

*tpgroup*

TP Group plc Annual Report 2020



2 3 4 5 6

Delivering a safer, progressive  
and sustainable future



tpgroup

---



TP Group is a consulting, software and technologies business, **working to make the world a safer place.**

---

Our **talented people are trusted worldwide** to do difficult things well in mission-critical, business-critical and safety-critical situations.

---

More than 400 highly skilled individuals in six European countries support complex programmes in the **aerospace, defence and energy sectors.**

A digital copy of this report can be downloaded from <https://www.tpgroupglobal.com/investors/results-and-presentations>





## CAPABILITIES THAT SERVE THE MARKET

Read more in [Market review](#) on pages 10 and 11



## SUPPORTING OUR CLIENTS THROUGH OUR THREE VALUE STREAMS

Read more in [At a glance](#) on pages 06 and 07



## A GROWTH STRATEGY FOCUSED ON INVESTING IN CAPABILITIES

Read more in [Strategy](#) on pages 14 and 15



## ON A PATH TO BEING A TRULY SUSTAINABLE BUSINESS

Read more in [Sustainability](#) on pages 36 to 40

## CONTENTS

# 01 Strategic Report

Highlights	02
Investment case	04
Culture	05
At a glance	06
Chairman's statement	08
Market review	10
Business model	12
Strategy	14
Case studies	16
Chief Executive's statement	20
Financial and operational review	24
Key performance indicators	32
Section 172 statement	34
Sustainability	36
Principal risks and uncertainties	42

# 02 Governance

Board of directors	48
Directors' report	50
Statement of directors' responsibilities	52
Corporate governance report	53
Remuneration report	60

# 03 Financial Statements

Independent auditor's report to the members of TP Group plc	64
Consolidated statement of comprehensive income	73
Consolidated and Parent Company statements of financial position	74
Consolidated statement of changes in equity	75
Parent Company statement of changes in equity	76
Consolidated statement of cash flows	77
Notes to the financial statements	78
Company information	127

# Highlights

## OPERATIONAL HIGHLIGHTS

From continuing operations

### Revenue

**up 20% to £59.0m**

(2019: £49.4m)<sup>1</sup>

- Organic growth, excluding Sapienza, of 9% (£3.5m), with Consulting & Programme Services (“CaPS”) up 30%, whilst Technology & Engineering (“T&E”) reduced by 4%
- Added £6.1m revenue to the Group from the full year effect of Sapienza<sup>4</sup> (£4.7m) and the acquisition of Osprey Consulting<sup>5</sup> (£1.4m), both of which sit within the CaPS business

### Adjusted operating profit<sup>3</sup>

**£3.7m**

(2019: £6.2m)

- Margin erosion due to project execution timings, resource utilisation and supply chain issues materially caused by the coronavirus (“COVID-19”) pandemic
- Investment made across the business to drive future growth
- £0.1m of profit contributed by acquisition of Osprey Consulting

### Operating losses<sup>3</sup>

**£4.8m**

(2019: £1.0m)

- Lower adjusted operating profit
- Impairment charge of £1.4m (2019: £nil)
- Earn-out provision of £0.5m (2019: £1.6m) relating to Sapienza and Osprey

### Statutory loss

**£10.0m**

(2019: £2.0m)

- Higher operating losses
- Losses on discontinued operations of £5.0m (2019: £0.1m)

### Closing cash

**£7.4m**

(2019: £6.6m)

- £2.0m cash used in the acquisition of Osprey
- Settlement of earn-out payments, £0.9m for Sapienza
- £2.3m invested in software and AI technologies, business systems, IP and infrastructure
- HSBC bank facility of £7.0m fully drawn

### Order intake

**£71.5m**

(2019: £62.5m)

- Existing business, including Sapienza, £64.3m (2019: £62.5m)
- Opening order book of £5.3m acquired with Osprey
- Additional £1.9m new orders post-acquisition from Osprey

### Group closing order book

**up 22% to £69.3m**

(2019: £56.8m)

