape.

We have also given priority to ensuring that the best available talent is attracted to, retained and developed inside the business.

People

We are committed to a performance culture, with high levels of employee engagement across all our locations. Headcount has grown steadily in all areas of the business, reflecting the Group's growth in 2019.

We take great care to make TP Group a safe and attractive place to work:
- leadership development has been a priority with both individuals and the team undertaking several training and development programmes;
- we invested in almost 1,000 training days in the year;
- we are aiming to have 20 apprentices across the Group next year, up from five in 2019;
- in 2019, we invested in an employee wellbeing programme and trained 12 people as specialist responders; and
- put in place suitable working patterns and home-working arrangements to sustain activity through the COVID-19 outbreak.

We believe our investment in employee welfare, future talent and career development has created a collaborative and positive working environment. Our team members now have an average length of service across the Group of more than five years, with 14 employees having more than 25 years' service.

I would like to take this opportunity to thank all our employees for a very strong performance this year. In particular, the Board wishes to record its appreciation for the performance of the executive team, led by the Chief Executive Officer, Phil Cartmell.

Outlook

In the last four years we have made progress technically, commercially and now geographically. We have also built a very strong executive leadership and management team to drive us forward. There are great opportunities ahead of us to apply our technologies and skills in new and exciting areas.

Our priority in these challenging times is to remain financially prudent and build a robust financial base. This has been demonstrated through our responses to COVID-19 where we continue to operate in a safe manner and at a sustainable level across both the CaPS and T&E business streams to protect the health and welfare of our staff and the interests of all our stakeholders. We will continue to focus on building a successful business which is attractive to customers, employees and investors. We will also carefully seek acquisitions.

With the solid foundations we have built, and the talent available to us, I am very confident in the prospects for the Group for the year ahead and beyond.

TP Group is a compelling business proposition with:

- **experienced and proven leadership team with a track-record of consistently delivering growth – averaging 30% year-on-year revenue growth since 2015;**
- **consistent M&A track record with successful acquisitions completed each year since the fundraising in July 2017;**
- **technical leadership and differentiation enabling us to deliver capabilities that are critical to our customers;**
- **strong positions in key programmes with the potential for long-term, high-value engagements;**
- **international demand for the Group's capabilities and know-how, balanced by increasingly global presence;**
- **long-term strategic relationships with blue-chip customers;**
- **operations in complex, regulated markets with significant barriers to entry; and**
- **a focus on operational performance, quality, on-time delivery and cash generation.**

Defence / Space / Energy

Defence

64% of Group revenue in 2019

TP Group works with defence forces and their prime contracting partners in addressable markets around the world. These are principally in the UK, Europe and Asia where we have developed a strong track record of delivery and support.

Elevated security tensions have led to:

- increased focus on intelligence, communications and networking of deployed forces, an area in which TP Group has extensive experience;
- increased contact with the United States military/industrial sector to explore opportunities to share technology and capability;
- innovation to remove humans from harm's way – enhanced situational awareness technology and autonomous vehicles are both part of this trend; and
- greater European co-operation through NATO following the increased budget commitments made by member states.

Market analysis indicates that, alongside the continuity of major programmes in the UK, there will be growing defence spending in Germany and France. In France, an increase in resources of €1.7bn is planned in 2020 for modernisation of major equipment, creation of new roles and innovation, including delivery of the first Barracuda class attack submarine.

Space

21% of Group revenue in 2019

Space is a growing global market with significant opportunities for TP Group. The sector is diverse, and increasingly complex as institutional operators like the European Space Agency ("ESA") and NASA are joined by a number of other private sector players. As the sector diversifies, we are witnessing:

- headline missions such as NASA's $35bn Artemis programme to put astronauts back on the Moon by 2024, leading on to multiple sustainable missions by 2028 and then onwards for human exploration of Mars;
- increasing collaboration between NASA, ESA and other international agencies to deliver these missions; and
- the falling cost of commercial access to space has led to a rise in capacity which in turn creates a new demand for traffic management solutions.

Energy

15% of Group revenue in 2019

In the energy sector, after several subdued years, there is evidence of planned long-term investment. TP Group is well placed with proven solutions, experience and innovation to support:

- downstream petrochemical processing, particularly where this can be matched with carbon capture, utilisation and storage initiatives; and
- emerging initiatives to generate energy from sustainable sources and then store and distribute this energy safely and efficiently.

We believe that TP Group is well positioned to provide programme support services such as system engineering, cost management and programme assurance. The Group should also be able to apply our experience of habitation management systems and the use of artificial intelligence for a variety of control and management challenges.

TP Group's innovative responses

> **We have great experience in each of our market sectors, the ability to transfer skills and solutions between them, and have an increasingly balanced business as a result**

01 Big data, AI and decision support

Artificial Intelligence, decision support and other "big data" solutions are invaluable in understanding the world around us and responding intelligently.

TP Group consultants have been active in this field since 2015 and have seen opportunities arise in:

- **autonomous routing of unmanned vehicles** – initially maritime, where the first autonomous vessel will be delivered to the Ministry of Defence this year. The approach is now extending to other uses as potential applications unfold;
- **optimising the response to complex and changing scenarios** – multiple upstream gas rigs or offshore wind turbines; and
- **pattern recognition amongst high volume data transmissions** – threat assessment by counter-terror intelligence teams.

We have invested in capabilities to deliver digitisation support, a toolset of AI technologies known as North Star ("North*"), plus training and consultancy to work across the full range of our market sectors

02 Habitation systems

Building upon decades of experience in submarine atmosphere management, TP Group is working on adapting habitation systems for other scenarios. Different challenges exist in spacecraft or small submersible vessels, and our experience in delivering crew safety and comfort has wide-reaching applications beyond our traditional systems.

03 Hydrogen and zero-carbon energy

There is a growing market for zero-carbon energy that is available on demand. This involves generation and storage, and then the means to use the available energy. We are investing in a technology transfer campaign to adapt our proven electrolyser systems to meet this challenge. We have an impressive track record in designing and producing gas management systems for safe and reliable long-term use in difficult environments. We therefore believe that we have a competitive head-start in this rapidly expanding market and are working with partners to deliver consultancy services and to develop innovative or "first-of-a-kind" solutions.

04 Deployed electronic systems

Military operations are becoming more digital, more mobile and need better and faster communications to assure mission success. As well as supporting end-to-end communications systems for the British Army, TP Group is working on the Skynet military communications satellite programme. Another piece of the jigsaw is the mobile computing power that is needed to enable deployed personnel to be more self-sufficient whilst connecting better with remote command centres. We provide a range of rugged computer systems and other devices to support troops and extend their power wherever it is needed.

05 Software solutions

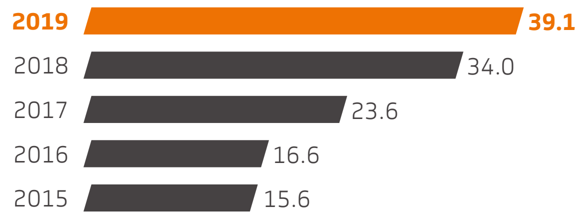
We work across the software spectrum to support our customers, from bespoke system development, through assurance of third-party systems to the creation of licensed software solutions that are used by many of our large customers as part of their everyday activities. The ECLIPSE suite of project management tools is used by many of the European aerospace prime contractors and the North* AI toolset is now available for complex decision support. The Group is also delivering software-as-a-service such as an AI-based project resourcing tool developed by Sapienza that is gaining momentum in the Netherlands and will extend to a wider user community this year.

06 Regional analysis

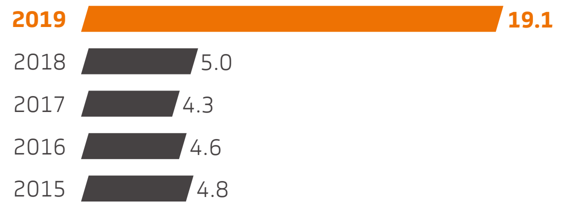
Since 2017 we have been building our outreach to global customers and markets and have now seen the returns on that effort. 2019 revenue growth from non-UK customers was almost equally split between organic growth and business coming through the Sapienza acquisition.

We continue to pursue global opportunities, particularly in the United States where defence spending is greater than the next seven largest spending countries combined, and NASA spends approximately three times the European Space Agency's budget each year.

UK revenues (£m)



Non-UK revenues (£m)



Technology / capability / relationships / growth

We are focused on enhancing our portfolio of advanced technologies and related services, improving our ability to serve high-value and loyal customers, whilst investing in our capabilities, competitiveness and culture to deliver a truly global business.

Strategic priorities	2019 achievements	2020 priorities	Metrics
01 Sustainable competitive leadership in complex, mission-critical systems	• Invested in AI systems to develop the North* suite of tools • Introduced Westek rugged servers into the Group's product offering • Added ECLIPSE project management software to extend support of complex project delivery	• Continue to develop AI and other software technologies • Develop commercial hydrogen power solutions	Approximately £0.6m invested to support AI development in the UK plus additional investment through Sapienza for similar purposes in the Netherlands.
02 Drive value from excellent relationships with major customers	• New contract with GE Baker Hughes worth £6.4m for nuclear condensers • Further £16.9m contract for defence equipment with a long-standing major customer • Addition of European Space Agency as a key account following the acquisition of Sapienza	• Develop relationships with aerospace prime contractors across Europe • Build long-term relationships for consulting and services	c.61% of revenue was drawn from our top six customers
03 Invest in best-in-class operating capabilities and technologies	• Significant additions to our UK-based AI development team • Investment in refresh and upgrades of all UK manufacturing facilities • 1,000 days of training accumulated across the Group	• Investment plans developed for growth initiatives to support technology and services delivery • Support staff in delivering the Group's high-performance culture	£3.4m investment in equipment and capability in last three years
04 Supplement organic growth with suitable acquisitions and partnerships	• Acquired Sapienza Consulting Holdings B.V. • Integrated Westek into the Group and linked them with central resources such as business development	• Acquisition potential in a range of technologies, services and locations • Working closely with partners to develop new customer solutions	3 acquisitions completed since the 2017 fundraising
05 Expand our geographic reach in customers and capabilities	• Sapienza acquisition added to footprint across Europe • Committed to opening a business unit in France • Non-European business almost doubled, primarily due to growth in the Middle East oil and gas sector	• Opportunity creation and capture in the United States • Establish a significant business in France	c.33% of staff are now based outside the UK

Acquisitions

About Sapienza

Founded in 1994, Sapienza is a leading European provider of workforce, engineering services and IT solutions to space and defence customers.

Based in Noordwijk, near Leiden in the Netherlands, Sapienza has operations in six European countries and supports private and governmental clients in the high-tech, high-reliability, and security-concerned space and defence sectors. Sapienza's teams consist of space-engineers, software experts, security and IT specialists, administration professionals and business consultants.

A truly international business, Sapienza has more than 30 nationalities represented in its workforce, has worked with the European Space Agency for 25 years and has supported more than 50 ESA missions.

As well as providing workforce solutions and engineering services, Sapienza has developed the ECLIPSE software suite. ECLIPSE is a collaborative suite of integrated applications that helps space project and mission teams achieve higher efficiency, better co-ordination, control, and compliance with applicable quality standards. ECLIPSE now has more than 20,000 active users worldwide.

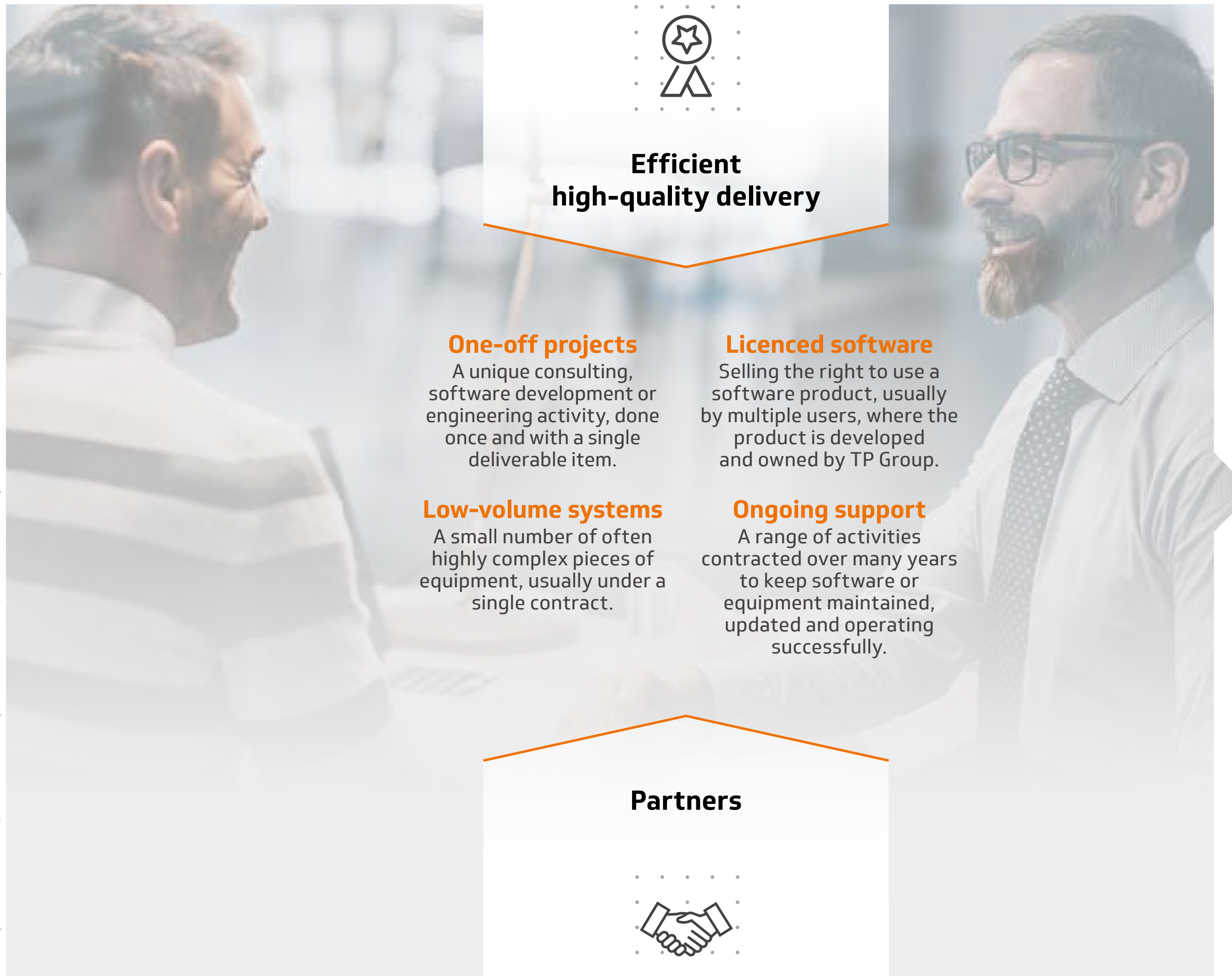
TP Group delivers advanced technologies, world-class services and support to critical programmes in high-value sectors.

Consulting and technology solutions are the core of our business and cover the full life cycle from early stage problem-solving through project setup, both technical and economic, through build, integration, delivery and onward usage. Some of the systems we work on can have service lives greater than 30 years, and we provide services and support throughout.

High-value projects and long-term support arrangements offer a visible revenue stream that can be re-invested into the existing business to sustain market-leading positions and contribute to acquisitions that drive step-change growth and expansion.

Our capabilities

- Strategy
- Analysis
- Software development
- System Engineering
- Project Management
- Design
- Manufacturing
- Customer support



Customer value

High-value systems that are mission-critical for our customers' safety and performance.

Organic improvement

Acquisitions

Invest

Income

Space sector

TP Group provides technical, mission, project and commercial support to major space programmes. We are proud to be part of the most extensive exploration and discovery activities ever undertaken.

The Group is committed to building an increased presence in global space programmes. We are now key contributors to the UK Skynet programme, and, with the acquisition of Sapienza, have a multinational role in several European institutional space missions. Our ambitions go well beyond our current role and we are working towards participation in future NASA, ESA and private sector programmes.

$35bn

budget for NASA, ESA and others to collaborate in putting humans back on the Moon in 2024.

I am very pleased to look back on another excellent year of progress for TP Group.

Phil Cartmell
Chief Executive Officer

> **Combining our culture, teamwork and technology we have ambitious plans for the future of TP Group.**

2020 initiatives

In 2020 we will focus on:

- **managing the business across multiple geographic lines to strengthen our position in each location and provide clarity and consistency as we expand further;**
- **developing our position and proposition in Europe and North America to access the significant market potential available there;**
- **investing in our technology to ensure competitive leadership in the emerging AI, Machine Learning and Big Data opportunities;**
- **strengthening our offerings, capabilities and commercial position in the space sector worldwide; and**
- **investigating technology transfer options where our existing heritage can be applied to emerging challenges, for example our proven electrolyser solutions being applied to hydrogen generation.**

All of this will be underpinned by a relentless focus on securing and assuring the success of the core business, which continues to provide the foundation of our growth ambitions.

We have grown the business by almost 50% over its 2018 revenues and converted that into Adjusted Operating Profit, which is up 48%. This is the fourth consecutive year of growth and we generated almost three times our Group revenues of 2015.

We now offer a broader technology and services proposition and are significantly more diversified geographically. This was a reflection of the substantial organic growth in the Group's core business, as well as carefully selected acquisitions that have taken us into new markets. These add value today and prepare us well for future expansion.

We are, however, mindful of current circumstances in relation to COVID-19 and the challenges it presents for our business, the people within it and our plans for the future.

Strategy

We set out our strategy several years ago and have committed to it fully. We are now seeing consistent growth and value creation as a result.

Our clear focus is on the strength of our technologies and services, our access to high-value market sectors and the expansion of our geographic reach. We have invested in our core business to provide solid foundations and took an entrepreneurial approach to acquisitions and partnerships to make rapid progress where opportunities arise.

Acquisitions and progress against strategic objectives

During the year, the Group took a big step forward with the acquisition of Sapienza Consulting Holding B.V. This group of privately held companies provided us with a substantial presence in the European space and defence sectors, new service and software offerings and a mature footprint across six European countries.

With that acquisition we have significantly increased the Group's capabilities and achieved a more balanced business in terms of geography, market sectors served, and services offered. As ever, our integration and cross-selling potential grows over time and we are seeing this with Sapienza's excellent project management software suite, ECLIPSE. This software originated in the space sector and is now being picked up across TP Group's other customers in the defence and energy sectors.

We will not stop there and continue to target advanced technologies and services that are incremental to our position and that will give us greater access to higher-value markets.

Organic growth remains important, and we will continue to develop the capabilities and assets we have. As the acquired companies join the Group, we have great potential to link them together and take them to places that they could not reach alone. This is the power of our approach and I am pleased to see it delivering as it has in 2019.

Competitive leadership

TP Group succeeds by increasing our clients' performance through the intelligent use of technology and information. Across the Group we are seeing an increasing demand for integrated solutions that combine software and systems (the technologies) with the actions of skilled and experienced people (the services) to deliver something that can be relied upon when it really matters. We see this as a differentiating requirement for our support that strengthens our competitive position.

Historically, TP Group has worked on physical systems that must work well and reliably in difficult or harsh environments. Increasingly volatile information and communications environments have created new challenges for our customers, and so our consulting-led approach becomes more relevant. We bring experience, technical skills, creativity and flexibility to guide our customers towards a suitable solution, confident that safety and performance can be assured.

Consulting and technology support capabilities were demonstrated this year by the award of contracts under the Skynet satellite programme where TP Group consultants are helping to guide the future of military communications.

Services

Our services businesses have become established as key providers of consultancy services and methods that accelerate and assure our customers' projects. Domain experience and insight, plus leadership in specialist disciplines such as cost engineering and project assurance, are important competitive advantages. These are key factors in winning new business and in extending our relationships into subsequent phases of major programmes that generate long-term value for the Group.