- Organic growth of £6.7m (12%)
- Includes additional £5.8m from Osprey

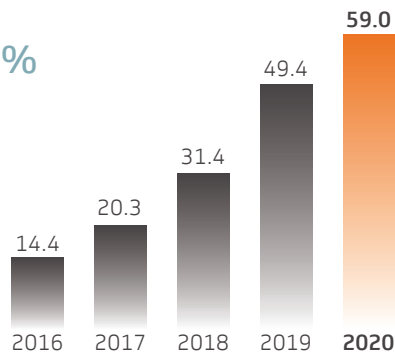
## FINANCIAL HIGHLIGHTS

From continuing operations

### Revenue<sup>1,2</sup>

£59.0m +20%

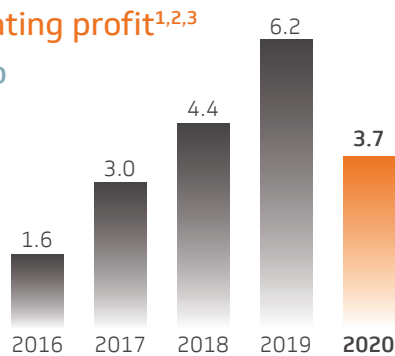
(2019:£49.4m)



### Adjusted operating profit<sup>1,2,3</sup>

£3.7m -40%

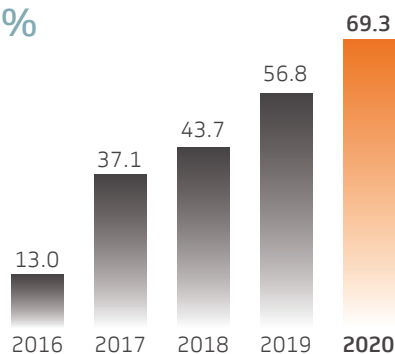
(2019:£6.2m)



### Group closing order book<sup>1,2</sup>

£69.3m +22%

(2019:£56.8m)



1. Numbers presented are from continuing operations on 31 December 2020, and exclude TPG Engineering that was disposed of on 29 October 2020
2. 2017 values are restated to reflect the impact of IFRS 15; 2016 is as originally reported
3. Refer to the Financial and operational review “Adjusted operating profit” for the bridge from operating loss (before tax and finance fees) to adjusted operating profit
4. Sapienza Consulting Holdings BV (“Sapienza”) acquired April 2019
5. Osprey Consulting Services Limited (“Osprey”) acquired August 2020





# Investment case

---



---

## Exceptional sector expertise

Expert advisors on the most complex, mission-critical projects for the aerospace, energy and defence sectors.

---

## Impeccable record and loyal customer base

Excellent track record and approach of working alongside clients, rather than directing them, has built loyalty and trust from across the industry.

---

## Successful expansion into new markets via acquisition

Proven ability to integrate and add value to acquisitions, providing cross-selling opportunities while enabling consultants to widen expertise and service new markets.

---

## AI software brings transformational growth opportunities

Advanced, AI algorithms currently being deployed with big data for decision making support and autonomy.

---

## A clearly defined growth strategy

Target high value customers; invest in people and capabilities; acquire and partner to spread footprint; expand geographically and maintain competitive leadership.

---

## Huge market opportunity

The sectors in which TP Group operates are investing heavily while rapidly digitising and integrating, leading to significant opportunity.

---

## Transitioning to higher value, higher margin business

TP Group is focusing on the higher margin elements of its business to drive the bottom line.

---

## Leadership position in the emerging clean energy, hydrogen market

Extensive experience stems from over 50 years in the electrolyser market.

---

## Experienced management team

Experienced and proven leadership team with a track record of consistently delivering growth.

# Culture

## OUR PURPOSE

TP Group will offer the most talented individuals with front-line experience of real-world situations that influence safety, resilience and performance.

Our consultants, developers and technicians will be trusted and relied upon by our customers and will grow our own business to reward the people within it and the investors that have supported it.

## VISION

**Our vision is to shape a more secure world. We work on resilient solutions driven by advancing technologies and world class services.**

## MISSION

**To be trusted and relied upon by our customers to help them succeed quickly and safely through the provision of skills, experience and systems that exceed their expectations.**

## PEOPLE

**Founded on the skills and professionalism of its people, TP Group has an active approach to embedding a core cultural thread across the business:**

- Providing the team with systems, resources and support
- Monitoring and reporting relevant indicators to ensure staff are best equipped to perform

Read more about our people and developing culture in **Sustainability** on pages 36 to 40