We have framework agreements in place with the UK Ministry of Defence, the European Space Agency and two Naval Design Partnerships. We use these as pathways to valuable projects, and through these we have become key contributors to the UK military satellite programme Skynet, and the Army's end-to-end communications system LE TacCIS. As a result, the Consulting & Programme Services business more than doubled its revenues in 2019 and is well placed to continue this growth in the coming years.

Technology

We have set out on a development path that will involve internal investment in software and capabilities, alongside customer-funded projects, to bring technology solutions to maturity as quickly as possible to capitalise on market opportunities.

"Big data" environments open many new opportunities for communications, digital transformation services, modelling and simulation, and AI. We are already active in data and communications management for defence clients like the British Army and the Skynet satellite communications programme. AI and Machine Learning expertise came with the Polaris acquisition in 2017, and rugged IT for deployed computing came through the 2018 Westek acquisition. Combining these forms the core of future diverse, integrated and highly valuable solutions, and shows how we can bring solution components together to form bigger and more comprehensive offers to our customers.

Of course, it does not have to stop there, and options are available to extend the proposition to include sensors and data capture, other software services and systems including simulation and emulation and onward transmission through 5G and other channels. This technology horizon means that we stand on the brink of a very exciting period for the Group.

The growing portfolio of technologies has led us to create a centre of excellence for technology development that we believe will be a focal point for innovation across the Group.

Engineering

Our engineering activity is differentiated by our unrelenting focus on the quality and reliability of the solutions we deliver. This was demonstrated by the Group's nuclear condenser work with GE Baker Hughes. The first contract of £1.6m was awarded in 2016, followed by a second contract received in 2019 for the balance of the programme, valued at £6.4m to be delivered by 2023.

Similarly, we started the year with a follow-on order for carbon dioxide equipment, a key part of the habitable environments we support all around the world, which was the third in an ongoing multi-unit programme.

Contracts like these are key to securing the business with long-term and high-value relationships that offer greater confidence in planning and visibility of future performance.

Geographic expansion

TP Group has always looked for market opportunities beyond our UK origins. We are key suppliers to maritime programmes in Europe, Australia and Asia, and support energy markets in the Gulf states and elsewhere.

We have historically done this through partnerships and agency agreements, and, as we enter the next phase of our growth plan, it becomes necessary to have a more direct presence in our target markets. The acquisition of Sapienza has immediately extended our European base and we have committed to taking this further in France to be part of their growing aerospace and defence activities. We now have a national office in Toulouse, with a local leadership team operating as a new TP Group subsidiary to capitalise on the potential in that country.

The Sapienza acquisition also provided us with local presence in other European countries through which we can offer the wider capabilities of the Group. Business development discussions have accelerated in Belgium and Germany and we look forward to building future business relationships in those locations.

The United States is a key target for the Group, and we have spent a significant amount of time researching our opportunities and options. We have incorporated a subsidiary company in the US as a base from which to operate, and we intend to move this forward in 2020 to access the significant opportunities in the space, security and energy sectors that have opened up for us. In the defence sector particularly, there are regulatory matters that must be navigated, so we are proceeding carefully to ensure we can achieve the best possible outcome.

Organisation

As we have grown, the Board has looked carefully at the way in which it operates the business in order to understand strengths, weaknesses and areas for improvement. As a result, the Group will be making some improvements to its operational structures and methods. These range from relatively simple steps that bring sales and delivery teams closer together to maximise efficiencies and conversion of opportunities to contracts, to changes in management reporting lines that will simplify the business and better prepare us for future growth.

These structural improvements will allow us to employ a more country-based approach, where local management has accountability for business performance and a small central team provides support, consistency of methods, and a hub into which future acquisitions or partners can be joined without disrupting the day-to-day operations of the business.

The central team will also be able to plan investment and manage strategic development projects within a governance framework that allows us to balance effective business performance with a true entrepreneurial approach to our growth ambitions.

Investing in people

The Group now employs almost 450 people and we take that responsibility very seriously. Our recruitment processes have been streamlined to bring people into the business smoothly and ensure they are productive quickly. Our culture, benefits and training programmes have been overhauled to make TP Group an attractive place to work, and we aim to retain staff through the promotion of career development and appointments to senior positions from within the team wherever possible.

Our people are clearly key to our success, and through the current COVID-19 outbreak we have taken extensive steps to support their physical and mental health and wellbeing whilst supporting our customers, maintaining our business activities and contributing to the overall economy.

Outlook

We have come a long way in the last few years and have been careful to buy, integrate and manage our businesses in order to build a solid foundation, and enable ambitious future projects. We have the culture, the resources and the team to look outward whilst the core business performs well and without distraction. The strength of our people, our customers and long-term contract positions places us very well to manage the uncertainties arising from the COVID-19 outbreak.

I believe that the next few years will be notably exciting for TP Group, and I look forward to reporting again on our progress as we expand the business further.

Core values

TP Group continues to work to a set of six core values:

These values are a way of life for everyone at TP Group and guide our behaviours and responses in all aspects of our business.

01 **Achieve together**

02 **Embrace responsibility**

03 **Strive for excellence**

04 **Build unity**

05 **Challenge ourselves**

06 **Have integrity in all that we do**

In-situ clean gas production

TP Group is working to develop modular gas production equipment in response to emerging requirements for oxygen and/or hydrogen for local use.

Recent events have drawn attention to the availability of oxygen for critical care, particularly under peak load, highlighting challenges in logistics, contingency planning and flexibility in the supply of medical gases. Emissions and clean energy campaigns are also driving demand for hydrogen as an energy source.

Modular electrolyser systems can use available water and electricity which, if renewably generated, means a genuine low-carbon solution. Using proven technologies and know-how developed under a range of submarine life support programmes, the systems can produce hydrogen or oxygen on demand to meet a wide range of end-user requirements. This approach could provide local contingency against peak load emergencies, offer a sustainable energy source and also contribute to long-term carbon reduction goals.

>40 years

experience in delivering critical life support equipment to global defence forces.

We have delivered strongly against our KPIs, both organically and through acquisitions.

Derren Stroud
Chief Financial Officer

In concluding the Sapienza acquisition, we have established a pan-European footprint which has doubled the size of our consulting business and provided us with routes to future business across Europe. The engineering side of the business has also grown, and with Westek now firmly on board, we anticipate significant further growth in this area.

We continue to invest across the business, through acquisitions, capital assets and operational resources to deliver on our strategy.

Operating Results

Order book

The Group's closing order book increased by 32% to £63.8m (2018: £48.3m). £5.5m (c.11%) was secured through organic growth and the remaining £10.0m was from Sapienza.

> **"Exceptional performance across a growing international business"**

Group Key Performance Indicators	2019 £'m	2018 £'m	Change £'m
Order intake	**73.8**	43.2	30.6
Closing order book	**63.8**	48.3	15.5
Revenue	**58.2**	39.0	19.2
Gross profit %	**29%**	29%	–
Adjusted operating profit[1]	**5.9**	4.0	1.9
Operating loss	**(1.7)**	0.0	(1.7)
Cash	**6.6**	22.4	(15.9)

Closing order book by business stream	2019 £'m	2018 £'m	Change £'m
T&E	**46.4**	42.3	4.1
CaPS	**17.4**	6.0	11.4
Group closing order book	**63.8**	48.3	15.5

Revenue by business stream	2019 £'m	2018 £'m	Change £'m
T&E	**33.7**	27.7	6.0
CaPS	**24.5**	11.3	13.2
Group revenue	**58.2**	39.0	19.2

Adjusted operating profit[1] by business stream	2019 £'m	2018 £'m	Change £'m
T&E	**5.7**	4.5	1.2
CaPS	**1.4**	0.6	0.8
Central unallocated costs	**(1.2)**	(1.1)	(0.1)
Adjusted Group operating profit	**5.9**	4.0	1.9

1 Refer to the Financial and operational review section "Adjusted operating profit" for the bridge from operating loss to adjusted operating profit

Organic growth was achieved through a balanced approach to business development across all our sectors. Significant long-term contracts closed in the year included:

- a contract worth approximately £16.9m with a leading UK defence company, to be completed by late 2021, providing advanced packaged equipment;
- an order worth £6.4m over four years with Baker Hughes (a GE company) within the nuclear sector;
- £2.6m of new and follow-on consultancy orders from the Ministry of Defence;
- €2.2m software license agreement for three years with the European Space Agency; and
- a one-year, £1.4m consulting agreement for the Land Environment Tactical Communication and Information Systems ("LE TacCIS") programme.

2019 was yet another record high in the Group's closing order book, reflecting the strong market demand for our technologies and services, matched by our investments in business development activities and updated propositions.

Order intake

The 2019 order intake increased by £30.6m (71%) year-on-year to £73.8m. This includes the £15.0m opening order book value that was acquired with the Sapienza transaction. An additional £7.2m of new orders were secured post acquisition by Westek and Sapienza. Excluding these, organic order intake growth was 20%.

Revenue

Revenue increased by 49% to £58.2m (2018: £39.0m), with growth delivered across the Group.

The existing business grew by £6.2m (16%), with the balance of £13.0m coming from a full year's contribution from Westek, and from Sapienza since its acquisition.

A strong opening order book, coupled with good order capture in the first half of the year and efficient operational execution, has delivered another record year of revenue.

In line with our strategy we have diversified and developed both geographically and across our markets.

All market sectors have grown revenue year-on-year:
- £10.5m added in the space sector to £12.1m (2018: £1.6m)
- £7.5m increase in the defence sector to £37.3m (2018: £29.8m)
- £1.2m additional in the energy sector, rising to £8.8m (2018: £7.6m)

International expansion was achieved as well as domestic growth:
- Europe up £11.7m to £13.6m
- Rest of World up £2.3m to £5.5m
- UK up £5.2m from prior year to £39.1m

Operating loss

The Group has moved from a break-even position in 2018 to record an operating loss of £1.7m in 2019. This was driven largely by the impact of acquisition-related costs that accounting standards require to be written off to the profit and loss in the period and masks the strong increase in the underlying profitability of the business. Acquisition costs expensed during the year include:
- transactional costs of £1.5m (2018: £0.7m) related to acquisitions; and
- earn-out provision of £1.6m (2018: £0.6m) relating to Westek, Sapienza and Polaris.

Excluding these acquisition-related costs, the Group would have made an operating profit of £1.4m (2018: £1.3m).

Adjusted operating profit

The directors of the Company believe that adjusted operating profit is more reflective of the underlying performance of the Group than equivalent GAAP measures. Adjusted operating profit is defined as operating loss adjusted to add back depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and impairment gains or losses on non-current assets, changes in fair value of contingent consideration, acquisition consideration accounted for as employment costs owing to ongoing service conditions, any other acquisition-related charges, share-based payment charges, non-controlling interests and non-operating costs. Non-operating costs are those items believed to be exceptional in nature by virtue of their size and/or incidence and include redundancy and restructuring costs. This provides shareholders and other users of the financial statements with the most representative year-on-year comparison of underlying operating performance attributable to shareholders. This measure and the separate components remain consistent with 2018. Refer below for details of the reconciliation of adjusted operating profit to operating loss.

	2019 £'m	2018 £'m
Operating loss	**(1.7)**	**(0.0)**
Depreciation, amortisation and impairment	3.9	2.4
Acquisition-related costs	1.5	0.6
Non-operating costs	0.3	0.2
Earn-out payments	1.6	0.6
Share-based payments	0.2	0.2
Adjusted operating profit including non-controlling interest	**5.8**	**4.0**
Non-controlling interest	0.1	0.0
Adjusted operating profit	**5.9**	**4.0**

Adjusted operating profit increased by 48% to £5.9m (2018: £4.0m). Profit from the existing business grew by 28%, or £1.1m, with the balance of £0.7m improvement coming from the acquisitions of Westek and Sapienza.

The adjusted operating profit percentage (as a percentage of revenue) is 10.1% (2018 10.2%). This reflects:
- the stable gross profit margin percentage of 29% (2018: 29%) which was derived from volume and efficiency improvements in our manufacturing facilities, offset by a change in the product and services mix through the acquisition of Sapienza; and
- further investment in operating expenses, including business development and marketing, proportionate to the prior year's adjusted operating profit percentage.

Cash and bank balances

Year-end Group cash of £6.6m (2018: £22.4m), was lower than the prior year. The key movements included:
- the cash element of the acquisition of Sapienza of £7.7m;
- the settlement of final earn-out payments of £2.0m combined for Polaris and Westek;
- £1.5m invested in business systems, infrastructure, equipment and software development; and
- working capital consumption of £4.8m arising from the timing of material payments due from two customers at year-end that were received in early January 2020, and the over-performance in cash collection that contributed to a £3.4m inflow achieved in 2018.

Note that working capital balances will vary through timing of operational delivery and receipts although these factors are typically short-term in nature.

Acquisitions, investments and disposals

In May 2019, the Group acquired Sapienza Consulting Holdings B.V. for an initial cash consideration of €10.0m plus €1.5m by way of the issue of 20,612,865 new ordinary shares and a possible earn-out of up to €2.0m over the next two years. The deal was concluded on a debt-free, cash-free, normalised working capital basis. Sapienza is a provider of highly complex solutions and skills to the European space and defence markets. With such specialist, technical services and skills, Sapienza is a highly complementary business for TP Group, with significant cross-selling opportunities. They have facilities in six European countries, which immediately expands the Group's geographic presence, improving proximity to existing customers and providing access to a new international community. Once fully integrated, we believe Sapienza will help further drive the Group's participation in future European and global space programmes.

The Group incurred £1.4m of transactional costs for acquisitions (2018: £0.7m) predominantly relating to the Sapienza transaction noted above. These were charged to the Statement of Comprehensive Income in the year.

Final earn-out payments of £2.0m have been made in the year relating to the acquisitions of Polaris and Westek in prior years.

The Group continues to invest in its facilities, equipment and technologies (principally the North* Artificial Intelligence toolset and the ECLIPSE project management software) to build capability and develop our propositions. Across the Group, £1.5m was invested in 2019 (2018: £0.9m).

On 1 July 2019, the Group invested c. €0.7m in the AI company Lift B.V. ("Lift"). Lift is based in Den Haag in the Netherlands and has developed an AI system to support rapid resourcing of large-scale technical projects.

Sapienza had initially acquired a c. 33% stake in Lift in May 2017, as part of their strategy to invest in complementary technology partners. This follow-on investment takes the Group's holding in Lift to 69%.

Lift is highly active in a range of sectors including defence, aerospace, security, government, medical and commercial, and we believe that the Group will be able to develop a number of highly complementary growth opportunities for the Lift technologies in our wider operations.

Non-operating items and earn-out costs

During the year, the Group incurred one-off non-operating and earn-out costs of £2.0m (2018: £0.8m). These relate to the business transformation actions required by the strategic plan, including employment-related restructuring costs (£0.4m), and earn-out provisions relating to Polaris, Westek and Sapienza (£1.6m).

Finance costs

Finance costs of £0.3m (2018: £0.1m) were incurred, predominantly relating to fees in relation to investments in the Manchester facility and lease interest charges following the adoption of IFRS 16 in 2018.

Taxation

The tax charge for the financial year to 31 December 2019 is less than £0.1m. Refer to note 8 of the financial statements for further detail.

The Group expects to incur in total cash tax payments of c. £0.2m net of R&D tax credits for the 2019 financial year (2018: £0.2m).

Results and dividends

The directors continually evaluate Group performance, and do not currently recommend the payment of a dividend (2018: £nil).

Brexit

As negotiations progress on the future trading relationships between the UK and the EU, the Group has looked at the potential impacts on the business in the event of no deal being agreed and reversion to World Trade Organisation ("WTO") rules. We are monitoring the negotiations and will consider the impact of any alternative scenarios as they emerge.

Our strategy is to increase our presence outside the UK to enable contracts to be placed with TP Group companies local to our customers. This country-based model allows us to act as a global enterprise to best mitigate any possible impacts of Brexit. Initially, the acquisition of Sapienza has provided an operating footprint in Europe to take local contracts in the EU, as well as substantially increasing our revenues in the global space sector. We are also in the process of establishing an operational business in France and seeking to widen our physical footprint of operations further within and outside of Europe that will help offset the potential impact of Brexit.

The Group has significant revenue that originates in the UK relating to the defence market, and therefore ultimately to UK Government spending. The outcome of trade negotiations may have a knock-on impact on the Group if it leads to a change in Government decisions on current and future programmes.

Whilst we believe our exposure to be low, we are actively managing our supply chain through a number of risk mitigation approaches. Our main risk is in the supply of raw materials, most notably steel, from the EU, where we are investigating alternate sources as back-up. However, in any event, the nature of the goods means that under WTO rules, we expect them to attract low levels of tariffs (c. 2%). Furthermore, the nature of our projects means that the business has excellent visibility of when these goods are required and can plan receipts accordingly to tie into customer build programmes.

Coronavirus

The advent of Coronavirus in recent months has placed a number of challenges before the business.

The Group is approaching this situation on a number of fronts to:
- protect the health and wellbeing of staff and their families;
- sustain the level of business activity on customer projects;
- continue dialogue with customers regarding renewals, extensions and new business opportunities; and
- manage investment in operating expenses and capital equipment where necessary.

The business is robust as it participates in several long-term strategic government and institutional programmes in the UK and overseas. More than 80% of the year-end order book can be ultimately traced to programmes from government and international institutions and major prime contractors. Many of these organisations have publicly stated their intentions to continue the pursuit of current programmes and ensure continuity of payments and integrity of the supply chains through this period, which is proving to be the case. As such, a large percentage of our order book and pipeline of opportunities are regarded as secure.

The Group's profile further protects us through the spread of our business activities across multiple sectors, and the global nature of the major industrial businesses we work with that we expect to continue operating through such events.

The Group maintains a business continuity plan that includes several relevant features:
- flexible working practices and systems that support the ability to work from home in many cases;
- employee outreach initiatives to support as far as possible the health, wellbeing and safety of our staff;
- flexible shift patterns within the manufacturing facilities to accommodate staggered activities and appropriate distancing within the facilities; and
- communications processes to facilitate and co-ordinate the running of the business and the interaction with key stakeholders.

The business is further insulated through:
- a liquid cash balance that is retained predominantly within the UK operating businesses;
- a banking facility of £7.0 m available to supplement our existing cash balance; and
- our ability to flex our plans on operating expenses and capital investment.

As of 20 May 2020 the banking facility has been fully drawn down to insulate the business against any potential COVID-19 impact. However, it must be noted that the Group's current cash flow forecast indicates that none of these funds will be required to support the Group's ongoing operational activities.

Auditor

As part of our continued drive to adopt the highest possible standards of corporate governance, the directors undertook a competitive tender process for the 31 December 2019 year-end audit. The outcome of this process was the appointment of RSM UK Audit LLP as auditors.

Going concern

The directors, having considered various scenarios for the business over the foreseeable future, including the potential impact of COVID-19, are satisfied that it is appropriate to prepare the financial statements for the group on a going concern basis.

In reaching this conclusion the directors have undertaken a sensitivity analysis to reflect the potential impact of COVID-19, over a period of at least twelve months from the date of the approval of these financial statements, on our forecasts. This analysis has been based upon market conditions and other received intelligence, and the current operational conditions within the business. Possible scenarios include:

- execution of the 2020 budget as planned through managed operating procedures;
- zero revenue growth in 2020 but continued investment in capital equipment, technologies and operating expenses in line with the 2020 budget; and
- reduced capacity or capability which impairs revenues across the business by 10% against prior year for a period of six months, and reduced investment in capital equipment, technologies and operating expenses.

In the last and most cautious of these scenarios, the Group has secured revenue cover through its February 2020 order book of c. 80% of the impaired 2020 revenues and would carry c. £33m of this order book forward into 2021. This provides considerable comfort in the Group's ability to execute this scenario.

All of these scenarios take into account the Group's existing cash resources of £6.6m, which along with the bank financing facility of £7.0m established on 3 March 2020, provides sufficient insulation against any reasonably plausible downside scenarios and risks.

Brexit has also been considered as part of this review, and whilst the decision to leave the EU has now been confirmed, the ongoing negotiations related to a future trade agreement may lead to some disruption in the short term on some TP Group projects. However, the Group has limited concern that this could impact on its ability to deliver against its forecast targets, based on:

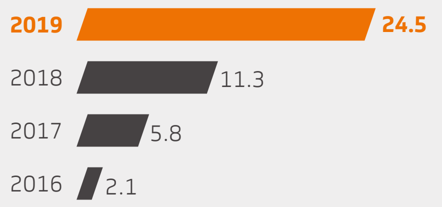
- the quality of TP Group's order book and the programmes it is involved in (both globally and in the UK);
- the acquired Sapienza business, which provides a European footprint to offset some of the risk factors;
- the mitigation actions the business is putting in place; and
- the limited impact we expect Brexit to have on the defence market (both in the UK and in the EU).

Through all of our analysis, the directors have concluded that the Group is well placed to manage the business as a going concern through the foreseeable future.

Consulting & Programme Services ("CaPS")

Our Consulting & Programme Services business provides software and specialist consultants to help our customers meet their goals. Domain specialists and advanced technologies combine to deliver operational and business transformations. We use proven systems engineering and project management approaches in mission and safety-critical situations to assure high-performance and safe operations.

Revenue Growth (£m)



Note – 2017 revenues are restated to reflect the impact of IFRS 15, prior years are as originally reported, refer to Note 2.1 to the financial statements for further details.

Business performance

- Revenue more than doubled to £24.5m (2018: £11.3m)
- Adjusted operating profit £1.4m (2018: £0.6m)
- Operating loss £0.5m (2018: £0.5m)
- Closing order book up almost three times to £17.4m (2018: £6.0m)

2019 was a transformational year for TP Group's consulting business. In addition to excellent organic growth in the UK we completed the acquisition of Sapienza, and progressed as a combined force to win new business in the space sector and for traditional defence business outside the UK.

The Sapienza acquisition contributed £9.9m of additional revenue in the year, the balance of growth being organic from the core business, adding almost 30% like-for-like.

"Flagship" contracts and relationships

TP Group has become an essential part of the operational landscape for several large organisations. These include the UK Ministry of Defence where, across several contracts, we support the end-to-end communications chain from front-line troops over satellite links to the command centre. We also work closely with the European Space Agency on most of their current and near-term planned missions.

Extending our reach

The team has started work as a trusted partner to NATO on cost assurance aspects of a range of their mission- and safety-critical systems. This demonstrates the cross-selling value that the expanded Group offers following the Sapienza acquisition.

Our Enterprise Technical Alliance continues to flourish, and now has presence in two Naval Design Partnerships, covering submarines and ships, and is in discussions to extend this arrangement even further.

Technology development

The Group has invested significantly in developing software and technology capabilities across Europe, with development and diversification of the artificial intelligence software, now known as North* suite of tools, the ECLIPSE project management suite and other new applications.

Outlook

The services side of the Group's business has embarked upon an ambitious plan to develop on three paths, with opportunities already in progress for new uses of the AI toolset, further expansion of our presence in the space sector and taking our programme assurance and systems engineering services to new customers outside the UK. The core business is very healthy and with these growth initiatives before us we are confident in the future success of the business.

Technology & Engineering ("T&E")

Our Technology & Engineering business stream designs, builds and supports complex equipment in a range of sectors which can be relied upon for long service life, in challenging or dangerous environments.

Revenue Growth (£m)

2019	**33.7**
2018	27.8
2017	22.1
2016	19.1

Note – 2017 revenues are restated to reflect the impact of IFRS 15, prior years are as originally reported, refer to Note 2.1 to the financial statements for further detail.

Based upon 75 years of engineering heritage and using our unique combination of knowledge, skills and experience, we produce high-integrity equipment from our factory facilities in Portsmouth, Melksham and Manchester.

Business performance

- Revenue up 21% to £33.7m (2018: £27.8m)
- Adjusted operating profit up 27% to £5.7m (2018: £4.5m)
- Operating profit £3.7m (2018: £2.6m)
- Closing order book up 10% to £46.4m (2018: £42.3m)

The Group's engineering businesses continued to grow organically, adding £2.8m to revenue from the core activities. A further £3.1m of revenue in the year came from the acquisition of Westek, completed just before the 2018 year-end.

Adjusted operating profit grew slightly ahead of revenue and reflects the benefit of new higher margin product mix arising from the Westek acquisition.

Westek integration

The Group has worked with the Westek team to harmonise business processes, capture operational efficiencies and make the most of the greater business development network across the Group. This has delivered several contracts including a major project with a European customer, Roda Computer GmbH, announced in January 2020.

Investing in capability

The Group invested in a £0.3m refit of both its Portsmouth and Manchester facilities including new office space, welfare facilities and lean-management initiatives within the factories.

Further investment was made in Manchester, where fabrication and welding equipment was upgraded to the latest standards, and new hydro expansion tooling was installed to speed up assembly processes and improve consistency and quality. Investment at Westek's Melksham facility increased production capacity by approximately 25%.

Outlook

Our strategy is that the engineering businesses will:

- maximise our core business by continuously improving quality assurance, efficiency and customer interaction
- deliver work into new markets like carbon capture, hydrogen storage and refuelling; and
- invest in rugged electronics manufacturing, creating a new larger factory environment

Through these initiatives the Group sees a very healthy future for our complex systems capability.

KPI trends

Order intake (£m)

2019	**73.8**
2018	43.2
2017	44.7
2016	23.8
2015	17.4

Why we measure it: Visibility of demand for our technology and services, tracked monthly to recognise any changes in the business environment.

Performance: Another strong year, intake ahead of revenue and boosted by additional order generation from Sapienza.

Link to strategic priorities:
/01 /02 /05

Order book[2] (£m)

2019	**63.8**
2018	48.3
2017	41.7
2016	17.0
2015	14.5

Why we measure it: A clear indicator of forward demand for the business. It is the basis of capacity planning and resource allocation.

Performance: Continuing to run at record levels to provide confidence in future business.

Link to strategic priorities:
/02 /03

Our strategic priorities

- /01 Sustainable competitive leadership in complex mission-critical systems
- /02 Drive value from excellent relations with major customers
- /03 Invest in best-in-class operating capabilities
- /04 Supplement organic growth with suitable acquisitions and partnerships
- /05 Expand our geographic reach in customers and capabilities

Revenue[1] (£m)

2019	**58.2**
2018	39.0
2017	27.9
2016	21.2
2015	20.4

Why we measure it: the fundamental indicator of the scale of the business and the basis upon which cash is generated.

Performance: Continuing the growth trend with an increase of 49%.

Link to strategic priorities:
/01 /02 /03 /05

Adjusted operating profit[1,2] (£m)

2019	**5.9**
2018	4.0
2017	2.1
2016	1.1
2015	0.0

Why we measure it: An indicator of the performance of core operating activities after removing transactions that are not reflective of the routine business operations.

Performance: Up 48% to continue our year-on-year trend.

Link to strategic priorities:
/01 /02 /03 /05

Cash (£m)

2019	**6.6**
2018	22.4
2017	21.9
2016	9.2
2015	7.0

Why we measure it: Allows us to manage the operational business effectively and flexibly, with resources available for investment as required.

Performance: Lower as a result of acquisition activity and investment to drive future growth.

Link to strategic priorities:
/03 /04

Productivity revenue per head[1] (£k)

2019	**159**
2018	181
2017	139
2016	131
2015	120

Why we measure it: An indicator of overall efficiency and productivity. This KPI is based upon the average of monthly productivity through the year.

Performance: Reduced slightly as expected, following an exceptional year in 2018 and through changing product and service mix.

Link to strategic priorities:
/03

Notes:
1 2017 value is restated to reflect the impact of IFRS 15, prior years are as originally reported.
2 Refer to the Financial and operational review section "Adjusted operating profit" for the bridge from operating loss to adjusted operating profit.

Operating responsibly

Everyone working as part of the business (whether as employees, contractors or advisors) is expected to embrace our ethos to strive to engender a way of working that does not compromise our integrity or high standards of business conduct.

During 2019 we have reviewed our Code of Conduct and our approach to corporate governance (refer to the Corporate Governance Report for details of our approach) to ensure its continued fitness for purpose within our evolving and growing business landscape. Together, these cover a wide range of areas which enable us effectively to define the standards of behaviour and conduct that we expect as a responsible business.

Employee engagement

We actively encourage employee engagement throughout our sites, and our management teams at even the most senior levels adopt an "open door" policy. Establishing the Reading office in 2019 enhanced our open engagement culture, becoming a central hub for multi-team meeting opportunities. The roll-out of a regular quarterly magazine, "The Circle", and greater use of social media accounts has driven better information sharing, and the adoption of a new HR online portal ("HRIS") means that all employees have access to key company news and information.

We continue to drive our core value programme, "Team **tpgroup**", and during 2020 plan to create an online "handbook" to capture the "TP Group Way" – covering our ethos, culture, Group-wide and local ways of working and key policies and information.

Our core values were created in collaboration with our employees and encompass all our beliefs at TP Group. They are:

- **Achieve together** – thrive on knowledge sharing, helping each other and delivering projects as a team.
- **Embrace responsibility** – take responsibility for our own work. Trust our people to deliver their projects and have ownership in what they do.
- **Strive for excellence** – constantly strive to achieve the highest standards in our work.
- **Build unity** – work cohesively with our colleagues, customers and partners to build strong and lasting relationships.
- **Challenge ourselves** – challenge ourselves and our people to develop and grow. To learn new things and to always seek to improve what we do.
- **Have integrity in all we do** – always conduct our business fairly, with honesty and transparency.

We drive a culture of respect for one another (supported where legally required by appropriate policies) and make every effort to ensure that the work environment, whether in an office, workshop or other location where work is carried out, is open and comfortable.

Remote working

As part of the Group's business continuity planning and flexible working provision, we have invested in business technology, processes and equipment to enable staff to work flexibly in terms of location and timing where this is possible. This includes enabling access to the Group's networks, which remain subject to our cyber security protocols.

This approach has proved to be an essential part of the Group's response to the COVID-19 outbreak.

Remote working was at the heart of this and software tools were adopted to create a standard route by which staff can securely access their company desktop wherever they are. This has been proven on laptops and iPads, in customer facilities, hotel rooms or back at home. It is a truly flexible infrastructure from which to deliver customer projects with minimum disruption.

Community engagement and volunteering

We are committed to community engagement and volunteering within our local communities. Our STEM (initiatives in Science, Technology, Engineering and Mathematics education) programme where all employees can engage in extracurricular education for children and young people continues to be a success, with a number of our employees actively engaged in this initiative. Our people understand the importance STEM plays in schools and wider education. If young people choose to pursue careers outside of engineering, then the UK will not have enough resources to meet demand in this critical field. That is why in 2020 we intend to provide 100 hours of voluntary community engagement in the STEM areas.

Our people are also involved in raising money for a range of charities, both individually and as a company, with events for Cancer Research, Mind (BlueLight Works) and others taking place over the course of 2019.

During 2019 we registered as a Disability Confident business and have also signed up to the Armed Services Covenant.

Diversity and inclusion

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.

We do not tolerate any forms of bullying and have clear policies on safeguarding against and reporting this type of behaviour. 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. During 2019 we invested in a series of online training courses, made available to key staff, and covering key aspects such as harassment, data protection, security and bribery. It is planned to extend this during 2020 with more modules and a wider reach across all staff.

Training and mentoring

TP Group is committed to ensuring that all employees can meet their career aspirations, and as such place a high value on the development and mentoring of its staff. As well as making sure that all employees are fully trained in their specific job roles, we also offer a suite of development opportunities delivered by both internal and external providers based on an individual's career path and learning requirements. To ensure that we continue to look to the future, we develop both our current and future leaders with a variety of leadership development opportunities and, for those who are early in their careers we are looking at developing robust graduate and apprenticeship schemes which will allow us to continue to recruit and retain the best talent. Several more experienced employees, actively supported by the Company, have been linked with mentors to support them through the next stages of their chosen career.

Anti-bribery and corruption

We have a clear anti-bribery policy supported by a robust process which is followed across the business and regular training to put in place all reasonable steps to ensure full compliance and control in this area. 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.

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. 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 we 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; or

We do seek to 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.

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.

TP Group first published its formal Anti-Slavery statement during 2019 and a copy of this is accessible through our website. We continue to review our supply chain management processes and our internal training to ensure that we drive the right behaviours in this area and can make improvements as needed.

Environment

We comply with all laws and regulations concerning the protection of the environment wherever TP Group may operate and keep informed and aware of environmental issues concerning the Group and its business.

Many of our businesses are accredited to ISO 14001, which is the environmental management system. The measures in place for the EMS system and associated external audits, ensure that these businesses do not damage the environment. Those that are not yet accredited conduct environmental assessments to raise awareness amongst their employees to protect the environment against damage.

Reducing water/waste

TP Group is very mindful of consuming less water and producing less waste. At all of our sites there are recycling bins appropriately labelled to dispose of items correctly. Metrics of usage are monitored against targets set to reduce both waste and water.

The following sets out TP Group's section 172 statement.

Background

From 1 January 2019, companies meeting certain criteria are required to include a specific statement in their Annual Report regarding their understanding of and compliance with section 172 of the Companies Act, 2006. A director of a company must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

The board of directors are fully aware of their responsibilities and work actively to review and promote the success of the Company through robust internal and external reporting practices. TP Group arranges for the full board of directors to have regular update training concerning their obligations under S172, with the next training scheduled for mid-2020. Additionally, the Company Secretary and external advisors are available as and when needed to advise on any specific matters arising related to the duties of the directors under the Companies Act.

Effective stakeholder engagement

A specific aspect of the new reporting requirements has regard to the manner in which key stakeholders of the business are identified and how the Board can ensure that their interests are taken into account as part of any key decision-making process.

Engaging with our stakeholders strengthens our relationships and helps us make better business decisions and deliver on our commitments. The Board is regularly updated on feedback from wider stakeholder engagement to stay abreast of the issues that matter most to them and our business, and to enable the Board to understand and consider these issues in any decisions made.

TP Group has identified its main stakeholders as being its:

- shareholders;
- customers and suppliers; and
- employees.

Shareholders

TP Group remains committed to listening to and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what investors and analysts think about us, and in turn, helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market via regular investor roadshows and our reporting activities.

There are a number of methods for engaging with and informing shareholders. The Regulatory News Service ("RNS") ensures that relevant updates are provided in near-real-time to the market and we work closely with our Nominated Advisor ("NOMAD") and communications advisor to ensure that the appropriate information is released in a timely fashion.

We hold regular meetings with key shareholders, usually coinciding with half-year and end-year updates. Our AGM is held typically in June each year and is open for all shareholders to attend. Notice of this is issued in accordance with our Articles of Association and details are published each year on the company website.

In addition, the Board are available to meet with or talk to shareholders for any specific matters arising through the year.

Customers and suppliers

Across the Group, we many long-standing and highly successful relationships with large customers and suppliers worldwide. We seek to have appropriate, risk-balanced agreements in place with all our customers and suppliers to create proactive working relationships across the supply chain.

Effective communication across our supply chain is key and this is managed both formally (via scheduled meetings, audit activities, project management reporting etc.) and informally through day-to-day contact. Many of our customers are themselves providing equipment and/or services to end-users and so we aim to be flexible (within sensible boundaries) and open to the requirements they may have.

For our larger "key accounts" we appoint Account Managers who maintain responsibility for all relevant dealings. Our account and supply chain management teams are encouraged to build proactive open relationships across the supply chain in order to understand and respond to their needs. This stands us in good stead when we require support from time to time on specific matters – for example, we are able to have open discussions about payment profiling when required.

Our consultancy services business often operates as "Customer Friend" and we are trusted and relied upon to provide clear, unbiased advice and guidance across a range of critical programmes in this regard.

Employees

Alongside our shareholders, suppliers and customers, we recognise that our employees are one of our most important stakeholder groups. We have implemented a series of employee development and management training programmes across the business and the Board is looking to roll-out an appropriate form of employee feedback forum and/or survey. We have additionally invested in a series of online tools and systems to ensure effective communication with our employees and, during 2019, introduced a quarterly newsletter, "The Circle", for all employees.

The development of our company Core Values programme, and regular review of our company Code of Conduct, our key policies and ways of working ensure that employees have the tools and information they need to perform effectively within the business. As we continue to grow, both organically and via acquisition, we are continually seeking ways to ensure that the underlying culture within TPG Group can be maintained and understood, and that all employees feel valued.

Key decision-making

Decisions around matters such as acquisitions, key hires, market diversification and risk appetite are taken from time to time by the Board. A key element of the decision-making process is how each of the key stakeholder communities may be impacted.

We ensure that the needs of shareholders are balanced with those of our customers and suppliers, and those of our employees, by considering carefully the impact (positive and negative) that such decisions may have.

We believe that we take a robust but commensurate approach to risk management and have a range of risk management policies and ways of working that are intended to derive the right balance of risk and reward across the business. By operating within our Core Values and our Code of Conduct in all decision-making activities we are able to drive a company ethos which aligns to the key requirements of S172 and thus deliver benefit to all stakeholders.

Risk management framework

TP Group's risk management framework, policies and procedures are designed to identify, manage and mitigate risks that may impact upon the execution of the Group's strategy and day-to-day business.

Whilst we cannot eliminate risk or uncertainty, we can mitigate some and seek to ensure that we are only exposed to risks that can be managed effectively in accordance with the Board's risk appetite.

Effective risk management is essential to safeguarding TP Group's ongoing commercial success. We manage risks through three phases in a structured and controlled framework.

The key elements of this approach are:
- identify and evaluate
- action plan
- implement

Our strategic priorities

/01 Competitive leadership – to have sustainable competitive leadership in complex mission-critical systems and equipment
/02 High-value accounts – to drive value from excellent relations with major customers
/03 Invest in capability – to invest in best-in-class operating capabilities and technologies
/04 Acquire or partner – to supplement organic growth with suitable acquisitions and partnerships
/05 Geographic expansion – to expand our geographic footprint in customers and capabilities

Identify and evaluate

The Board has identified the principal risks which could impact the execution of its strategy, delivery of business objectives or continuity of ongoing operations. A formal process has been established for the Senior Leadership Team to identify and manage risks on a continuous basis, reporting to the Board and supported by Group Finance through regular risk reviews.

Using a centrally maintained risk register, risks are assessed and prioritised by severity, using a scoring matrix of likelihood and impact for effective comparison and prioritisation

Action plan

Risk responses and strategies are prepared by the relevant business owners to ensure risks are appropriately managed or mitigated and where possible, their likelihood and/or severity is reduced to an acceptable level. The Board reviews and agrees the risk response plans, monitoring them regularly for effectiveness and ensuring actions taken are appropriate and sufficient. In some cases, certain areas of risk are further mitigated by external insurance.

Implement

Local management regularly monitors TP Group's register of risks and the mitigation actions that apply to them. Their continuous review is reported to the Senior Leadership Team where the risk portfolio is consolidated and reviewed before onward reporting to the Board. This ensures a consistency of awareness across the business of context in which those risks stand and the potential consequences of them maturing.

The Board therefore monitors the adequacy of any mitigating controls and actions and the effectiveness of risk management and internal control systems that are in place.

Having considered all the elements of the risk management framework described here, the Board has concluded that it has taken all reasonable steps to satisfy itself that the risk management framework is effective and has addressed all material risks up to the date of approval of the Annual Report and Accounts 2019.