## VALUES

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

Achieve together

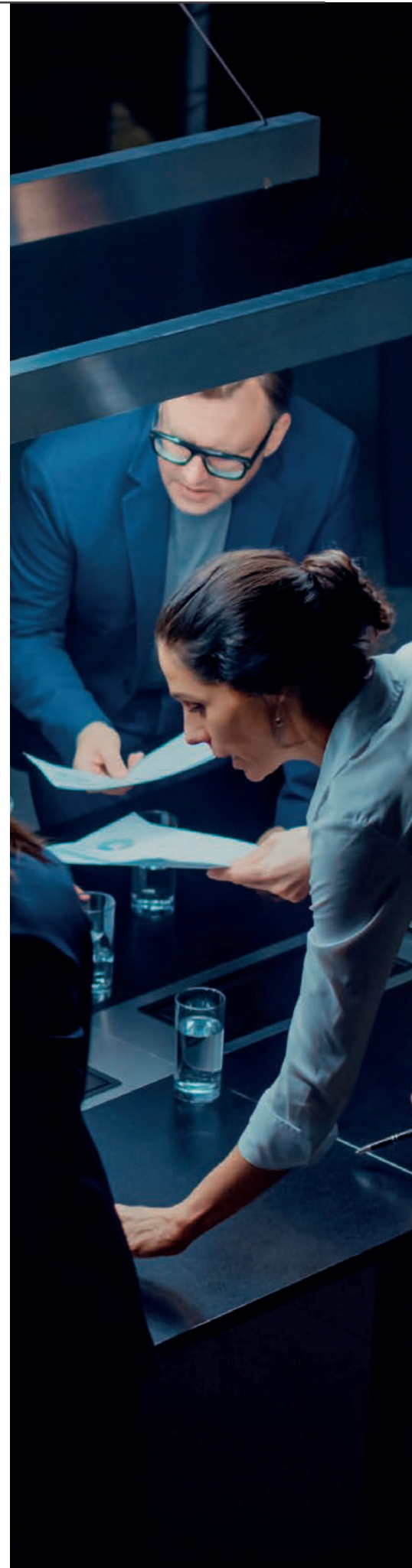
Embrace responsibility

Strive for excellence

Build unity

Challenge ourselves

Have integrity in all that we do



# At a glance **OUR VALUE STREAMS**

## The Group reported as two core businesses throughout 2020

- Consulting & Programme Services (“CaPS”) and Technology & Engineering (“T&E”).

The CaPS business has become more material to the Group’s performance and extend its capabilities to include software and digital solutions alongside traditional consulting services. With the disposal of TPG Engineering Limited we have re-badged T&E as Atmosphere Management Systems to better reflect its ongoing activities.



### CONSULTING

Professional services that allow our clients to understand their enterprise and the world in which they work, make informed decisions and act on them with confidence.

#### Our specialisms

##### Feasibility analysis

Evaluating alternative concepts or solutions and producing business or technical cases to justify change.

##### Programme delivery & support

Delivery of change projects, management of operations and long-term performance.



### SOFTWARE & DIGITAL SOLUTIONS

Using software to solve challenging problems in dynamic and complex environments.

#### Our specialisms

##### Artificial Intelligence (“AI”) for autonomy

Advanced software algorithms to manage vehicles without human intervention with truly autonomous route planning and adjustment in real time.

##### AI for decision support

Intelligent software with machine learning principles that works with dynamic data sources to make recommendations that evolve as circumstances change.



### ATMOSPHERE MANAGEMENT SYSTEMS

Life-support systems in critical workspaces, and hydrogen-based renewable energy solutions.

#### Our specialisms

##### Life support systems

Our technologies help to preserve human life in the most demanding of environments. This enables crews to breathe in the most inhospitable conditions, including deep under the sea or high above the earth. These systems produce breathable gases while removing contaminants to achieve a safe and comfortable working environment.



We are therefore positioning the business as three complementary value streams in 2021:

- **Consulting**
- **Software and Digital Solutions**
- **Atmosphere Management Systems**

This allows us to be clearer in our offerings to support customers through the full lifecycle of their projects or programmes. Our consultants can support initial planning, justification and project management whilst specialist teams can deliver software or equipment as required.

**Enterprise transformation**

Defining and implementing the necessary changes to people, processes and systems to create high performing and resilient organisations.

**Case study**

Supporting the UK MoD’s multi-billion pound SKYNET programme to enable information sharing across multiple platforms including unmanned vehicles.

[Read more on page 17](#)



**Critical software**

Development and assurance of safe, secure and reliable software intensive systems.

**ECLIPSE software suite**

Transforming how teams work in a fast-changing world to build enterprise resilience, business continuity and programme success.

**Case study**

The ECLIPSE project resources management solution is being utilised as a shared data environment by Airbus Defence and Space for several Military Space projects.

[Read more on page 19](#)



**Renewable energy systems**

We are developing energy systems for the future. Our hydrogen system can be used for refuelling, power to gas and energy storage. These systems are configured for use within highly regulated sectors including energy, defence and public transport.