Key performance indicators

/01 Orders
/02 Order book
/03 Revenue
/04 Adjusted operating profit
/05 Cash
/06 Revenue/head

Risk trends

The direction of change during the year is illustrated by the icon in the 'Risk Trend' column. Please note that this refers to the overall change in the risk to the Group following mitigating actions.

- Increased risk
- No change to risk
- Decreased risk

01
Global economic conditions

Principal Risk	Management Strategy	Risk Trend	Strategic Impact	KPIs Affected
The Group is adversely affected by the commercial conditions in its markets.	The Group is diversifying through organic growth and acquisition (i.e. Sapienza) into adjacent markets to reduce our exposure to a single market event. We carry out review and analysis of emerging trends in our key markets including political and economic aspects. This intelligence informs strategy and planning decisions at the Group and business unit levels, for example our response to COVID-19, refer to the Financial and operational review for further details.	Increased risk	/01 **/02** /03 /04 **/05**	**/01 /02 /03 /04 /05** /06

02
Government policy, regulation and legislation

Principal Risk	Management Strategy	Risk Trend	Strategic Impact	KPIs Affected
Brexit (future trading relationship) leads to adverse trading conditions.	From a defence perspective, Brexit is expected to have limited impact on the Group as a result of our competitive position in the key global programmes we support. In terms of our energy business, the possible disruption is in relation to our supply chain. Alternative sources of supply are being investigated and/or customer contracts are being negotiated to mitigate the potential risks related to supply chain impact. In relation to Sapienza, appropriate work visas will be put in place to mitigate the labour risk. We will continue to monitor our position as the exit date draws closer.	No change to risk	**/01** /02 /03 /04 /05	**/01 /02 /03 /04 /05** /06
Revenue generated from defence and energy industry contracts is impacted by changes in government policies and legislation.	Defence contracts are with long-term customers with whom we have well established and close working relationships that provide us with good visibility of future programmes and spend. Defence policy, at least in the UK, has protected the key programmes we are active on. Whilst the business is less reliant on the energy sector, we monitor the policy and programmes horizon, as well as global events, in order to react early to potential impacts to the business plan.	No change to risk	/01 **/02** /03 /04 **/05**	**/01 /02 /03 /04 /05** /06

02 continued
Government policy, regulation and legislation

Principal Risk	Management Strategy	Risk Trend	Strategic Impact	KPIs Affected
COVID-19 - the onset of the pandemic could have long lasting and far-reaching effects across the global economy and businesses.	The immediate risks faced by the Group due to the outbreak are possible delays in work on customer sites, delays to development processes and other customer projects. A prolonged period of restricted activity could compound and enhance other principal risks, not least general economic conditions, delays in client decision making or cost overruns resulting from delay. The directors have conducted a series of sensitivity analyses to a range of scenarios arising from the effects of COVID-19 on the business, its staff, customers and other stakeholders. A number of responses and mitigation actions have been taken by the Group. This forms part of the group's Going Concern assessment, further details of which can be found in the Financial and operational review.	↑	/01 **/02** **/03** /04 **/05**	/01 /02 /03 **/04** **/05** /06
Health, safety, environmental, privacy and social regulations place greater burden on the business.	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 has implemented measures to comply with GDPR, and monitors pending regulations closely. The acquisition of Sapienza has increased the potential because of the volume of personal data they hold. Regarding widespread health matters, the Group monitors Government responses to any outbreaks and their recommendations, and implements appropriate measures as required.	↑	/01 **/02** **/03** /04 **/05**	/01 /02 /03 **/04** **/05** /06

03
Customers, competitors and commercial relationships

Principal Risk	Management Strategy	Risk Trend	Strategic Impact	KPIs Affected
Competitor capabilities may change or disruptive technologies emerge, leading to loss of advantage or market position	The Group's approach is to manage business development primarily through business sector 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.	=	**/01** /02 /03 /04 /05	**/01** **/02** **/03** **/04** **/05** /06

04
Availability of key resources

Principal Risk	Management Strategy	Risk Trend	Strategic Impact	KPIs Affected
Key employee knowledge and skills, upon which key functions or initiatives depend, may be lost.	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 TP Group an attractive place to work.	=	**/01** **/02** /03 /04 **/05**	**/01** /02 **/03** **/04** /05 /06

Principal Risk	Management Strategy	Risk Trend	Strategic Impact	KPIs Affected
Loss of performance, reliability and availability of certain key assets, equipment and information technology systems impacts delivery execution.	The Group has taken steps to avoid single points of failure or capacity constraints. The business has also taken out insurance to mitigate the risk. Some equipment is subject to structured warranty and maintenance provisions and as a further mitigation, selected tasks can be subcontracted out. Focus on operational excellence to avoid loss of customer whilst also expanding the Group's activities with other key accounts to minimise reliance on any single account.	=	/01 **/02** **/03** /04 /05	/01 /02 **/03** **/04** **/05** /06
Loss of a major customer.	Focus on operational excellence to avoid loss of customers whilst also expanding the Group's activities with other key accounts to minimise reliance on any single account.	=	/01 **/02** /03 /04 /05	**/01** **/02** **/03** **/04** **/05**

05
Technology and security

Principal Risk	Management Strategy	Risk Trend	Strategic Impact	KPIs Affected
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 Plus across its businesses and continuously reviews the quality of its security shields and protocols to mitigate the threat. Additional system estates arising from the Sapienza acquisition have increased potential risk, which is being assessed to bring in line with Group standards.	↑	/01 **/02** /03 /04 /05	/01 /02 **/03** **/04** **/05** /06

06
Acquisitions

Principal Risk	Management Strategy	Risk Trend	Strategic Impact	KPIs Affected
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. Risk is likely to increase as we acquire business outside of the UK however we will look to take appropriate advice and guidance.	=	/01 /02 /03 **/04** /05	/01 /02 /03 **/04** **/05** /06

Phil Cartmell
Chief Executive

Derren Stroud
Chief Financial Officer

Board Biographies

Andrew McCree
Non-executive Chairman

Andrew McCree was appointed to the Board in October 2014 and has over 35 years' experience in energy and environmental technology and consulting businesses, with an extensive knowledge of technologies and markets. Following his early career with BP Exploration, he joined the UK Atomic Energy Authority ("UKAEA") and in 2005 became Chief Executive of AEA Technology. Since 2011 he has worked for 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 Cartmell
Chief Executive Officer

Phil Cartmell was appointed to the Board in September 2009. He has had 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, Envox 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.

Phil Holland
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. Phil is also a Non-executive Director of Stenprop Limited, a real estate investment trust listed on the London Stock Exchange.

Jeremy Warner-Allen
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.

Claire MacPherson
Company Secretary

Claire MacPherson was appointed as Company Secretary in February 2015 and is also the Group Legal and Compliance Director. Claire has enjoyed a successful career in commercial and legal management spanning over 20 years. She has worked in the global defence, retail transport and energy sectors for companies such as GEC Marconi, Lockheed Martin and CSC Computer Sciences Corporation.

Directors' report

The directors present their report together with the audited financial statements for the year ended 31 December 2019.

Principal activity
TP Group is a technology services business, working to make the world a safer place, employing more than 400 highly skilled individuals across six European countries. We combine to deliver mission, business and safety critical services and equipment across three high growth sectors - Defence, Space and Energy.

Our customers trust us to ensure the safety, reliability and performance of complex systems in the most challenging or arduous situations. With global presence and proven field experience, TP Group is a leading choice for platform builders, integrators and users of both military and industrial systems.

We operate across two distinct but highly complementary integrated business units:

- **Technology & Engineering** ("T&E") - the capability to design, manufacture and support mission-critical systems
- **Consulting & Programme Services** ("CaPS") - advising clients on strategic problems and implementing technology-driven solutions

Results and dividends
The directors do not recommend the payment of a dividend (2018: £nil).

The results of the financial year of the Group are detailed in the Strategic Report and the Financial Statements.

Future developments
The Strategic Report includes details of future developments of the Group.

Research and development
Total R&D expenditure in the year was £0.4m (2018: £0.6m). £nil (2018: £0.6m) was charged to the income statement and £0.4m (2018: nil) capitalised in the year.

Business relationships
The information on the fostering of business relationships with suppliers, customers and others required by Schedule 7.11B (1) and (2) is given in the Group's s.172 report on page 38.

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.

On 3 March 2020, the Group entered into a new £7.0 million revolving loan facility (the "Facility Agreement") with HSBC UK Bank plc. This facility has a term of three years and carries an option to increase the headroom to £12.0 million subject to certain conditions. Under the terms of the Facility Agreement the Group will pay interest at a rate of between 1.75% and 2.25% over LIBOR on the amount

Directors' report (continued)

drawn down, depending on the Group's total leveraged position. As of 20 May 2020 the facility had been fully drawn to insulate the business against any potential covid-19 impacts. However, it must be noted that the Group's current cash flow forecast indicates that none of these funds will be required to support the Group's ongoing operational activities.

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 29 days (2018: 31 days). The Parent Company's creditor payment period was 35 days (2018: 31 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.

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

Executive
P Cartmell
D Stroud

Non-executive
A McCree
P Holland
J Warner-Allen

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

Related party transactions
These have been disclosed within note 29 to the financial statements.

Financial instruments
Details of the Group's financial instruments are set out in note 23 to the Consolidated Financial statements

Directors’ report (continued)

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.

As part of their continued drive to adopt the highest possible standards of corporate governance the directors undertook a competitive audit tender process for the 31 December 2019 year end. Following completion of this process, the directors appointed RSM UK Audit LLP as auditor at the Company’s AGM on 6 June 2019.

By order of the board

Claire MacPherson
Company secretary
Cody Technology Park
Old Ively Road
Farnborough
Hampshire
GU14 0LX
20 May 2020

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors’ Report and the financial statements in accordance with applicable law and regulations.

Company Law requires the directors to prepare Group and Parent Company financial statements for each financial year. The directors are required by the AIM rules of the London Stock Exchange to prepare the Group financial statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and have elected under company law to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS101 ‘Reduced Disclosure Framework’.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The relevant part of the Companies Act 2006 supports the requirement that the financial statements present a true and fair view with references to their giving a fair presentation.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group’s and Parent Company’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 Group and 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

Principles of good corporate governance

Following the decision by the Group to adopt the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), we have continued to review our governance procedures to ensure that we are able institute good governance insofar as it is practical and appropriate for an organisation of the Group's size and nature.

The QCA Code sets out 10 key principles that companies should adhere to or have a plan in place to achieve. At this time the Group is able to demonstrate compliance with nine of the ten principles and is seeking the most appropriate way to ensure full compliance with the one remaining principle during 2020.

The following table shows, at a summary level, compliance against each principle. Furthermore, where this Annual Report references any of the principles, the relevant section is noted. Full details of our compliance can be found on our website: https://www.tpgroup.uk.com/media/1447/corporate-governance-code-statement-v2-feb-2020.pdf

Principle	Compliant Yes/No	Comments
1) Establish a strategy and business model which promotes long term value for shareholders	Yes	Please refer to the Chairman's Statement, Investment Case, Market Review and Business Model sections of this report
2) Seek to understand and meet shareholders' needs and expectations	Yes	Please refer to the information provided below
3) Take into account wider stakeholders, social responsibilities, and their implications for long-term success	Yes	Please refer to the Corporate and Social Responsibility section of this report
4) Embed effective risk management considering both opportunities and threats throughout the organisation	Yes	Please refer to the Risk Management Framework section of this report
5) Maintain the board as a well-functioning balanced team led by the chair	Yes	Refer to the board biographies section of this report and the further information provided below
6) Ensure that between the directors they have the necessary up to date experience, skills and capabilities	Yes	Refer to the board biographies section of this report and the further information provided below
7) Evaluate board performance based on clear and relevant objectives seeking continuous improvement	No	The board is investigating the most appropriate approach to evaluate performance in accordance with the requirements of the QCA Code.
8) Promote a corporate culture that is based on ethical values and behaviours	Yes	Please refer to the Corporate Social Responsibility and CEO Statement (Core Values) sections of this report
9) Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Yes	Please refer to the information provided below
10) Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders	Yes	Please refer to the information provided below

Application of principles

Effective Board Structure and Role

During the year, the Board consisted of two executive and three independent non-executive directors. Andrew McCree remained in post as non-executive Chairman throughout the period. The Company is satisfied that the current composition of the board is appropriately skilled and experienced, and that it has a suitable balance between independence on the one hand, and knowledge of the Group on the other, to enable it to discharge its duties and responsibilities effectively.

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.

All directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Chairman engages with the directors outside of the board meetings on a one-to-one basis as and when required to discuss matters of the business.

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.

The Board met eight times in the year and was provided with relevant information on financial, business and corporate matters sufficiently prior to meetings to enable it to properly discharge its duties.

Risk Identification and Management

The Board drives effective risk management across the Group and retains ownership of the significant risks that are faced by the business. 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 all risks and therefore can provide reasonable but not absolute assurance. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

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.

Corporate governance report (continued)

Financial controls

The Group has an established framework of internal financial controls, the effectiveness of which are reviewed by the Audit Committee, the Board and the executive management, including:

- well-understood and implemented processes for budgeting and forecasting;
- an overall Group strategy, including approving revenue, profit and capital budgets and plans; and for determining the financial and reporting structure of the Group; and
- agreed KPIs and other business measures.

Non-financial controls

The principal elements of the Group's internal non-financial controls include:

- close management of the day-to-day activities of the Group by the executive directors and the senior management team;
- an organisational structure with defined levels of responsibility, which promotes entrepreneurial decision-making and rapid implementation while minimising risks;
- a clearly documented and enforced approval process covering matters such as capital and operational expenditure, recruitment, tendering, and contract acceptance;
- detailed monthly reviews of major contract activities; and
- central control over key areas such as material capital expenditure and banking facilities.

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 financial statements. The Group continues to review its system of internal controls to ensure compliance with best practice, while also having regard to its size and the resources available.

Effective Shareholder Engagement

The Board has always attached high importance to maintaining good relationships with all shareholders and this is now further emphasised via principle 2 of the QCA Code. TP Group remains committed to listening and communicating openly with its shareholders and senior management hold regular meetings with institutional shareholders to keep them updated on the Group's performance, strategy, management and Board membership. The Board is kept informed of the views and concerns of major shareholders by briefings from the Chief Executive Officer and the Company's nominated advisor, Cenkos. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Chairman is available to meet with major shareholders if required to discuss issues of importance to them.

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.

Ethical Behaviour and Social Responsibility

TP Group is committed to promoting a culture based on ethical values and behaviours across its business. Policies are in place covering key matters such as bribery, protection of intellectual property and sensitive information, diversity and anti-discrimination and whistleblowing. These are rigorously enforced. Ongoing training across a range of compliance areas (such as anti-bribery, harassment, GDPR, security) has been delivered during 2019 via our nominated third-party on-line training provider. The Group first published its formal anti-slavery statement in 2019 and this is available on the Group's website.

Corporate governance report (continued)

Audit Committee

The Audit Committee comprises three independent non-executive directors and is chaired by Philip Holland, who was 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 auditor attending by invitation. The Committee reviews the independence and objectivity of the auditor each year. The Committee reviews the adequacy of the Group's and 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.

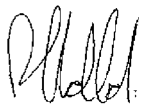
During the year under review, the Committee oversaw the tender for and selection of the Company's new auditor, RSM LLP. The Committee was involved at all stages of the process, agreeing the long list of audit firms invited to tender, approving the information provided to those who took part in the process, meeting with participants to aid preparation of their submissions and interviewing short-listed candidates as part of the final selection process.

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

The Chief Financial Officer's Review includes a review of going concern, as well as separate consideration of the impact of Brexit and the Coronavirus.

On behalf of the Board



Philip Holland
Chairman, Audit Committee
20 May 2020

Remuneration report

Unaudited Information

Remuneration committee
The Remuneration Committee, as of May 2020, is made up of three independent non-executive directors and is chaired by Jeremy Warner-Allen. Meetings are 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 12-month notice periods. Non-executive directors are appointed on three-year contracts, with no notice period.

Directors' emoluments

	Basic salary or fees £000	Pension contributions £000	Other benefits £000	Total emoluments 2019 £000	Total emoluments 2018 £000
Executive					
P Cartmell	300	10	93	403	489
S Kings[1]	-	-	-	-	185
D Stroud	180	18	49	247	285
Non-executive					
A McCree	70	-	-	70	65
P Holland	36	-	-	36	32
J Warner-Allen	36	-	-	36	35
	622	28	142	792	1,091

[1] 2018 Includes a termination payment of £161,000.

Remuneration report (continued)

Directors' share options
The interests of the directors, who were in office during the financial year, in options over the Ordinary Shares at 31 December 2019 and 31 December 2018 were:

	As at 31 December 2018 number	Exercised in year number	Cancelled in year number	Issued in year number	As at 31 December 2019 number	Exercise price (p)	Lapse date
Executive							
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
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 6.55p at 31 December 2019. In the period 1 January 2019 to 31 December 2019 the closing mid-market high was 7.62p per Ordinary Share and low was 6.00p per Ordinary Share.

Directors' interests
The directors who were in office during the financial year and to the date of this report, had the following beneficial interests in the Ordinary Shares of the Parent Company at 31 December 2019, at 31 December 2018 and at the date of this report:

	Number held at 31 December 2019 Ordinary Shares of 1 pence each	Number held at 20 May 2020 Ordinary Shares of 1 pence each	Number held at 31 December 2018 Ordinary Shares of 1 pence each
P Cartmell	3,136,105	3,136,105	3,136,105
A McCree	333,847	333,847	333,847
D Stroud	653,847	653,847	653,847
P Holland	421,978	421,978	421,978
J Warner-Allen	1,854,945	1,854,945	1,854,945

On behalf of the Remuneration Committee

Jeremy Warner-Allen
Chairman, Remuneration Committee
20 May 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TP GROUP PLC

Opinion

We have audited the financial statements of TP Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 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 and related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements 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 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 SME 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

Summary of our audit approach

Key audit matters	**Group** • Revenue recognition • Acquisition accounting • Impairment of goodwill **Parent Company** • None
Materiality	**Group** • Overall materiality: £760,000 (2018: £450,000). • Performance materiality: £570,000 (2018: not disclosed) **Parent Company** o Overall materiality: £430,000 (2018: £180,000). o Performance materiality: £322,500 (2018: not disclosed)
Scope	Our audit procedures covered 98.6% of revenue, 98.1% of total assets and 88.6% of pre tax losses.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including 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 group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Key audit matter description	The group's revenue can broadly be divided into Technology & Engineering (T&E), and Consultancy & Programme Services (CaPS), as set out in the accounting policy notes on pages 68 and 70 to 73 and in note 2. Contract terms vary between the divisions, and between individual contracts. There is a risk that these contracts have not been assessed correctly against the requirements of IFRS 15. The areas with the most significant assessed risk of material misstatement, whether or not due to fraud, include: • whether goods and services (including software) should be recognised at a point in time (and if so, when) or over time; • judgements exercised in relation to certain contracts which are still open at the period end and which are recognised over time on the basis of contractual terms giving the Group an enforceable right to payment • percent completion
How the matter was addressed in the audit	For a sample of contracts, we obtained the relevant agreements and supporting documentation and reviewed and challenged management's judgements relating to those contracts. Our work included: o considering management's IFRS 15 papers on key contracts o evaluating whether all performance obligations in the contract had been identified by management o testing management's determination of the transaction price through agreement to the underlying contract o comparing the expected margin with that actually achieved to provide evidence of the accuracy of management's forecasting. o enquiring of staff outside the finance function as to whether there was any evidence of contract modifications o checking open contracts for evidence of any post year end contract losses o challenging management's interpretation of key contract terms which impact on the timing of the recognition of revenue o obtaining evidence of the timing of delivery of goods and services to customers to confirm the point at which revenue should be recognised

	○ considering the progress to completion on contracts where specific components are purchased as a major part of the contract costs.
Key observations	Based on the work performed, we concluded that, following discussions with management, the recognition of revenue on contracts from customers is in accordance with the requirements of IFRS 15.