**Case study**

Hydrogen is an emerging source of clean fuel, and removal of carbon dioxide from the atmosphere is a key part of the global journey to a cleaner environment. TP Group has repurposed electrolyser technology to produce ultraclean hydrogen for fuel or oxygen for medical use.

[Read more on page 18](#)



# Chairman's statement

ANDREW McCREE



“The COVID-19 pandemic brought unprecedented pressures on businesses throughout the UK. Despite this, the Company was able to deliver a resilient performance. Our plan to make careful acquisitions with targeted investment has transformed this business into a more robust and energetic organisation.”

Group revenue was up 20% at £59.0 million as a result of our position on several long-term programmes that continued through the pandemic, the acquisition of Osprey and the full year contribution of Sapienza. There are also encouraging signs for 2021 with a 14% growth in orders to £71.5 million. The Group's profit for the year was inevitably affected by the effects of the economic downturn caused by the COVID-19 pandemic, with an adjusted operating profit of £3.7 million. Statutory losses increased to £10.0 million, primarily due to the one-time effect of discontinued operations.

Our focus on higher margin technology and technical consulting from a wider geographical base has enhanced resilience and provided a platform for a stronger performance in 2021. We intend to build on this approach further in 2022 so that the Group emerges from this transition as a technically more focused and geographically more diversified business. Our goal will be to generate good growth with a strong cash performance which offers good returns for our shareholders.

These changes will deliver results only if we pay attention to our culture. Clear and, where appropriate, compassionate leadership from the executive team has encouraged a “can do” culture, which has enabled our employees to adapt more easily to the very demanding business conditions brought about by the pandemic. We are also developing a learning culture which enables us to enter each customer experience with enthusiasm and flexibility.

The board has been impressed by the openness of management and employees and it is very important I take this opportunity to thank them for their commitment and outstanding effort. People will always be at the heart of our growth ambitions, and we will continue to seek and develop talented people with distinctive skills. Great people need great tools, and our ongoing focus as a board is to make sure the business is able to continue to invest in our digital infrastructure to provide our employees with the resources they need. We have made progress here, but there is more to do.

## Governance

The board provides an appropriate level of scrutiny of management and the safeguards within the business. Discussions are robust and working together we have developed a thoughtful and careful approach in navigating the business through these challenging times. The board has remained stable through the year and I would like to thank the other directors for their diligence and guidance over the period.

We have continued to meet as planned and additionally when required through the period, using technology to do so remotely in respecting lockdown requirements. Through all of this we have maintained transparency of our actions and decisions in line with the adopted Quoted Companies Alliance Corporate Governance Code and our Section 172 duties.



“

*Our responsibility now is to be flexible, robust and confident, to look forward with comfort in our preparedness and optimism for our prospects.”*

### The year ahead

We began 2021 with a strong opening order book and have maintained our commitment to and relationships with key customers. This positions us well for the year ahead with a portfolio of technologies and skills that are in demand across our main markets and geographies. We are present on long-term and stable programmes and have access to emerging initiatives in artificial intelligence and renewable energy.

TP Group has been on a journey of change over the last few years. At the same time, partly because of COVID-19, our markets and customers have changed too. We now have strengths that we can be proud of and that our customers recognise. This gives us the confidence to be optimistic for the future. The board is very supportive of the Group's executive team who have driven this transition. We have a lot yet to do and a key priority is creating greater value for our shareholders in the future.

**ANDREW MCCREE**  
NON-EXECUTIVE CHAIRMAN





# Market review

## TRENDS BY VALUE STREAM AND SECTOR

### VALUE STREAM

#### Consulting

A team of experienced professionals with highly tuned skills that help our clients to truly understand their situation, and then make informed decisions and act on them to transform their enterprise.

##### Trends

- Complexity overload – where multiple initiatives may have been applied to transform parts of the organisation or process, but without the interconnections to make them really perform. We see a growing call to simplify, harmonise and turn an unnecessarily complex situation into something that really works.
- Sustainable operations – where the new drivers of net zero and climate action are forcing a re-think of customers' activities, infrastructure, equipment and investments to continue doing what they do, but to do it better in light of these new aspirations.

##### TP Group propositions

- System engineering that captures the true requirement and range of existing elements and develops a simple, effective and integrated solution for the long term.
- Feasibility analysis where options are considered and explored to help customers choose the most suitable solution for their needs.
- Cost engineering that looks at the broader understanding of project costs and then works with customers to produce robust business cases that place the resulting project on a firm footing for success.

#### Software and Digital Solutions

We use technology to capture complex situations and produce an understandable view from which action can be taken with confidence.