Acquisition accounting

Key audit matter description	During the year the group acquired the Sapienza Consulting Holdings B.V. Group for initial consideration of £8.9m cash and £1.3m in shares, as shown in note 31. As part of this acquisition the group recognised goodwill and intangible assets of £2.7m and £8.3m respectively (see notes 10 and 11). The identification and valuation of intangibles involves the exercise of judgement and application of estimates in a number of areas, as a result of which there is a risk of a material misstatement. As a consequence of the acquisition of Sapienza by the group on 30 April 2019 a holding of 33% in Lift BV was brought into the group. This holding was initially treated as an associate, and the group then acquired an additional stake in Lift BV on 28 June 2019 to bring the group's shareholding to 69%, giving control of Lift BV. There is a risk that this step acquisition has been accounted for incorrectly.
How the matter was addressed in the audit	Our work included: ○ reviewing the sale and purchase agreements to identify and corroborate key terms, with specific focus on the areas of possible complexity noted ○ obtaining management's workings for the business combinations, checking the entries against the terms in the agreements, and agreeing the settlement of consideration to bank records and share capital records ○ challenging the assumptions and calculations used in identifying and then determining the fair value of the intangible assets acquired, using an auditor's expert where required ○ reviewing the estimates of fair value attributed to the existing holding and the non-controlling interest as part of accounting for the step acquisition of Lift BV.
Key observations	Based on the work performed, following adjustments to the computation of the non controlling interest in the Lift BV acquisition, the group has appropriately accounted for both acquisitions.

Impairment of goodwill

Key audit matter description	The group had £9.2m of goodwill at the period end, as set out in note 10. Of this, £3.9m arose on the acquisition of Sapienza and Lift in the year, as shown in note 31. IAS 36 requires an assessment to be undertaken annually to determine whether there is any impairment of intangible assets with indefinite lives. This impairment review involves the exercise of judgements and estimates covering the discount rate applicable and future growth rates applicable to the cash generating unit.
How the matter was addressed in the audit	Our work included: ○ obtaining management's impairment reviews for the relevant cash generating units ○ checking the integrity of the impairment model ○ considering the sensitivity analyses performed by management ○ challenging the key assumptions underlying these calculations, including revenue growth rates and the discount rate, and checking independent evidence of the growth rates used.
Key observations	Based on the work performed, we have concluded that management's impairment review of goodwill is reasonable.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£760,000 (2018: £450,000)	£430,000 (2018: £180,000)
Basis for determining overall materiality	1.3% of revenue	1.2% of total assets
Rationale for benchmark applied	Revenue is considered the key benchmark as the group continues to build revenues and moves towards profitability, and the group regularly updates the market on new revenue contracts	The principal activity of the parent company is to hold investments in the group's subsidiaries. The percentage applied has been restricted for the purpose of calculating an appropriate component materiality.
Performance materiality	£570,000 (2018: not disclosed)	£320,000 (2018: not disclosed)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £21,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £21,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 16 components, located in the following countries:

- United Kingdom
- Netherlands
- USA
- Germany

- Italy
- North Macedonia

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Loss before tax
Full scope audit	8	98.6%	98.1%	88.6%

Analytical procedures at group level were performed for the remaining eight components.

None of the audit procedures were undertaken by component auditors.

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.

We have nothing to report in this regard.

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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 49, 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: http://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.

RSM UK Audit LLP.

Geoff Wightwick FCA (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Portland

25 High Street

Crawley

West Sussex

RH10 1BG

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	2	**58,218**	39,037
Cost of sales		**(41,284)**	(27,806)
Gross profit		**16,934**	11,231
Administrative expenses		**(18,633)**	(11,261)
Operating loss	4	**(1,699)**	(30)
Adjusted operating profit including non-controlling interest	2	**5,801**	3,974
Depreciation, amortisation and impairment	2	**(3,858)**	(2,377)
Acquisition-related costs	2	**(1,527)**	(657)
Non-operating costs	2	**(360)**	(192)
Share based payments	2	**(176)**	(165)
Movement in expected earn-out payments	2	**(1,579)**	(613)
Operating loss		**(1,699)**	(30)
Net finance cost	7	**(264)**	(80)
Loss before taxation		**(1,963)**	(110)
Taxation (charge) / credit	8	**(46)**	285
(Loss)/profit after taxation for the year		**(2,009)**	175
Attributable to:			
Equity holders of the parent company		**(1,927)**	175
Non-controlling interest		**(82)**	-
Total (loss) / profit for the year		**(2,009)**	175
(Loss)/earnings per share (pence per share)			
Basic (loss)/earnings per share (pence per share)	9	**(0.26)**	0.02
Diluted (loss)/earnings per share (pence per share)	9	**(0.26)**	0.02
(Loss)/profit for the year		**(2,009)**	175
Other comprehensive income/(expense): items that may be subsequently recycled to the income statement:			
Foreign exchange losses on translation of foreign operations		**(4)**	-
Total comprehensive (expense)/income for the year		**(2,013)**	175
Attributable to:			
Equity holders of the parent company		**(1,931)**	175
Non-controlling interest		**(82)**	-
		(2,013)	175

All income relates to continuing activities. The notes on pages 67 to 110 form part of these financial statements.

Consolidated and Parent Company statements of financial position

As at 31 December 2019

		Group		Parent Company	
	Note	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Assets					
Non-current assets					
Goodwill	10	**9,161**	5,289	**-**	-
Other intangible assets	11	**19,466**	12,800	**141**	85
Property, plant and equipment	12	**2,073**	1,401	**157**	46
Right-of-use assets	13	**5,808**	5,423	**363**	94
Investments	14	**-**	-	**33,874**	18,806
Amounts owed by EBT	15	**-**	-	**105**	95
		36,508	24,913	**34,640**	19,126
Current assets					
Inventories	16	**2,036**	2,727	**-**	-
Trade and other receivables	18	**13,031**	4,295	**1,200**	4,823
Amounts due from contract customers	17	**10,042**	5,596	**-**	-
Taxation recoverable		**-**	87	**-**	-
Cash and bank balances	19	**6,568**	22,413	**144**	10,505
		31,677	35,118	**1,344**	15,328
Total assets		**68,185**	60,031	**35,984**	34,454
Liabilities					
Current liabilities					
Trade and other payables	21	**(11,605)**	(10,614)	**(7,152)**	(8,312)
Amounts due to contract customers	17	**(10,228)**	(4,837)	**-**	-
Current tax liabilities		**(180)**	-	**-**	-
Lease liabilities	22	**(1,022)**	(739)	**(120)**	(38)
		(23,035)	(16,190)	**(7,272)**	(8,350)
Non-current liabilities					
Trade and other payables	21	**(286)**	-	**(285)**	-
Deferred taxation	8	**(2,738)**	(1,648)	**-**	-
Lease Liabilities	22	**(5,429)**	(5,198)	**(272)**	(59)
Provisions	24	**(231)**	(499)	**(20)**	(10)
		(8,684)	(7,345)	**(577)**	(69)
Total liabilities		**(31,719)**	(23,535)	**(7,849)**	(8,419)
Net assets		**36,466**	36,496	**28,135**	26,035
Equity					
Share capital	25	**7,792**	7,586	**7,792**	7,586
Share premium		**18,529**	17,438	**18,529**	17,438
Own shares held by the EBT		**(561)**	(561)	**-**	-
Translation of foreign operations		**(4)**	-	**-**	-
Share-based payments reserve		**1,142**	1,441	**1,142**	1,441
Retained earnings		**9,140**	10,592	**672**	(430)
Non-controlling interest		**428**	-	**-**	-
Total equity		**36,466**	36,496	**28,135**	26,035

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present the Parent Company's income statement. The Parent Company made a profit of £627,000 (2018 loss: £4,778,000) for the year.

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 20 May 2020. The notes on pages 67 to 110 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 2019

	Share capital £'000	Share premium £'000	Own shares held by EBT £'000	Share-based reserve £'000	Translation Reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total £'000
Balance at 1 January 2018	**7,586**	**17,438**	**(561)**	**1,553**	**-**	**10,882**	**-**	**36,898**
Profit for the year and total comprehensive income	-	-	-	-	-	175	-	175
IFRS 16 cumulative adjustment	-	-	-	-	-	(742)	-	(742)
Share-based payments charge	-	-	-	165	-	-	-	165
Share-based payments reserves transfer	-	-	-	(277)	-	277	-	-
Balance at 31 December 2018	**7,586**	**17,438**	**(561)**	**1,441**	**-**	**10,592**	**-**	**36,496**
Loss for the year	-	-	-	-	-	(1,927)	(82)	(2,009)
Other comprehensive loss	-	-	-	-	(4)	-	-	(4)
Total comprehensive loss	-	-	-	-	(4)	(1,927)	(82)	(2,013)
Shares issued	206	1,091	-	-	-	-	-	1,297
Share-based payments charge (note 26)	-	-	-	176	-	-	-	176
Share-based payments reserves transfer	-	-	-	(475)	-	475	-	-
Non-controlling interest on acquisition of Lift BV	-	-	-	-	-	-	510	510
Balance at 31 December 2019	**7,792**	**18,529**	**(561)**	**1,142**	**(4)**	**9,140**	**428**	**36,466**

The notes on pages 67 to 110 form part of these financial statements.

Parent Company statement of changes in equity
For the year ended 31 December 2019

	Share capital £'000	Share premium £'000	Share-based payments reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2018	**7,586**	**17,438**	**1,459**	**4,165**	**30,648**
Total comprehensive loss	-	-	-	(4,778)	(4,778)
Share-based payments charge	-	-	165	-	165
Share-based payments reserves transfer	-	-	(183)	183	-
Balance at 31 December 2018	**7,586**	**17,438**	**1,441**	**(430)**	**26,035**
Total comprehensive profit	-	-	-	627	627
Shares issued	206	1,091	-	-	1,297
Share-based payments charge (note 26)	-	-	176	-	176
Share-based payments reserves transfer	-	-	(475)	475	-
Balance at 31 December 2019	**7,792**	**18,529**	**1,142**	**672**	**28,135**

The notes on pages 67 to 110 form part of these financial statements.

Consolidated and Parent Company statement of cash flows

For the year ended 31 December 2019

		Group		Parent Company	
		2019	2018	**2019**	**2018**
	Note	**£'000**	£'000	**£'000**	**£'000**
Operating activities					
(Loss)/profit before taxation		**(1,963)**	(110)	**782**	(5,114)
Adjustments for:					
Depreciation, amortisation and impairment		**3,865**	2,377	**198**	193
Finance cost/(income)		**264**	81	**(11)**	(56)
Share-based payment expense		**176**	165	**176**	165
Increase in impairment on loan to the EBT	14	**-**	-	**10**	2
Provision against long term inter-company loan	14	**-**	-	**-**	4,876
Decrease in inventories		**691**	3,141	**-**	-
(Increase)/decrease in trade and other receivables		**(7,086)**	1,490	**(1,324)**	(6,100)
Increase/(decrease) in trade and other payables		**1,901**	(1,277)	**1,127**	2,181
(Decrease)/increase in provisions		**(269)**	62	**10**	97
Dividend received		**-**	-	**(5,000)**	-
		(2,421)	5,929	**(4,032)**	(3,756)
Taxation paid		**(412)**	(211)	**-**	-
Net cash (used in) / generated from operating activities		**(2,833)**	5,718	**(4,032)**	(3,756)
Investing activities					
Acquisition of subsidiary, net of cash acquired		**(8,282)**	(2,953)	**(9,002)**	(3,000)
Acquisition of subsidiary - payment of earn out		**(2,000)**	(300)	**(2,000)**	(300)
Interest received		**23**	60	**23**	60
Purchase of property, plant and equipment		**(932)**	(864)	**(174)**	(39)
Purchase of computer software		**(556)**	(79)	**(97)**	(35)
Dividend received		**-**	-	**5,000**	-
Net cash used in investing activities		**(11,747)**	(4,136)	**(6,250)**	(3,314)
Financing activities					
Interest payable		**(286)**	(254)	**(11)**	(4)
Repayment of lease liabilities		**(981)**	(846)	**(68)**	(38)
Net cash used in financing activities		**(1,267)**	(1,100)	**(79)**	(42)
Effects of exchange rates on cash and cash equivalents		**2**	-	**-**	-
Net (decrease) / increase in cash and cash equivalents		**(15,845)**	482	**(10,361)**	(7,112)
Cash and cash equivalents at beginning of year		**22,413**	21,931	**10,505**	17,617
Cash and cash equivalents at end of year		**6,568**	22,413	**144**	10,505

The notes on pages 67 to 110 form part of these financial statements.

Notes to the financial statements

1. Accounting policies

The Company

TP Group is a technology services business, working to make the world a safer place, employing more than 400 highly skilled individuals across six European countries. We combine to deliver mission, business and safety critical services and equipment across three high growth sectors - Defence, Space and Energy.

Our customers trust us to ensure the safety, reliability and performance of complex systems in the most challenging or arduous situations. With global presence and proven field experience, TP Group is a leading choice for platform builders, integrators and users of both military and industrial systems.

We operate across two distinct but highly complementary integrated business units:

- **Technology & Engineering** ("T&E") - the capability to design, manufacture and support mission-critical systems
- **Consulting & Programme Services** ("CaPS") - advising clients on strategic problems and implementing technology-driven solutions

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 listed on the Alternative Investment Market of the London Stock Exchange.

Basis of preparation and statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee applicable to companies reporting under IFRS. The financial statements comply with IFRS as adopted by the EU.

The Parent Company financial statements have been prepared in accordance with Financial Reporting Standard ("FRS") 101 Reduced Disclosure Framework and in accordance with applicable accounting standards. In preparing the Parent Company financial statements, the directors have taken advantage of the exemption for disclosures under paragraphs 17 and 18A of IAS 24, and the requirements in IAS 24 to disclose related party transactions entered into between two or more members of the Group, provided that the subsidiary is wholly owned.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The Consolidated Financial Statements are presented in pounds sterling which is the Group's functional currency. Figures are presented to the nearest thousand pounds, unless otherwise stated.

The financial statements have been prepared on a historical cost basis, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss or financial assets at fair value through other comprehensive income.

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.

The Group adopted IFRS 16 early on 1 January 2018 and reflected its impact in the financial statements for the year ended 31 December 2018.

1. Accounting policies (continued)

New or amended Accounting Standards and Interpretations adopted

In the current year, the Group has adopted a number of amendments to Accounting Standards and Interpretations issued by the IASB that are effective for any period that began on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- IFRIC Interpretation 23: Uncertainty over Income Tax Treatment;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- Annual Improvements 2015-2017 Cycle

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been adopted early by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Key areas of judgement and sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on various other factors, including expectations of future events management believes to be reasonable under the circumstances. The actual outcome may differ from those originally calculated. The judgements, estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue

The Group values its costs and anticipated profits in excess of billings based on the time and materials charged into each project and anticipated future costs and revenues. The determination of revenues and contract assets involves estimates of the volume of work required to complete the project. On a monthly basis, management reviews the actual volume of work and the estimated anticipated volume of work for each project to determine whether the amount recognised as contract assets is a true reflection of the amount that will be earned on the projects. Where the review determines that the value of costs and anticipated profits in excess of billings exceed the amount that can be earned, adjustments are made to the contract asset. Changes in the estimate of work required to complete the projects could lead to reversals of revenues.

Revenue has been recognised over time, rather than at a point in time, following judgement made on the Group's enforceable right to payment under certain contracts with the Ministry of Defence, where there is a right for the customer to terminate without cause and prior to contract completion under various versions of DEFCON 656. Under this DEFCON there is no explicitly stated right of recovery of profit, however there is an implication that this is allowed for within the DEFCON wording. The revenue recognition determination under these contracts has taken this implied wording into account. This judgement is based on management's understanding of the commercial reality underlying such contracts, and experience of similar contracts which do contain explicit rights to recover profit.

1. Accounting policies (continued)

Key areas of judgement and sources of estimation uncertainty (continued)

Impairment of non-current assets

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 is based on the estimation of recoverability based on the value in use calculation of the cash-generating unit (CGU) 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.

Significant accounting policies

The Group's significant accounting policies are set out below and have been applied consistently to all periods presented in these Consolidated Financial Statements.

Basis of consolidation

The Consolidated Financial Statements include the Company's financial statements and those of its subsidiary undertakings made up to 31 December 2019. TP Group plc and its subsidiaries together are referred to in these financial statements as the 'Group'.

A subsidiary is an entity controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and is able to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the Parent.

1. **Accounting policies** (continued)

Basis of consolidation (continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

When the Group loses control over a subsidiary, it derecognises the assets, including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Revenue

The Group's operations generate revenues through the design and manufacture of high integrity equipment, provision of services and provision of software.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excluding amounts collected on behalf of third parties, sales related taxes and trade discounts. The Group recognises revenue when it transfers control of a product or service to a customer as more fully explained below.

Technology and Engineering

Design and manufacturer of high-integrity equipment

The Group designs and manufactures mission-critical systems under long-term contracts with customers. The promises in these contracts include the design and manufacturer of systems for delivery to the customer and standard assurance warranties. The promises in these contracts are combined as a single performance obligation because the customer cannot benefit from the promises on their own, and they are not separately identifiable in the context of the contract. In some instances, the contract will also include a promise to install the equipment at the customer site. Where installation is included in the contract, this is not generally considered a separate performance obligation as the promise is not separately identifiable in the context of the contract.

Some contracts will include:

- a promise to store the equipment or an option to purchase storage services at a future date. Storage services are provided in the period between acceptance of the equipment by the customer and shipping. Where storage services are provided, this is considered a separate performance obligation, and/or
- extended service warranties which are a separate performance obligation.

The systems that are designed and manufactured are bespoke for each customer and do not have an alternative use to the Group. Where the Group has an enforceable right to payment for performance completed to date, being recovery of costs incurred in satisfying the performance obligation plus a reasonable profit margin, the performance obligation is satisfied over time, as it meets the requirements of IFRS 15.35(c). The measurement of progress towards complete satisfaction of the performance obligation is measured using the input method, based on costs incurred compared to total contract costs.

Notes to the financial statements (continued)

1. **Accounting policies** (continued)

Costs are only included in the measurement of progress towards satisfying the performance obligation where there is a direct relationship between the input and the satisfaction of the performance obligation.

The Group becomes entitled to invoice customers based on achieving a series of performance-related milestones. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method, then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in the design and manufacture of high-integrity equipment with customers as the period between recognition of revenue and milestone payment is always less than one year.

For contracts where the Group does not have an enforceable right to payment for performance completed to date, being recovery of costs incurred in satisfying the performance obligation plus a reasonable profit margin, revenue is recognised at a point in time. For these contracts, revenue is recognised at the point of customer delivery (as defined in each specific contract) of the system, as this is the point at which the customer is in control of the deliverable, has the risks and rewards of ownership and the Group has a present right for payment for the deliverable.

For storage services, the customer receives and consumes the benefit over the storage period. The performance obligation is satisfied over time under IFRS 15.35(a). Revenue is recognised on an output basis, based on daily rate for the period of storage.

For extended warranties, the customer receives and consumes the benefit of the warranty over the extended warranty period. The performance obligation is satisfied over time under IFRS 15.35(a). An output method, based on straight line recognition over the period of the warranty, is used to measure progress towards complete satisfaction of the extended warranty performance obligation.

Payment terms under the contract are typically 30 days.

Parts management

The Group has a parts management contract, whereby the Group manages the parts supply chain for a customer. This contract contains two performance obligations being asset availability, and supply of consumables.