##### Trends

- Digital twins – the emerging methods of representing complex situations or environments digitally so that with better understanding, informed decisions can be made, options trialled and outcomes foreseen.
- Digital threads – the ability to represent a business process digitally from start to finish. This helps with process management, traceability and assurance, especially in critical projects or processes.

##### TP Group propositions

- System engineering to gather data sources and combine them in a single trusted view of the activity.
- Artificial Intelligence algorithms to make rapid decisions safely, in a changing environment.
- Software tools to manage complex processes securely and accurately.

#### Atmosphere Management Systems

Two principal drivers are defining our path in this area – safety and a cleaner environment.

We build systems that are relied upon to produce clean, breathable air and remove stale or contaminated air in enclosed spaces. These systems are the basis of other devices that can produce medical grade oxygen, hydrogen as a fuel, or remove carbon dioxide from a wide range of situations.

##### Trends

- Submarines with more diverse crew profiles and operating for longer missions place greater demands on clean air.
- Smaller submarines with less available power need more flexible solutions.
- National and international environmental targets demand alternative fuels such as hydrogen and better means of removing CO<sub>2</sub> from legacy activities.
- Medical crises have heightened the need for a flexible, local supply of oxygen.

##### TP Group propositions

Refining and evolving technology for a wider range of solutions.

- Bringing consulting into the process to advise on options and optimise usage.

## SECTOR

### Aerospace

The aerospace sector uses highly complex, high technology equipment with a public service focus that has safety, efficiency and cost management at its core.

We work with Institutions such as ESA or EUMETSAT, aviation service providers such as airport operators, and industrial customers manufacturing aircraft, satellites and related equipment.

#### Trends

The COVID-19 pandemic has hit commercial aerospace with most operators and equipment manufacturers scaling back their operations. Military aviation has continued but many of the participants have civil activities as well and so have still been affected.

Across the industry there will be investment needed in long-term initiatives that use technology as an accelerator, optimise their operations and focus on sustainability.

#### TP Group propositions

- Digital transformation.
- AI for decision support and ultimately autonomy.
- Programme support for major investment initiatives.
- Air safety procedures, policies, systems and technologies.

### Defence

The defence sector is a cornerstone of national security and international co-operation to assure stability and security. Nationally driven with technically sophisticated equipment, highly regulated and yet with a need for integration between forces to succeed on the global stage.

#### Trends

The defence sector in the UK and Europe is expected to grow in order to maintain national commitments to NATO subscription levels. This will be delivered through a series of technology refresh and innovation activities that replace ageing equipment with more capable modern options and bring new technology such as autonomous platforms into service.

There will also be a continuing investment in data and intelligence management for counter terrorism that will increase demand for digital solutions and AI systems.

#### TP Group propositions

- Programme support for major investment initiatives.
- Software and digital solutions to provide mission-critical services and integration between units and forces.
- AI for autonomous vehicles to extend reach and capability in all service branches.
- Specialist electronics and other systems to enable seamless communications for deployed forces and local processing wherever it is needed.

### Energy

The energy sector underpins almost all that we do and rely upon in everyday life. There is an emerging need to use existing fuels wisely and to develop and adopt cleaner new fuels as the world invests heavily to meet net zero carbon targets in the coming decades.

We work across the spectrum of energy production and usage with upstream energy companies, industrial prime contractors and downstream operators using new energy solutions in transportation and industrial settings.

#### Trends

Innovation here has been summarised as approaches to decarbonisation, decentralisation and digitisation.

This leads to significant investment in transformation programmes alongside the inevitable push to develop renewable energy as a principal resource.

#### TP Group propositions

- Decision support.
- Project and programme feasibility, justification and planning.
- Major programme support.
- Digital transformation.