In terms of asset availability, the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date, being recovery of costs incurred in satisfying the performance obligation plus a reasonable profit margin. The customer also simultaneously receives and consumes the benefits of the asset availability service as the Group performs. Revenue is recognised over time under IFRS 15.35(a) and (c). The output method, based on straight-line recognition over the length of the contract, is used to measure progress towards complete satisfaction of the performance obligation, as this best depicts the Group's performance in providing the asset availability service to the customer.

1. **Accounting policies** (continued)

The contract price for asset availability includes variable consideration in the form of rebates based on achievement of KPI's within the contract. The expected value approach, which is based on the sum of probability weighted amounts for a range of possible outcomes, has been used to estimate the transaction price. The variable consideration is trued up at the end of each reporting period to reflect changes in the period and conditions that exist at the period end.

For the supply of consumables, the customer receives the benefit of the service on delivery (as defined in the contract) of the consumable. This is the point at which the customer is in control of the deliverable, has the risks and rewards of ownership and the Group has a present right for payment for the deliverable.

Payment terms under the contract are typically 30 days.

Maintenance of equipment

The Group has contracts for the maintenance and servicing of customer vessels with a 12-month assurance warranty. These contracts contain a single promise and performance obligation. The assurance warranty is not a separate performance obligation.

The performance of the Group enhances the vessels, which are controlled by the customer, as the Group performs. Revenue is recognised over time as the criteria in IFRS 15.35(b) is met. The Group uses an input method, based on labour hours, costs incurred and materials, to measure complete satisfaction of the performance obligation. Costs are only included in the measurement of progress towards satisfying the performance obligation where there is a direct relationship between the input and the satisfaction of the performance obligation.

Payment terms under these contracts are typically 30 days.

Consulting and Programme Services

Consulting

The Group provides advisory, technical, project management and development services to customers for specialised business operations and technology-driven solutions.

Performance obligations are identified against each customer contract.

Where the contract is advisory, technical or project management, the customer receives and consumes the benefits of the service as the Group performs. Revenue is recognised overtime, using an input basis, based on costs incurred compared to total contract costs. Costs are only included in the measurement of progress towards satisfying the performance obligation where there is a direct relationship between the input and the satisfaction of the performance obligation.

Where the contract is time and materials, customer receives and consumes the benefits as the Group performs. Revenue is recognised over time, using an input method based on time and materials incurred.

Where the contract is for the provision of specified deliverables to the customer, none of the criteria in IFRS 15.35 are met. Revenue is recognised at a point in time, being the point at which the customer is in control of the deliverables under the project.

Payment terms under these contracts are typically 30 days.

1. **Accounting policies** (continued)

Provision of software

The Group sells programme management software, including either basic or extended support, which is either hosted or non-hosted.

The hosted programme management software contains a single performance obligation, as the customer cannot benefit from either the software or the support without the hosting infrastructure. The customer receives and consumes the benefit of the service as the Group performs. Revenue is recognised over time as it meets the criteria in IFRS 35(a). Revenue is recognised using an output method i.e. straight line over the life of the contract, as this best depicts the Group's performance in providing the service to the customer.

For non-hosted programme management software, there are two performance obligations in the contract being the provision of software licence and licence keys for the specified modules and then provision of a basic support service.

The software licence grants the customer a right to use the intellectual property as it exists at the point in time at which the licence is granted. Revenue from the software licence is recognised at a point in time on delivery of the software and associated licence keys to access the software.

The basic support service is simultaneously received and consumed by the customer as the Group performs. Revenue is recognised over time as the criteria in IFRS 15.35(a) has been met. An output method, i.e. straight line over the contract, is used to measure progress towards complete satisfaction of the performance obligation.

For non-hosted contracts, there is a single price in the contract which has been allocated to the two performance obligations based on stand-alone selling prices. The stand-alone selling price for each of the performance obligation is not directly observable so has been determined using an adjusted market assessment approach. It has been concluded by the business that support services obligations equate to 20% of the software license fee.

For non-hosted programme management software, enhanced support services may also be provided which can include onsite services and/or training. Enhanced support services are either provided based for a fixed number of hours or on demand based on time and materials. Where enhanced support is purchased based on a fixed number of hours, the customer receives and consumes the benefits as the Group performs. Revenue is recognised over time using an output method i.e. straight line over twelve months. Where enhanced support is purchased on demand, revenue is recognised over time based on an input method i.e. time and materials incurred.

The Group invoices annually for all programme management software contracts (hosted and non-hosted). There is no significant financing component in these contracts as the period between invoicing and recognition of revenue is less than one year.

Payment terms under these contracts are typically 30 days.

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.

1. Accounting policies (continued)

Government grants (continued)

Government grants are recognised in the Income Statement 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.

Interest

Interest receivable/payable is credited/charged to the Income Statement using the effective interest method. Where borrowing costs are attributable to the acquisition, construction or production of a qualifying asset, such costs are capitalised as part of the specific asset.

Taxation

The tax charge/credit on the profit or loss for the year comprises current and deferred tax.

- Current tax is the expected tax payable for the year, based on the applicable income tax rate for each jurisdiction and using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.
- Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for tax purposes and is calculated using the enacted or substantively enacted rates that are expected to apply when the asset or liability is settled.

Tax is charged or credited to the Income Statement or Other Comprehensive Income as appropriate, except when it relates to items credited or charged directly to equity in which case the tax is also dealt with in equity.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interest in subsidiaries or associates, and the timing of the reversal can be controlled and is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

1. Accounting policies (continued)

R&D tax credits

Companies within the Group have made claims for R&D tax credits under the large company Research and Development Expenditure Credit (RDEC) Scheme and under the SME R&D 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.

Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which each entity operates (‘the functional currency’). The consolidated financial statements are presented in British pounds sterling, which is the Group’s presentation currency.

Transactions denominated in currencies other than the functional currency of the transacting Group undertaking are translated into the functional currency at the average monthly exchange rate when the transaction occurs. Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at the rate prevailing at the end of the financial year. Exchange differences arising on foreign exchange transactions and the retranslation of assets and liabilities into functional currencies at the rate prevailing at the end of the financial year are included in profit before taxation.

The trading results of Group undertakings are translated into pounds sterling on a monthly basis at the average monthly exchange rate. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates prevailing at the end of the financial year. Exchange adjustments arising from the retranslation of the opening net assets, and from the translation of the profits or losses at average rates, are recognised in other comprehensive income.

Financial instruments

Financial assets and financial liabilities are recognised in the Group’s Statement of Financial Position when the Group or Parent Company becomes a party to the contractual provisions of an instrument.

Classification and measurement

Financial assets primarily include trade receivables, cash and cash equivalents (comprising cash at bank, money market funds and short-term deposits), short term investments, derivatives (foreign exchange contracts, commodity contracts, interest rate contracts), and unlisted investments.

- Trade receivables are measured at amortised cost;
- Cash and cash equivalents (consisting of balances with banks and other financial institutions, money-market funds, short-term deposits) and short-term investments are subject to low market risk. Cash balances and short-term investments are measured at fair value through profit or loss; and
- Derivatives and unlisted investments are measured at fair value through profit or loss.

Financial liabilities primarily consist of trade payables and borrowings and are measured at amortised cost.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each financial year as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

1. **Accounting policies** (continued)

Financial instruments (continued)

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Foreign currency financial assets

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each financial year. Where there are any financial assets measured at amortised cost that are not part of a designated hedging relationship, any exchange differences are recognised in profit or loss in the 'gains and losses on foreign exchange' line item (note 7).

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. 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.

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the income statement.

Business combinations and goodwill

The acquisition method of accounting is used for business combinations.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, value of goodwill and any contingent consideration, less the amount of non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Where the business combination is achieved in stages, the consolidated entity re-measures its previously held equity interest in the acquiree and the difference between the revised fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be paid by the acquirer is recognised at the acquisition-date at fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

1. **Accounting policies** (continued)

Business combinations and goodwill (continued)

The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and recognises additional assets or liabilities during the measurement period based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition, or (ii) when the acquirer receives all the information possible to determine fair value.

Goodwill arising on a business combination is carried at cost as established on the date of acquisition less accumulated impairment losses, if any.

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

Research and development

Expenditure incurred on research and development is distinguished as relating either to a research phase or to a development phase. All research phase expenditure is charged to the Income Statement. Development expenditure is recognised as an internally generated intangible asset only if it meets strict criteria, relating in particular to technical feasibility and generation of future economic benefits.

More specifically, development costs are capitalised from the point at which the following conditions have been met:

- the technical feasibility of completing the programme and the intention and ability (availability of technical, financial and other resources) to complete the programme asset and use or sell it;
- the probability that future economic benefits will flow from the programme asset; and
- the ability to measure reliably the expenditure attributable to the programme asset during its development.

Capitalisation continues until the point at which the asset meets its originally contracted technical specification. This is defined internally as the point at which the asset is capable of operating in the manner intended by management.

Subsequent expenditure is capitalised where it enhances the functionality of the asset and demonstrates an enhanced economic benefit to the Group. All other subsequent expenditure on assets is expensed as incurred.

Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Software

Software that is not specific to an item of property, plant and equipment is classified as an intangible asset, recognised at its acquisition cost and amortised on a straight-line basis of between 3 and 5 years.

1. **Accounting policies** (continued)

Other intangible assets

These principally include intangible assets arising on acquisition of business. Amortisation of intangible assets is on a straight line basis over their useful economic lives, determined as follows

Technical know how	10-20 years
Customer relationships	10-12 years
Trade name	10-16 years
Order backlog	2 years

Estimated useful lives and amortisation method are reviewed by management at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any provision for impairment in value. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of overheads and, where appropriate, interest.

Depreciation is provided on a straight-line basis to write off the cost, less the estimated residual value, of property, plant and equipment over their estimated useful lives. No depreciation is recorded on assets in the course of construction. 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 leases are reported in the Statement of Financial Position as Right of Use Assets. Depreciation is provided over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease on a straight-line basis. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Leases

The Group has applied IFRS 16 in 2018 using the modified retrospective approach.

1. **Accounting policies** (continued)

Leases (continued)

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset either explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

This policy is applied to contracts entered into, or changed, on an ongoing basis.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, less any lease incentive received.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of less than 12 months and leases of low value assets. Instead, the Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Depreciation on right-of-use lease assets is charged on a straight-line basis over the shorter of the term of the lease and useful economic life, and is recognised in profit or loss.

Interest expense on the lease liability is recognised in profit or loss within finance costs.

Inventories

Inventories and work in progress are valued at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those direct and indirect overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling prices less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, investments in money-market funds and short-term. The Group considers overdrafts (repayable on demand) to be an integral part of its cash management activities and these are included in cash and cash equivalents for the purposes of the cash flow statement.

1. **Accounting policies** (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and 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.

Retirement benefit obligations

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.

Share-based payments

The Group provides share-based payment arrangements to certain employees. These are equity-settled arrangements and are measured at fair value at the date of grant.

Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at the grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that determine whether the Group receives the services that entitle the employees to receive payment.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of the modification.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

1. **Accounting policies** (continued)

Equity

Equity comprises the following:

- ‘Share capital’ represents the nominal value of equity shares.
- ‘Share premium’ 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 EBT’ represents Company shares purchased directly by the Group to satisfy obligations under the employee share plan.
- ‘Share-based payment reserve’ represents equity-settled share-based employee remuneration until such share options are exercised or lapse.
- ‘Translation reserve’ represents the foreign currency differences arising on translating foreign operations into the presentational currency of the Group.
- ‘Retained earnings’ represents retained profits.
- ‘Non-controlling interest’ represents the proportionate share of the identifiable net assets on acquisition and subsequent share of result following this of any subsidiary where the shareholding held by the Parent Company is less than 100%.

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 in the Consolidated 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 Consolidated Statement of Comprehensive Income.

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. Segmental information

An operating segment, as defined by IFRS 8 ‘Operating segments’, is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The Group is managed through its two reporting segments, Technology & Engineering (”T&E”) and Consulting & Programme Services (”CaPS”) which form the operating segments on which the information below is prepared. The Group determines and presents operating segments based on the information that is provided internally to the chief operating decision maker, which has been identified as the Board of Directors of TP Group plc.

2. Segmental information (continued)

	2019 £'000	2018 £'000
Revenue		
T&E	**33,709**	27,766
CaPS	**24,509**	11,271
Group revenue	**58,218**	39,037
Segment operating result		
T&E	**3,714**	2,571
CaPS	**(487)**	(484)
Central unallocated costs	**(4,926)**	(2,117)
Group loss from operations	**(1,699)**	(30)
Finance cost	**(264)**	(80)
Loss before tax	**(1,963)**	(110)
Taxation (charge) / credit	**(46)**	285
(Loss)/profit after tax	**(2,009)**	175

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 1. Segment profit or loss represents the profit or loss before tax earned by each segment without allocation of central administration costs and directors' salaries, other gains and losses, as well as finance costs.

The following table shows how the Group loss from operations, adjusted operating profit and reconciling exceptional items for the financial year are split between the Group's reportable segments and central unallocated costs.

	T&E £'000	CaPS £'000	Central unallocated costs £'000	Group £'000
2019				
Segment operating result	**3,714**	**(487)**	**(4,926)**	**(1,699)**
Depreciation, amortisation and impairment	**1,946**	**1,714**	**198**	**3,858**
Acquisition-related costs	**-**	**-**	**1,527**	**1,527**
Non-operating costs	**66**	**91**	**203**	**360**
Share based payments	**-**	**-**	**176**	**176**
Movement in expected earn-out payments	**-**	**-**	**1,579**	**1,579**
Adjusted operating profit / (loss) including non-controlling interest	**5,726**	**1,318**	**(1,243)**	**5,801**
Non-controlling interest	-	82	-	82
Adjusted operating profit / (loss)[1]	**5,726**	**1,400**	**(1,243)**	**5,883**
2018				
Segment operating result	**2,571**	**(484)**	**(2,117)**	**(30)**
Depreciation, amortisation and impairment	1,629	555	193	2,377
Acquisition-related costs	-	-	657	657
Non-operating costs	734	104	(646)	192
Share based payments	-	-	165	165
Movement in expected earn-out payments	-	-	613	613
Adjusted operating profit / (loss) including non-controlling interest	**4,934**	**175**	**(1,135)**	**3,974**
Non-controlling interest	-	-	-	-
Adjusted operating profit/ (loss)[1]	**4,934**	**175**	**(1,135)**	**3,974**

1 Adjusted operating profit / (loss) is defined as operating result adjusted to add back depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and impairment gains or losses on non-current assets, changes in fair value of contingent consideration, acquisition consideration accounted for as employment costs owing to on-going service conditions, any other acquisition-related charges, share based payment charges, non-controlling interest and non-operating costs. Non-operating costs include £253,000 (2018: £579,000) in respect of termination payments, and the remainder due to restructuring of the Group. Non-operating costs are those items believed to be exceptional in nature by virtue of their size and or incidence. The directors of the Company 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 acquisition and non-operating costs. This provides shareholders and other users of the financial statements with the most representative year-on-year comparison of underlying operating performance attributable to shareholders . This measure and the separate components remain consistent with 2018.

Analysis by geographical destination

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

	2019 £'000	2018 £'000
United Kingdom	**39,094**	33,979
Europe excluding United Kingdom	**13,588**	1,868
Asia	**2,582**	2,729
Middle East	**2,521**	-
Rest of the World	**433**	461
Total revenue	**58,218**	39,037

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.

Analysis by type of good or service

	2019 £'000	2018 £'000
Revenue		
Engineering	**33,709**	27,766
Software	**1,271**	-
Consultancy	**23,238**	11,271
Total revenue	**58,218**	39,037

2. Segmental information (continued)

Analysis by timing of revenue recognition

	T&E		CaPS		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Over time	**28,001**	25,456	**23,908**	11,271	**51,909**	36,727
Point in time	**5,708**	2,310	**601**	-	**6,309**	2,310
Total revenue	**33,709**	27,766	**24,509**	11,271	**58.218**	39,037

Analysis by industry

	2019 £'000	2018 £'000
Revenue		
Defence	**37,305**	29,796
Energy	**8,821**	7,595
Space	**12,092**	1,646
Total revenue	**58,218**	39,037

Information about major customers

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

	2019 £'000	2018 £'000
Customer 1	**6,921**	9,910
Customer 2	**14,104**	9,776
Customer 3	**8,669**	-
Total revenue	**29,694**	19,686

3. Research and development

Group	2019 £'000	2018 £'000
Expenditure in the year	**444**	600
Capitalised as intangible assets - software	**(444)**	-
Amortisation of capitalised costs	**39**	-
Net cost recognised in the income statement	**39**	600

4. Operating loss

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

	2019 £'000	2018 £'000
Amortisation of intangible assets (note 11)	**2,500**	1,435
Impairment of intangible assets	**-**	-
Depreciation of property, plant and equipment and right-of-use assets (notes 12 and 13)	**1,360**	855
Impairment of trade receivables	**36**	87
Share-based payment expense[1]	**176**	165

[1] Share-based payment expense arises from transactions accounted for as equity-settled share-based payment transactions and are non-cash in nature.

5. Auditor's remuneration

	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**44**	58
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**117**	99
Total fees payable for audit services	**161**	157
Fees payable to the Company's auditor for other services:		
Taxation advisory services	**-**	8
Total fees payable to the Company's auditor	**161**	165

6. Employee information

Group	2019 £'000	2018 £'000
Wages, salaries and benefits	**16,172**	10,516
Social security costs	**2,295**	1,230
Other pension costs	**831**	694
Share-based payments	**176**	165
Group employment costs	**19,474**	12,605

Group	Number	Number
Engineering	**290**	144
Business development	**10**	16
Administration	**64**	54
Average number of employees	**364**	214

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 £831,000 (2018: £694,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2019, contributions of £102,000 (2018: £62,000) due in respect of the 2019 reporting period remained outstanding. The amounts were paid subsequent to the end of the reporting period.

Parent	2019 £'000	2018 £'000
Wages, salaries and benefits	**2,148**	1,736
Social security costs	**317**	219
Other pension costs	**187**	140
Share-based payments	**176**	165
Parent Company employment costs	**2,828**	2,260

Parent	Number	Number
Business development	**4**	7
Administration	**23**	15
Average number of employees	**27**	22

6. Employee information (continued)

Retirement benefits

The Parent Company is covered by the Group's defined contribution retirement benefit plans for all qualifying employees. The assets of these plans are held separately from those of the Parent Company in separately administered funds.

The total expense recognised in profit or loss of £209,000 (2018: £151,000) represents contributions payable to these plans by the Parent Company at rates specified in the rules of the plans. As at 31 December 2019, contributions of £22,000 (2018: £11,000) due in respect of the 2019 reporting period remained outstanding. The amounts were paid subsequent to the end of the reporting period.

Disclosure of the remuneration of the Group's key management personnel, who are considered to be the directors, as required by IAS 24, is detailed below. Disclosure of the remuneration of the statutory Directors is further detailed in the Remuneration Report on pages 54 to 55.