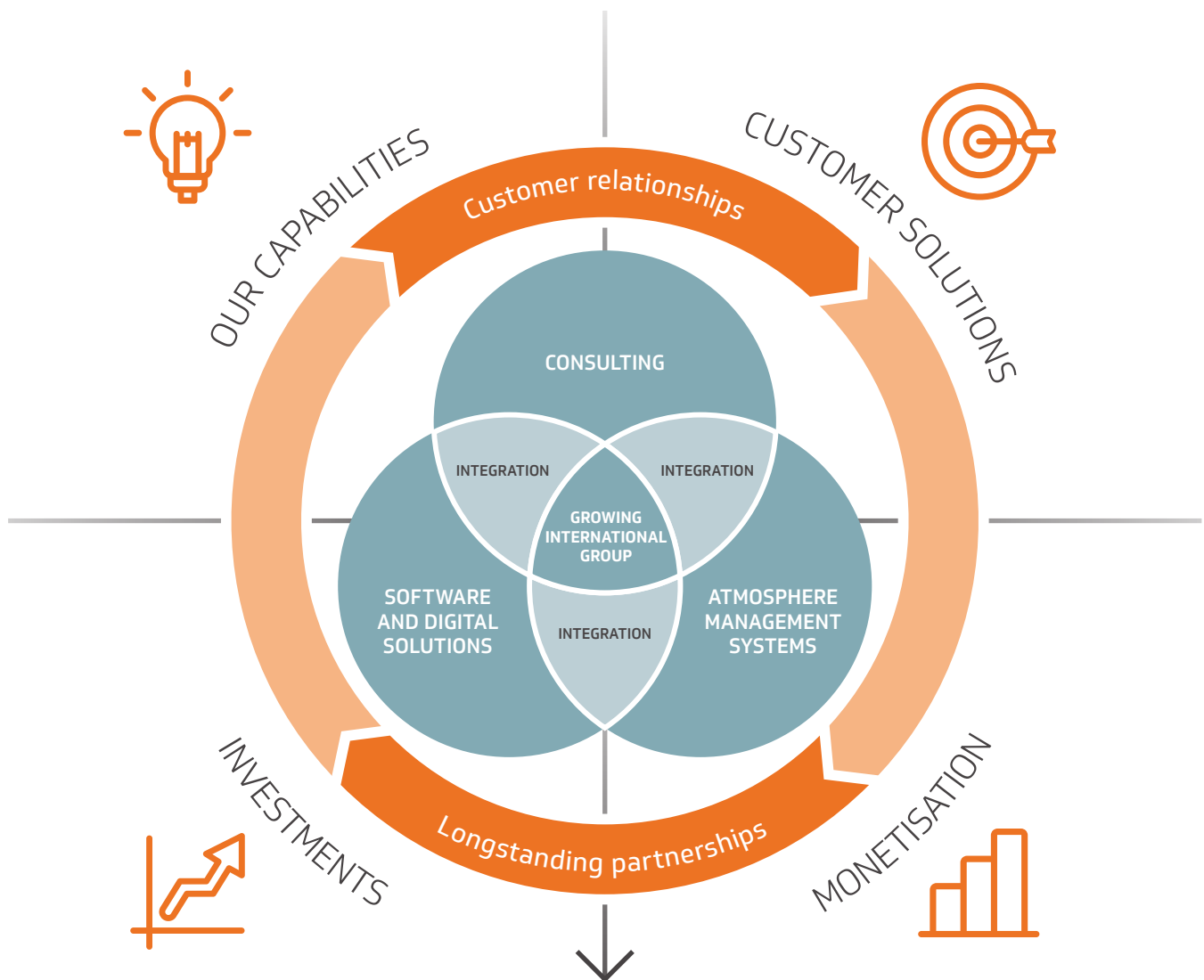
# Business model

## OUR PURPOSE

We are trusted and relied upon by our customers to solve their most pressing problems and will grow our own business to reward the people within it and the investors who have supported it.

## A VALUE-GENERATING CYCLE

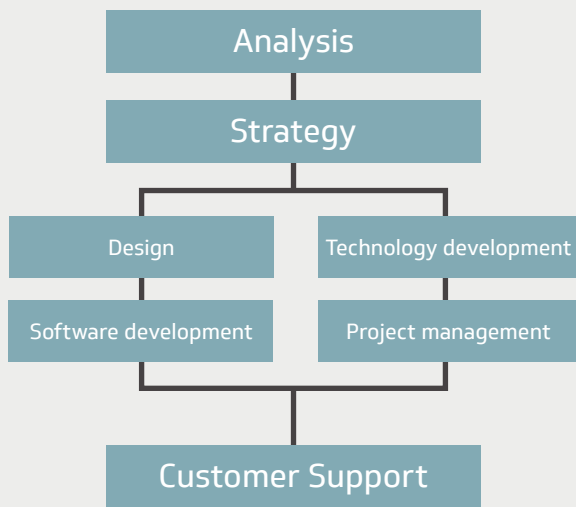
We have world-leading capabilities that are made available to our customers through our long-standing relationships. We monetise these capabilities through the delivery of well-funded projects that are valued by our customers. The income received supports and develops our staff and other resources, invested in future capabilities and surpluses used to reward those who have committed themselves to this process.







### Focus on consulting and digital solutions



### Customer solutions

**“Customer friend”** – advise and assist customers to make good decisions, and buy, implement and use technology solutions relevant to their needs.

**Solution engineers** – develop, deliver and support advanced technology solutions that help our customers achieve their goals.



### Investment

#### Organic

Training and developing staff and providing them with resources and equipment to achieve above and beyond their, and our customers’, expectations.

#### Acquisition

Identifying, buying and integrating companies that are compatible with our plans and make a step change in our positioning, reach or capability.



### Monetisation

Delivering projects for an agreed fee based upon the costs incurred to deliver, and/or a reflection of the customer value that is created as a result.

Other pricing models that relate to a service level that is provided, or the licensing of multiple uses of a developed product such as a software tool.

# Strategy



Our objective is to build a company of scale to capture the growth opportunities in global high-technology programmes that the world relies upon for sustainable safety and security.

We intend to achieve this through a combination of organic growth and acquisitions that complement our existing business.

We operate in well-funded growth markets and have enjoyed considerable success in recent years developing the Group's portfolio and geographic reach through the five parts of this approach.

Strategic priorities	
01	Achieve sustainable competitive leadership in complex, mission-critical systems
02	Drive value from excellent relationships with major customers
03	Invest in best-in-class operating capabilities and technologies
04	Supplement organic growth with suitable acquisitions and partnerships
05	Expand our geographic reach in customers and capabilities

## OUR KEY INITIATIVES IN 2020 WERE:

- 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.
- 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.

2020 achievements	2021 priorities	Link to KPIs - see page 32
New orders and opportunities developing in AI solutions and hydrogen fuel systems.	Build upon initial contracts to achieve critical mass in emerging technology areas including AI and clean energy.	01 02 03 07
Major extensions to contracts with ESA and the MoD.	Develop newly acquired customers into long-term high-value relationships.	01 05 06
More than £1.5m invested in internal solution development across AI, ECLIPSE, maritime and electronics systems.	To provide combined support of product and team development, with supporting technologies and infrastructure.	05 06 07
Successful acquisition and integration of Osprey Consulting Services Limited.	Identify further available companies with complementary capabilities to continue our growth path.	02 04 07
First AI system contracts in the United States and Middle East, extended the ESA framework contract and won new business with EUROCONTROL.	Consolidate our European presence with more cross-selling of whole Group capabilities and build upon the U.S. entry achieved this year.	01 02 03 04



## CASE STUDY

## Industry safety

## Supporting the safety of unmanned aerial systems in our skies

Unmanned Aerial Systems (UAS), more commonly referred to as “drones”, are rapidly becoming part of today’s airspace, providing ever more critical intelligence, surveillance and reconnaissance data for both military and civil applications.

We are helping governments and regulatory bodies, both national and international, to keep pace with the rapid evolution of UAS operations and steer regulatory development towards a common framework.

## Benefits to the customer

The completion of the initial phases of this work has enabled a strategic vision for the CAA’s UAS Programme and has already started to influence government policy in this emerging technology sector.

Further, our global research review on the risks of collisions around a SUAS is being used to develop regulation and policy to inform the future strategic direction of UAS integration into the wider aviation system.

**c. 200,000**

**commercial UAS expected to be in service in Europe by 2025 (source: SESAR)**

## The requirements of the customer

The UK’s Civil Aviation Authority (CAA) urgently required a baseline position on Small UAS (SUAS) regulations as well as a framework to inform the development of future strategy and regulations.

## The solution we delivered

Osprey provided a rapid response, delivering the resource and expertise required in this highly specialised topic. The work included:

- A review of the existing UK SUAS regulations and guidance with recommendations for a future approach with the European Union Aviation Safety Agency (EASA).
- Providing evidence of the risks of a mid-air collision between a large, manned aircraft and a SUAS through a literary review of global open-source material.
- Acting on behalf of the CAA, as a key stakeholder in the UAS Mid-Air Collision Study Group, to enable research to be undertaken on the effects of a SUAS colliding with a large, manned aircraft or a medium sized rotary wing aircraft.

## CASE STUDY

# Consulting

## Supporting the UK MoD's multi-billion-pound SKYNET programme

### Enabling information sharing across multiple platforms including unmanned vehicles

Satellite communication systems are critical to operating effectively in hostile environments. We are supporting the Ministry of Defence (MoD) to upgrade its military satellite system, SKYNET, which will allow the sharing of information among multiple participants at sea, in the air, and on land, including unmanned vehicles in some cases. This programme is the third largest acquisition project in the MoD.

### The requirements of the customer

The MoD's Client-Side Support (CSS) contract involves multi-disciplinary support for the operation of the UK's constellation of satellites and ground stations, and the provision and management of ground terminal infrastructure over the next five years.