Group	2019 £'000	2018 £'000
Short-term employee benefits [1]	**622**	721
Contributions to defined contribution pension schemes	**28**	29
Social Security costs	**98**	81
Other benefits	**142**	341
Share-based payments	**155**	123
Total key management remuneration	**1,069**	1,295

1 Includes a termination payment of £161,000 in 2018.

7. Net finance cost

Group	2019 £'000	2018 £'000
Interest received on bank deposits	**23**	60
Finance income	**23**	60
Interest paid on lease contracts	**(246)**	(240)
Bank interest paid	**(15)**	(13)
(Loss)/gain on foreign exchange derivative financial assets	**(26)**	113
Finance expense	**(287)**	(140)
Net finance expense	**(264)**	(80)

8. Taxation

Group	2019 £'000	2018 £'000
Current tax charge for the year	**474**	2
Adjustments in respect to prior year	**(62)**	(103)
Current tax	**412**	(101)
Deferred tax arising on amortisation of acquired intangibles	**(368)**	(184)
Deferred tax on reversal of timing differences	**216**	-
Adjustments in respect to prior year	**(214)**	-
Deferred tax	**(366)**	(184)
Tax charge / (credit) from continuing operations	**46**	(285)

8. Taxation (continued)

The tax charge for the period is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained as follows:

Tax reconciliation

Group	2019 £'000	2018 £'000
Loss on ordinary activities before tax	**(1,963)**	(110)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018: 19%)	**(373)**	(21)
Effects of:		
Expenses not deductible for tax purposes	**532**	179
Income not taxable	**(130)**	(500)
Other timing differences	**88**	73
Share based payments	**(1)**	31
Adjustment to deferred tax in respect to change in tax rates	**(285)**	22
Deferred tax not recognized	**494**	151
Prior year deferred tax adjustment IFRS 16	**(7)**	(115)
Effect of overseas tax rates	**4**	-
Adjustment in respect of prior years	**(276)**	(105)
Tax charge / (credit) for the year	**46**	(285)

Deferred taxation liabilities

Group	2019 £'000	2018 £'000
At 1 January	**1,648**	1,425
Arising on business combination	**1,456**	407
Credit to comprehensive income	**(366)**	(184)
At 31 December	**2,738**	1,648

The deferred tax liability brought forward on 1 January 2019 arose in respect of intangible assets acquired on the acquisition of TPG Maritime Limited and TPG Engineering Limited on 5 April 2012, ALS Technologies Limited and Flexible Solutions Software Limited on 6 February 2017, Polaris Consulting (Holdings) Limited on 12 December 2017 and Westek Technology Limited on 2 November 2018.

Amounts arose in the current year on the acquisition of Sapienza Consulting Holdings B.V. on 30 April 2019 and Lift BV on 28 June 2019. In the year to 31 December 2019, the credit to the Consolidated Statement of Comprehensive Income of £366,000 (2018: £184,000) comprises the release of deferred tax liability arising on the amortisation of acquired intangibles.

At the reporting date, the Group has approximately £21.8m (2018: £20.5m) of unrelieved tax losses for offset against future taxable profit. No deferred tax asset has been recognised in respect of these losses. TPG Design & Technology Limited created £18.1m (2018: £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.

8. Taxation (continued)

The UK main corporation tax rate was due to be reduced to 17% from 1 April 2020, as announced in the Finance Bill 2016, which was substantively enacted on 12 September 2016. The changes had been substantively enacted at the balance sheet date and are therefore recognised in these financial statements in the measurement of the Group's deferred tax assets and liabilities.

Following the year end, in the Budget of 11 March 2020, the Chancellor announced the reversal of the previously enacted reduction in the rate of corporation tax. This reversal was subsequently confirmed by a resolution under the Provisional Collection of Taxes Act 1968, which set the rate at 19%. The impact of this reversal is a net increase in the tax charge, which will be recognised in 2020, of approximately £320,000.

9. Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2019 is based upon a loss after tax of £1,927,000 (2018: profit after tax of £175,000) and a weighted average number of shares of 772,439,898 (2018: 758,565,854). 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 increase the basic loss per share and there is therefore no dilutive effect of employee share options.

10. Goodwill

Group	£'000
Cost and net book value	
At 1 January 2018	4,386
Acquired through business combination	903
At 31 December 2018	5,289
Acquired through business combination	3,872
At 31 December 2019	**9,161**

Goodwill arose on the acquisition of TPG Maritime Limited and TPG Engineering Limited on 5 April 2012, of Polaris Consulting (Holdings) Limited on 12 December 2017 and of Westek Technology Limited on 2 November 2018.

Goodwill arose in the current year on the acquisition of Sapienza Consulting Holdings B.V. and subsidiary companies on 30 April 2019, and also separately on the increase in its shareholding in Lift B.V. of Sapienza Consulting Holdings B.V., from 33% to 69% on 30 June 2019.

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:

	2019	2018
	£'000	£'000
TPG Maritime Limited	**3,316**	3,316
TPG Engineering Limited	**602**	602
Polaris Consulting (Holdings) Limited	**468**	468
Westek Technology Limited	**903**	903
Sapienza Consulting Holdings B.V and subsidiaries	**2,696**	-
Lift B.V.	**1,176**	-
At 31 December	**9,161**	5,289

10. Goodwill (continued)

During the year, goodwill was tested for impairment in accordance with IAS 36. The recoverable amount of the Group's goodwill was assessed by reference to value-in-use calculations derived from 5 year budgeted cash flows, and extrapolated cash flows thereafter based on estimated terminal growth rates of 1.5% (2018: 1.5%).

Cash flows are based on 2020 budgets, which have been approved by the Board. In preparing these budgets, management has used past experience and actual results, combined with expectations of future performance using knowledge of, inter alia, confirmed order books and known customer contracts and anticipated costs associated with those contracts.

The key assumptions on which the impairment tests are based on are a pre-tax discount rate of 10.5% (2018: 11.5%) and a long-term growth rate, after the period of detailed forecasts, of 1.5% (2018: 1.5%) on forecast cash flows. Differing growth rates have been used for each of the Group's trading entities, based on management's assessment of the future outlook for each individual business, as noted below.

Management has identified two cash generating units where a reasonably possible change in assumptions used in arriving at the value in use might cause an impairment:

- In the case of Lift BV, which is an early stage start-up technology business, although early stage customers are generating revenue, there is a risk in the revenue growth assumptions which, if they do not transpire, could result in impairment. A reduction of 17% in the projected revenues in year 5 of the projections, and the resulting impact on the terminal value, would result in an impairment of approximately £0.8m.
- In the case of TPG Engineering Limited, an increase in the discount rate from 10.5% to 12.5% would cause an impairment of approximately £0.2m. A 10% reduction in revenues from those forecast for 2020 and 2021, followed by a reversion to the levels reported in 2019 and no growth thereafter, combined with an increase in the discount rate from 10.5% to 12.5% would result in an impairment of approximately £0.3m.

11. Other intangible assets

Group	Technical know how £'000	Customer relationships £'000	Trade name £'000	Order backlog £'000	Computer software £'000	Internally developed software	Total £'000
Cost							
At 1 January 2018	12,239	4,585	171	-	261	-	17,256
Additions	-	-	-	-	80	-	80
Acquired through business combination	731	1,426	239	-	-	-	2,396
At 31 December 2018	12,970	6,011	410	-	341	-	19,732
Additions	-	-	-	-	112	444	556
Acquired through business combination	-	5,727	520	953	-	1,410	8,610
At 31 December 2019	**12,970**	**11,738**	**930**	**953**	**453**	**1,854**	**28,898**
Accumulated amortisation							
At 1 January 2018	4,979	298	139	-	81	-	5,497
Charge for year	810	472	15	-	138	-	1,435
At 31 December 2018	5,789	770	154	-	219	-	6,932
Charge for year	856	972	70	318	57	227	2,500
At 31 December 2019	**6,645**	**1,742**	**224**	**318**	**276**	**227**	**9,432**
Net Book Value							
At 31 December 2018	7,181	5,241	256	-	122	-	12,800
At 31 December 2019	**6,325**	**9,996**	**706**	**635**	**177**	**1,627**	**19,466**

Technical know-how includes £11,741,000 initial cost which arose on the acquisition of TPG Maritime Limited (previously known as Atmosphere Control International Limited). This represents the company's proprietary expertise and experience of atmosphere management techniques in the defence environment. At 31 December 2019, this technical know-how had a net book value of £5,679,000, and a remaining useful life of 14 years.

11. Other intangible assets (continued)

Intangible assets brought-forward as at 1 January 2018 arose on the acquisition of TPG Maritime Limited and TPG Engineering Limited on 5 April 2012 and are amortised on a straight-line basis over their useful life of fifteen years.

Intangible assets brought-forward as at 1 January 2018 also include those arising from the acquisition of ALS Technologies Limited (now TPG Services Limited) and Flexible Solutions Software Limited on 6 February 2017 and Polaris Consulting (Holdings) Limited on 12 December 2017. These assets are amortised on a straight-line basis over their useful life of between nine and ten years.

Intangible assets acquired in the year ended 31 December 2018 arose on the acquisition of Westek Technology Limited on 2 November 2018. These assets are amortised on a straight-line basis over their useful life of ten years.

Intangible assets acquired in the current year are a result of the acquisition of Sapienza Consulting Holdings B.V. and subsidiaries on 30 April 2019 and the acquisition of further shares in Lift BV on 28 June 2019. Customer relationships, trade name, internally developed software and order backlog will be amortised on a straight-line basis over their useful life of between two and ten years.

Computer software represents both internally developed software as well as externally acquired computer software licences and associated installation costs. Internally developed software is amortised on a straight-line basis over its useful life of five years. Externally acquired computer software is amortised on a straight-line basis over its 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.

Parent Company	Computer software £'000	Total £'000
Cost		
At 1 January 2018	261	261
Additions	35	35
At 31 December 2018	296	296
Additions	97	97
At 31 December 2019	**393**	**393**
Accumulated depreciation		
At 1 January 2018	81	81
Charge for year	130	130
At 31 December 2018	211	211
Charge for year	41	41
At 31 December 2019	**252**	**252**
Net book value		
At 1 January 2018	180	180
At 31 December 2018	85	85
At 31 December 2019	**141**	**141**

12. Property, plant and equipment

Group	Computer equipment £'000	Office furniture and fittings £'000	Plant and machinery and motor vehicles £'000	Total £'000
Cost				
At 1 January 2018	473	199	2,437	3,109
Additions	219	82	564	865
Acquired through business combinations	-	16	43	59
Transfer to right-of-use assets	(11)	(5)	16	-
Transfers	-	-	(1,142)	(1,142)
Disposals	-	-	(237)	(237)
At 31 December 2018	681	292	1,681	2,654
Additions	348	279	290	917
Acquired through business combinations	73	167	-	240
Transfers	28	(28)	-	-
Disposals	(83)	(26)	(41)	(150)
At 31 December 2019	**1,047**	**684**	**1,930**	**3,661**
Accumulated depreciation				
At 1 January 2018	146	80	757	983
Charge for year	132	55	130	317
Disposals	-	-	(28)	(28)
Transfers	13	(25)	12	-
Transfer to right-of-use assets	-	-	(19)	(19)
At 31 December 2018	291	110	852	1,253
Charge for year	227	190	127	544
Disposals	(83)	(26)	(5)	(114)
Transfers	4	(4)	(95)	(95)
At 31 December 2019	**439**	**270**	**879**	**1,588**
Net book value				
At 1 January 2018	327	119	1,680	2,126
At 31 December 2018	390	182	829	1,401
At 31 December 2019	**608**	**414**	**1,051**	**2,073**

The cost of assets still in use with a net book value of zero is £1,363,000 (2018: £1,133,000).

12. Property, plant and equipment (continued)

Parent Company	Computer equipment £'000	Office furniture and fittings £'000	Total £'000
Cost			
At 1 January 2018	60	-	60
Additions	39	-	39
At 31 December 2018	99	-	99
Additions	54	120	174
At 31 December 2019	**153**	**120**	**273**
Accumulated depreciation			
At 1 January 2018	27	-	27
Charge for year	26	-	26
At 31 December 2018	53	-	53
Charge for year	35	28	63
At 31 December 2019	**88**	**28**	**116**
Net book value			
At 1 January 2018	33	-	33
At 31 December 2018	46	-	46
At 31 December 2019	**65**	**92**	**157**

13. Right-of-use assets

Group	Property, plant, machinery and motor vehicles £'000	Total £'000
Cost		
Recognised on adoption of IFRS 16 on 1 January 2018	4,506	4,506
Finance leases transferred from property plant and equipment	1,123	1,123
Additions	119	119
Acquired through business combinations	213	213
At 31 December 2018	5,961	5,961
Transfers	(95)	(95)
Additions	515	515
Acquired through business combinations	781	781
Disposals	(61)	(61)
At 31 December 2019	**7,101**	**7,101**
Accumulated depreciation		
At 1 January 2018	-	-
Charge for year	538	538
At 31 December 2018	538	538
Charge for year	816	816
Disposals	(61)	(61)
At 31 December 2019	**1,293**	**1,293**
Net book value		
At 1 January 2018	5,629	5,629
At 31 December 2018	**5,423**	**5,423**
At 31 December 2019	**5,808**	**5,808**

13. Right-of-use assets (continued)

Parent Company	Plant and machinery £'000	Total £'000
Cost		
At 1 January 2018	-	-
Additions	130	130
At 31 December 2018	130	130
Additions	364	364
At 31 December 2019	**494**	**494**
Accumulated depreciation		
At 1 January 2018	-	-
Charge for year	36	36
At 31 December 2018	36	36
Charge for year	95	95
At 31 December 2019	**131**	**131**
Net book value		
At 1 January 2018	-	-
At 31 December 2018	94	94
At 31 December 2019	**363**	**363**

Right-of-use assets comprise property leases at Cody Technology Park, Farnborough for a period of three years and Apex Plaza, Reading for a period of five years.

14. Investments

The Parent Company's investments comprise interests in group undertakings, details of which are listed below.

Parent Company	2019 £'000	2018 £'000
At 1 January	**18,806**	15,435
Investment during year:		
Investment in shares in group undertakings	**10,150**	3,371
Conversion of subsidiary debt to share capital	**22,229**	-
Conversion of subsidiary debt provision to impairment	**(16,050)**	-
Impairment charge during the year	**(1,230)**	-
Lapse of share options	**(31)**	-
Long term loan to subsidiary	**-**	133
Provision against long term inter-company loan	**-**	(133)
At 31 December	**33,874**	18,806

The increase in investments in shares in Group undertakings relates to the acquisition of Sapienza Consulting Holdings B.V. and subsidiaries please refer to note 31.

14. **Investments** (continued)

During 2019 long-term loans made to TPG Design & Technology Limited ("TPG D&T") and TPG Engineering Ltd ("TPGE") were settled following a recapitalisation of both businesses.

The TPG D&T loan was fully impaired at the end of 2018. As the commercial circumstances have not changed since the end of 2018, the Parent Company has deemed that there should be no change to the impairment provision held for TPG D&T.

The TPGE loan was partially impaired at the end of 2018. Following a review of the expected performance of TPGE and timings thereof, the Parent Company has assessed that there is some risk in the full recoverability of the investment. As such an impairment review was undertaken and an increase in the provision of £1,230,000 against the investment in TPGE was deemed to be required in the current year.

The key assumptions on which the impairment tests are based on are a pre-tax discount rate of 10.5% (2018: 11.5%) and a long-term growth rate, after the period of detailed forecasts, of 1.5% (2018: 1.5%) on forecast cash flows. Differing growth rates have been used for each of the Group's trading entities, based on management's assessment of the future outlook for each individual business.

14. **Investments** (continued)

Name of undertaking	Registered office note	Country of incorporation	Description of shares held	Proportion of nominal value of shares held by the Parent Company	Principal Activity
TPG Maritime Limited	1	United Kingdom	£1.00 ordinary shares	100%	[1]
TPG Design & Technology Limited	1	United Kingdom	£1.00 ordinary shares	100%	Dormant
TPG Engineering Limited	1	United Kingdom	£1.00 ordinary shares	100%	[2]
TPG Services Limited	1	United Kingdom	£0.01 ordinary shares	100%	[3]
Polaris Consulting (Holdings) Limited	1	United Kingdom	£1.00 ordinary shares	100%	[3]
Polaris Consulting Limited	1	United Kingdom	£1.00 ordinary shares	100%	[3]
Westek Holdings Limited	1	United Kingdom	£1.00 ordinary shares	100%	Dormant
Westek Technology Limited	1	United Kingdom	£1.00 ordinary shares	100%	[4]
TPG USA Inc.	2	United States of America	$0.001 ordinary shares	100%	[5]
US Merger Corp Inc.	2	Unites States of America	$0.001 ordinary shares	100%	[5]
Hunt Thermal Technologies Limited	1	United Kingdom	£1.00 ordinary shares	100%	Dormant
Atmosphere Control International Limited	1	United Kingdom	£1.00 ordinary shares	100%	Dormant
Wellman Defence Limited	1	United Kingdom	£1.00 ordinary shares	100%	Dormant
Sapienza Consulting Holdings B.V.	3	Netherlands	€0.01 ordinary shares	100%	[6]
Sapienza Consulting B.V.	3	Netherlands	€100 ordinary shares	100%	[6]
Sapienza Consulting Limited	4	United Kingdom	€1.00 ordinary shares	100%	[6]
Sapienza Consulting Gmbh	5	Germany	€12,500 ordinary shares	100%	[6]
Sapienza Consulting S.R.L.	6	Italy	100% of capital	100%	[6]
AI Recruiting B.V.	7	Netherlands	€100 ordinary shares	100%	[6]
Sapienza Balkans Holdings B.V.	7	Netherlands	€1.00 ordinary shares	65%	[6]
Sapienza Balkans Skopje	8	North Macedonia	€20,000 ordinary share	100%	[6]
Lift B.V.	9	Netherlands	€0.01 ordinary shares	69%	[7]

14. Investments (continued)

Principal activities:

1. Provision of air purification equipment for submarines including oxygen/hydrogen generation and purification, air handling and distribution systems.
2. Design and manufacture of heat exchangers and other critical equipment used in large scale industrial processes.
3. The provision of services including technical project management, systems engineering, design, software development and assurance.
4. The provision of rugged, high performance computer servers and ancillary equipment for the defence and commercial sectors.
5. A trading structure to support any activity that arises in the United States of America.
6. A provider of workforce, engineering services and IT solutions to the space and defence sectors.
7. Builds AI systems to support rapid resourcing of large-scale technical projects.

Registered office addresses

1) A2/1064 Cody Technology Park, Farnborough, Hampshire, GU14 0LX, United Kingdom
2) c/o Registered Agent Solutions Inc., 9 E. Loockerman Street, Suite 311, Dover, Kent County, Delaware 19901, United States of America.
3) Rijnstraat 3, 2223 EG Katwijk, Netherlands.
4) 61 Rodney Street, Liverpool, Merseyside, L1 9ER, United Kingdom.
5) Berliner Allee 65, 64295 Darmstadt, Germany.
6) Roma (RM) Piazza, Sant'Andrea Della Valle, 3 Cap 00186 Studio Commerciale Falato, Italy.
7) Kapteynstraat 1, 2201 BB Noordwijk, Netherlands.
8) Bul. Partizanski Odredi 15a/2-11, 1000 Skopje, North Macedonia.
9) Noordwal 10 III, 2513 EA, The Hague, Netherlands.

15. Amounts owed by Employee Benefit Trust

Parent Company	2019 £'000	2018 £'000
Amounts owed by EBT	**600**	600
Less: impairment	**(495)**	(505)
	105	95

The loan to the Employee Benefit Trust is interest free and unsecured. Details of the Employee Benefit Trust are provided in note 27. The loan is repayable under the following circumstances:

i) From receipt of consideration from the sale of shares in the Parent Company purchased with the loan; and
ii) 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.

16. Inventories

Group	2019 £'000	2018 £'000
Raw materials	**457**	628
Work in progress	**1,579**	2,099
	2,036	2,727

The cost of inventories recognised as an expense during the year in respect of continuing operations was £14,706,000 (2018: £12,544,000). 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.

17. Long term contracts

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

Group	2019 £'000	2018 £'000
Amounts due from contract customers included in trade and other receivables: (note 18)		
Brought forward at 1 January	**5,596**	4,085
Contract asset reclassified as a receivable	**(4,391)**	(3,460)
Newly accrued	**8,785**	4,971
Effect of changes in measurement of progress/estimate of transaction price/contract modification	**52**	-
Carried forward at 31 December	**10,042**	5,596
Amounts due to contract customers included in trade and other payables (note 21)		
Brought forward at 1 January	**4,837**	10,669
Revenue recognised in the year and included in opening balance	**(3,567)**	(7,808)
New cash received, revenue deferred	**7,972**	3,396
Effect of changes in measurement of progress/estimate of transaction price/contract modification	**986**	(1,420)
Carried forward at 31 December	**10,228**	4,837

Unsatisfied long term contracts

Amounts due to contract customers of £10,228,000 above reflects the aggregate amount of revenue allocated to performance obligations that are unsatisfied or partly unsatisfied at the year end. The full amount is expected to be recognised as revenue within the 2020 financial year.

18. Trade receivables and other assets

	Group		Parent Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade receivables	**11,205**	3,221	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**442**	4,200
Other receivables	**507**	597	**557**	540
Prepayments	**1,319**	477	**201**	84
	13,031	4,295	**1,200**	4,823
Contract assets (see note 17)	**10,042**	5,596	**-**	-
	23,073	9,891	**1,200**	4,823
Analysed as:				
Trade receivables and similar items	**21,754**	9,414	**999**	4,739
Non-financial instruments	**1,319**	477	**201**	84
	23,073	9,891	**1,200**	4,823

The carrying value of trade and other receivables is considered a reasonable approximation of fair value due to their short-term nature.

The Group's customers are predominantly government agencies and ministries, or blue-chip companies many of whose underlying customers are also government agencies. Management's assessment of the 12 month expected credit losses on trade receivables from these customers is based on past experience and future expectations of credit losses. The increase in over 90 days debtors (shown below) is considered low risk. The resulting credit loss is not considered material to the Group, at less than £40,000, and no further disclosure is considered necessary.

The ageing of past due but not impaired receivables is:

	Group		Parent Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
0-30 days	**851**	846	-	-
31-60 days	**802**	279	-	-
61-90 days	**329**	69	-	-
>90 days	**197**	181	-	-
	2,179	1,375	-	-

The average age of receivables is 26 days (2018: 31 days).

In 2019 a rent deposit of £67,000 (2018: £67,000) due after more than one year is included within prepayments and other debtors.

18. Trade receivables and other assets (continued)

Trade receivables disclosed above are classified as assets 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.

The amounts due by subsidiary undertakings to the Parent Company do not give rise to any material expected credit loss.

19. Cash and cash equivalents

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

	Group		Parent Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash and bank balances	**6,568**	22,413	**144**	10,505
Cash and cash equivalents	**6,815**[1]	22,873[1]	**144**	10,505

[1] Restricted cash of £247,000 (2018: £460,000) is included in Prepayments and Other Debtors

20. Borrowings

	Current		Non-current		Total	
	2019	2018	2019	2018	2019	2018
Group	£'000	£'000	£'000	£'000	£'000	£'000
Secured:						
Lease liabilities[1]	**1,022**	739	**5,429**	5,198	**6,451**	5,937
	1,022	739	**5,429**	5,198	**6,451**	5,937

[1] The borrowings are fixed with repayment periods from 5 to 25 years.

The carrying value of all borrowings approximates to the fair value.

	Current		Non-current		Total	
	2019	2018	2019	2018	2019	2018
Parent	£'000	£'000	£'000	£'000	£'000	£'000
Secured:						
Lease liabilities	**120**	38	**272**	59	**392**	97
	120	38	**272**	59	**392**	97

21. Trade payables and other liabilities

	Current		Non-current		Total	
	2019	2018	2019	2018	2019	2018
Group	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	**6,374**	5,883	**-**	-	**6,374**	5,883
Accruals & deferred income	**2,519**	1,780	**-**	-	**2,519**	1,780
Other taxation and social security	**1,021**	1,157	**-**	-	**1,021**	1,157
Contingent consideration	**585**	1,453	**286**	-	**871**	1,453
Other creditors	**1,106**	341	**-**	-	**1,106**	341
Trade and other payables	**11,605**	10,614	**286**	-	**11,891**	10,614
Lease liabilities	**1,022**	739	**5,429**	5,198	**6,451**	5,937
Contract liabilities	**10,228**	4,837	**-**	-	**10,228**	4,837
	22,855	16,190	**5,715**	5,198	**28,570**	21,388

	Current		Non-current		Total	
	2019	2018	2019	2018	2019	2018
Parent	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	**257**	450	**-**	-	**257**	450
Amounts owed to subsidiary undertakings	**5,356**	4,821	**-**	-	**5,356**	4,821
Accruals & deferred income	**645**	510	**-**	-	**645**	510
Other taxation and social security	**286**	1,066	**-**	-	**286**	1,066
Contingent consideration	**585**	1,453	**285**	-	**870**	1,453
Other creditors	**23**	12	**-**	-	**23**	12
Trade and other payables	**7,152**	8,312	**285**	-	**7,437**	8,312
Lease liabilities	**120**	38	**272**	59	**392**	97
	7,272	8,350	**557**	59	**7,829**	8,409

	Group		Parent	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade and other payables are analysed as:				
Financial instruments	**27,549**	20,231	**7,543**	7,343
Non-financial instruments	**1,021**	1,157	**286**	1,066
	28,570	21,388	**7,829**	8,409

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 29 days (2018: 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.

22. Lease liabilities

The Group uses leases to acquire plant and machinery. Future minimum lease payments for all equipment and property are as follows:

	Property		Motor Vehicles		Other Equipment		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Future minimum payments due:								
Not later than one year	**946**	672	**14**	14	**290**	273	**1,250**	959
After one year but not more than five years	**2,872**	2,408	**17**	14	**495**	728	**3,384**	3,150
After five years	**2,934**	3,013	**-**	-	**-**	-	**2,934**	3,013
Less finance charges allocated to future periods	**(1,057)**	(1,084)	**(1)**	(3)	**(59)**	(98)	**(1,117)**	(1,185)
Present value of minimum lease payments	**5,695**	5,009	**30**	25	**726**	903	**6,451**	5,937
The present value of minimum lease payments is analysed as follows:								
Not later than one year	**753**	498	**13**	12	**256**	229	**1,022**	739
After one year but not more than five years	**2,355**	1,898	**17**	13	**470**	674	**2,842**	2,585
After five years	**2,587**	2,613	**-**	-	**-**	-	**2,587**	2,613
	5,695	5,009	**30**	25	**726**	903	**6,451**	5,937

The average lease term is 5 years. For the year ended 31 December 2019, the average effective borrowing rate was 4.23% (2018: 4.26%). 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.

The Group's obligations under leases which are secured by the lessors' rights over the leased assets with initial recognised value of £1,366,000 (2018: £1,366,000), are disclosed within note 13, and have corresponding year end lease liabilities of £657,000 (2018: £884,000).

	Group		Parent	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Effects of leases on financial performance:				
Depreciation charge for the year included in 'administrative expenses' for right-of-use assets:				
Property, plant, machinery and motor vehicles	**816**	538	**95**	36
Total depreciation charge on leased assets	**816**	538	**95**	36
Interest expense for the year on lease liabilities recognised in 'finance costs'	**246**	240	**9**	4
Effect of leases on cash flows:				
Total cash outflow for leases in the year	**981**	846	**68**	38

Both the Group and the Parent Company did not incur any costs within administrative expenses relating to short-term leases, leases of low value or variable lease payments not already included within the measurement of the lease liability.

Notes to the financial statements (continued)

23. Financial instruments

Carrying values and fair values of financial instruments

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

	Note	Group 2019 £'000	Group 2018[1] £'000	Parent 2019 £'000	Parent 2018[1] £'000
Financial assets					
Amounts owed by EBT	15	**-**	-	**105**	95
Trade receivables and similar items	18	**21,754**	9,414	**999**	4,739
Cash at bank and in hand	19	**6,568**	22,413	**144**	10,505
		28,322	31,827	**1,248**	15,339
Financial liabilities:					
Trade payables and similar items		**21,098**	14,294	**7,151**	7,246
Lease liabilities		**6,451**	5,937	**393**	97
		27,549	20,231	**7,544**	7,343

[1] There has been a re-analysis of the 2018 figures to align with the 2019 figures.

Risk management 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 and its amounts recoverable on contracts, which, as set out in note 18, at 31 December 2019 were £21,247,000 (2018: £8,817,000). The amounts presented in the balance sheet are net of impairment, estimated by the Group's management in line with principles set out in IFRS 9. Impairment loss recognised against trade receivables for the financial period was £36,000 (2018: £62,000).

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.

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.

Notes to the financial statements (continued)

24. Provisions for liabilities and charges

Group	Warranty £'000	Property £'000	Total £'000
At 1 January 2019	389	110	499
Released to income statement	(278)	-	(278)
Charged to income statement	-	10	10
At 31 December 2019	**111**	**120**	**231**

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.

25. Share capital

	2019 Number	2018 Number	2019 £'000	2018 £'000
Issued and fully paid:				
Ordinary shares of 1 pence each	**779,178,719**	758,565,854	**7,792**	7,586

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 1 pence each.

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 27.

The increase in share capital of 20,612,865 ordinary shares during the year is due to ordinary shares issued as part of the consideration for the acquisition of Sapienza Consulting Holdings B.V. (note 31).

26. Share-based payments

The Group has two unapproved share option schemes and an Enterprise Management Incentive (EMI) scheme. Share options have been granted by the Parent Company under the rules of the 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 scheme number**	**EMI scheme number**	**Total Number**
At 1 January 2019	32,461,133	10,832,328	43,293,461
Granted during the year	6,000,000	-	6,000,000
Cancelled during the year	(1,500,000)	(1,500,000)	(3,000,000)
At 31 December 2019	**36,961,133**	**9,332,328**	**46,293,461**

26. Share-based payments (continued)

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 2019, 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:

	2019 Weighted average exercise price (pence)	2019 Number of options	2018 Weighted average exercise price (pence)	2018 Number of options
At 1 January 2019	**7.57**	**43,293,461**	7.52	51,346,666
Lapsed during the year	**-**	**-**	14.90	(26,666)
Cancelled during the year	**9.84**	**(3,000,000)**	7.03	(10,776,539)
Granted during the year	**3.12**	**6,000,000**	6.44	2,750,000
At 31 December 2019	**6.85**	**46,293,461**	7.57	43,293,461
Exercisable at 31 December 2019	**8.00**	**21,564,349**	9.23	11,657,744

No share options were exercised during the year (2018: none). The options outstanding at 31 December 2019 had exercise prices as shown in the following table and a weighted average remaining contractual life of 7.29 years.

At 31 December 2019 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 2019 was 6.55p and the range during the year was between 6.00p and 7.62p.

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.

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 £177,000 and £165,000 related to equity-settled share-based payment transactions in 2019 and 2018 respectively.

26. Share-based payments (continued)

Date of Grant	**Number**	**Option price per share pence**	**Closing share price at grant pence**	**Expected volatility %**	**Risk-free interest rate %**	**Fair value per share Pence**
2010	200,000	21.75	22.00	50.63	1.20	6.31
2010	1,950,000	15.00	14.80	37.43	0.80	3.04
2012	166,667	10.00	9.50	36.28	0.51	1.73
2014	666,667	10.00	9.75	19.57	0.53	0.99
2014	250,000	10.00	5.50	42.28	0.76	0.38
2017	18,377,216	7.00	7.25	56.89	0.66	3.12
2017	9,188,608	7.00	7.25	56.89	0.66	3.14
2017	4,594,303	7.00	7.25	56.89	0.66	3.26
2017	3,650,000	7.00	7.25	56.89	0.66	3.57
2018	750,000	6.50	6.50	56.89	0.66	3.57
2018	1,000,000	6.42	6.42	56.89	0.66	3.57
2019	4,500,000	6.88	6.70	56.89	0.66	3.57
2019	1,000,000	6.70	6.70	56.89	0.66	3.57
	46,293,461					

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.

27. 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 2019 the Parent Company had loaned £600,000 (2018: £600,000) to the Corac Employee Benefit Trust. With this loan the Trustee purchased shares in the Parent Company and, at 31 December 2019, the Corac Employee Benefit Trust held 1,606,769 (2018: 1,606,769) ordinary shares in TP Group plc with a book cost of £653,352 (2018: £653,352) which had a market value of £105,243 (2018: £94,799). 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 nil (2018: 26,666) shares to employees.

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.

28. Contingent liabilities

As part of the Group's long-term contract trading activities, £344,000 of performance and warranty bonds (2018: £1,331,000) have been issued to customers. Of this amount £247,000 has been cash backed (2018: £460,000) by the Group's cash resources and this balance sits within prepayments and other debtors. The balance is supported by a bonding facility provided by Barclays Bank plc guaranteed by the UK Export Fund. No liability is expected to arise, and no provision is made in the accounts.

29. Related party transactions

There were no related party transactions with entities outside of the Group during the reporting period.

For the period post acquisition of Sapienza Consulting Holdings B.V., Sapienza Consulting B.V. charged Lift B.V. £61,000 for the provision of management and support services.

The Parent Company applies the exemptions provided for under FRS 101 not to disclose transactions with wholly owned subsidiaries during the 2019 financial year.

30. Exchange Rates

The following exchange rates have been used as part of the acquisition and consolidation accounting contained within these financial statements:

	2019
Average Exchange Rate for the year [1]	
Euro	**1.18**
Closing rate at 31 December [1]	
Euro	**1.17**
Rate at acquisition at 30 April [2]	
Euro	**1.15**

[1] Average rates are used to translate the income statement and cash flow statement. Closing rates are used to translate the balance sheet. Only the most significant currencies are shown.
[2] Rate at acquisition of Sapienza (see note 31) used to translate book value and fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill.

31. Business combinations

Sapienza Consulting Holdings B.V

On 30 April 2019, the Group through its parent company TP Group plc, acquired 100% of the issued share capital of Sapienza Consulting Holdings BV ("Sapienza") on a cash free, debt free, normalised working capital basis, for a combined initial consideration of €10 million in cash and €1.5 million by way of the issue of 20,612,865 new ordinary shares of 1 pence each in the Company. In addition, a maximum of €2.0 million may also be payable in cash on delivery by the vendors of certain transition activities within two years following completion of the acquisition. This amount will be expensed in the Group's income statement over the two years to 30 April 2021, in line with IFRS 3. Sapienza was a privately-owned group of services and software companies serving the space and defence sectors.

31. Business combinations (continued)

On 28 June 2019, the Group via its subsidiary Sapienza Consulting Holdings BV acquired additional shares in Lift BV ("Lift"), increasing its shareholding from 33% to 69%. The additional 36% was acquired for an initial consideration of €486,000 in cash, paid from the Group's existing cash resources, and a further consideration of €216,667 in cash to be paid over an 18-month period, again from the Group's existing cash resources. Lift is a software business that designs AI based conversational technology.

The principal reason for the acquisition of Sapienza and the increased investment in Lift is to support the Group's evolution as a diversified engineering and services group. Sapienza and Lift form part of the CaPS business segment.

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

	Sapienza Consulting Holdings BV		**Lift BV**	
	Book Value £'000	**Fair Value £'000**	**Book Value £'000**	**Fair Value £'000**
Property, plant & equipment	167	167	73	73
Right-of-use assets	-	781	-	-
Investments	491	491	-	-
Identifiable intangible assets	-	8,327	-	283
Cash and cash equivalents	1,178	1,178	31	31
Financial assets	5,934	5,828	77	184
Financial liabilities	(6,671)	(7,901)	(59)	(59)
Deferred taxation	-	(1,416)	-	(40)
Total identifiable net assets	**1,099**	**7,455**	**122**	**472**
Non-controlling interest		-		(510)
Goodwill arising on consolidation		2,696		1,176
Total Consideration		**10,151**		**1,138**
Consisting of:				
Consideration in cash		8,854		631
Consideration in shares		1297		-
Fair value of previously held interest		-		507

Following the increase in shareholding in Lift B.V., no change in fair value of the non-controlling interest has been recognised in view of the short space of time between the two transactions.

The non-controlling interest in Lift B.V. was valued as the percentage of shares not owned by the Group on 28 June 2019 multiplied by the fair value of the net assets of Lift B.V. on this date, including intangibles arising on acquisition. The fair values were determined using the income approach to value of the technology of the company, and the cost approach to value the workforce and all remaining assets and liabilities of Lift B.V. at acquisition.

The Group has identified intangible assets on the purchase of Sapienza Holdings BV relating to customer relationships of £5,727,000, internally developed software of £1,127,000, the brand of £520,000 and order backlog of £953,000.

Notes to the financial statements (continued)

31. Business combinations (continued)

Goodwill of £2,696,000 is primarily applicable to the assembled workforce acquired as part of the transaction to purchase Sapienza Holdings BV. Acquisition costs of £799,000 arose as a result of the transaction and these were settled in cash from the Group's existing resources. These have been recognised as part of administrative expenses in the Consolidated Statement of Comprehensive Income.

Had the acquisition of Sapienza Holdings BV been effective from 1 January 2019, the consolidated revenue of the Group for the year would have been approximately £63,000,000 and the operating loss for the year would have been approximately £1,846,000. The directors consider these values to represent an approximate measure of performance of the combined Group on an annualised basis and to provide a reference point for future periods. Since acquisition Sapienza Holdings BV, including Lift B.V. reports revenue of circa £9,900,000 and operating profit of circa £317,000.

The Group has identified intangible assets on the purchase of Lift B.V. relating to internally developed software £283,000. Goodwill of £1,176,000 is primarily applicable to the future enhancements made to the core technology acquired to support future revenue growth, and the highly skilled assembled workforce.

32. Controlling parties

In the opinion of the directors, there is no single controlling party.

33. Subsequent events

On 3 March 2020, the Group entered into a new £7.0 million revolving loan facility (the "Facility Agreement") with HSBC UK Bank plc. This facility has a term of three years and carries an option to increase the headroom to £12.0 million subject to certain conditions. Under the terms of the Facility Agreement, the Group will pay interest at a rate of between 1.75% and 2.25% over LIBOR on the amount drawn down, depending on the Group's total leveraged position. As of 20 May 2020 the facility had been fully drawn to insulate the business against any potential covid-19 impacts. However it must be noted that the Group's current cash flow forecast indicates that none of these funds will be required to support the Group's ongoing operational activities.

The Financial and Operational Review includes a review of going concern, as well as separate consideration of the impact of Brexit and the Coronavirus, which has not identified any material impact on the values of any of the Group's assets or liabilities.

Company information

Company Number
3152034

Directors

P Cartmell - Chief Executive Officer
A McCree - Non-executive Chairman
D Stroud – Chief Financial Officer
P Holland – Non-executive Director
J Warner-Allen – Non-executive Director

Secretary
C MacPherson

Registered Office
Cody Technology Park
Old Ively Road, Farnborough, Hampshire, GU14 0LX

Nominated Adviser and Broker
Cenkos Securities plc
6-8 Tokenhouse Yard, London EC2R 7AS

Auditor
RSM UK Audit LLP
Portland, 25 High Street, Crawley, West Sussex, RH10 1BG

Solicitor
CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place, 78 Cannon Street, London, EC4N 6AF

Bankers
National Westminster Bank plc
1 Penn Road, Beaconsfield, Buckinghamshire HP9 2PU

Barclays Bank plc
One Snowhill, Queensway, Birmingham B4 6GN

Patent Agent
Mathys & Squire LLP
The Shard, 32 London Bridge Street, London, SE1 9SG

Registrar
Equiniti
PO Box 4630 Aspect House, Spencer Road, Lancing, West Sussex BN99 6QQ

Financial PR
Vigo Communications
180 Piccadilly, London, W1J 9HF

Notes

Designed and produced by **emperor**
Visit us at **emperor.works**

tpgroup

Apex Plaza
Forbury Road
Reading
Berks
RG1 1AX
United Kingdom

tel: +44 (0)1753 285810
email: enquiries@tpgroup.uk.com
www.tpgroup.uk.com