### The solution we delivered

Working with the CSS prime contractor, TP Group is providing embedded multi-disciplinary support that includes:

- Operational analysis to support senior decision-makers in making investment choices for space solutions.
- Business case development to secure approvals for investment in new/modified space systems and services.
- Cost engineering to improve procurement and in-service costs of space solutions.
- Acquisition & procurement support.
- Independent technical assurance of space concepts, designs and proposals.
- Technology roadmapping.
- Satellite communications modelling & simulation.

### Benefits to the customer

This support will enable a better view of the technology landscape and the associated risks. This has allowed the customer to improve decision-making and procurement processes, and so plan the programme with greater confidence.

# 5th

generation of SKYNET is in service. SKYNET 6 is planned to operate until 2041.







### Benefits to the customer

We offer a proven capability in generating and managing hydrogen within a highly regulated environment, understanding the critical factors around reliability, and operator and passenger safety. Our solution is being tailored to the evolving needs of the customer.

# 2040

target for the UK to move away from diesel trains completely.

## CASE STUDY

# Green technology

### Using hydrogen to power UK trains

Hydrogen is seen as an important alternative power source in helping the rail sector to reach net zero carbon emissions by 2050. The sector is at an early stage in the decarbonisation journey and is looking to experienced hydrogen system organisations like TP Group to provide solutions for generating and managing hydrogen. This is particularly relevant where electrification is not possible or is too expensive, or when supporting shorter branch lines.

### The requirements of the customer

A leading green energy initiative by a British rolling stock owner aims to show how hydrogen-powered trains can be safely and efficiently operated for future public transport.

### The solution we delivered

TP Group is supplying hydrogen fuel cell systems for the rolling stock owner's passenger trains. This initially covers the supply of safety-critical hydrogen fuel cell systems that convert hydrogen into electricity to ultimately power the trains.

TP Group conducted preliminary consulting work to define system requirements and specify a suitable system configuration for safe operation in this application and is now acting as the prime contractor for the integrated hydrogen fuel system.

The system will be deployed on a modified passenger train for a series of proving and demonstration activities. The initial project will take approximately six months to complete.



## CASE STUDY

# Digital solutions

## Software tools supporting Airbus space projects

Airbus Defence and Space, located strategically across Europe, is one of the main European prime contractors supplying software and hardware in the key space domains. They have an extensive portfolio within the military and commercial defence sectors including manned and unmanned aircraft & systems, military satellite communications, current and future combat platforms and air systems, security & services.

### The requirements of the customer

Airbus Defence and Space was looking for a tool to record, process and manage all project documentation, document discrepancies and subsequent actions.

### The solution we delivered

- An onsite, secure ECLIPSE installation on a highly restricted network within the Airbus UK premises with secure communications to the Ministry of Defence. ECLIPSE is being utilised as a shared data environment for several Military Space projects.
- An onsite dedicated, secure ECLIPSE installation at the Airbus GmbH premises where the ECLIPSE suite is utilised for the tracking of non-conformances and associated alerts and actions.
- A secure ECLIPSE installation on the Sapienza hosted environment which is utilised by multiple Airbus Space projects. This hosted environment also provides Airbus with a purpose-built platform ready for the immediate uptake of any new project wishing to utilise the ECLIPSE Software Suite.

### Benefits to the customer

This collaborative environment provides a secure integrated environment for the management of the project milestones. The current ECLIPSE deployment makes it possible for thousands of Airbus employees to simultaneously co-work on the projects. The extensive authorisation functionalities within ECLIPSE ensure that the project digital threads along with the documents, data and information are secure and safe.

# €14.8bn

funding available for Space Situational Awareness (SSA) under the EU Space Programme adopted in April 2021.

# Chief Executive's statement

PHIL CARTMELL



The COVID-19 pandemic has had a significant effect on people and businesses worldwide. We have focused our efforts on supporting customer programmes whilst protecting the health and wellbeing of our staff and all those we come into contact with.

Through this period, we were able to grow our revenue by 20%, from a strong opening order book, continuity of critical programmes, the addition of Osprey and Sapienza, and the continuing capture of new contracts, even against the backdrop of global uncertainty. Unfortunately, the pandemic caused new working patterns for us, our customers and suppliers that increased costs and disrupted project execution to reduce our margins and impact our adjusted operating profit which reduced to £3.7m (2019: £6.2m).

Our exceptionally talented, flexible and resilient teams across the Group have combined to ensure that we ended the year strongly and with an increased order book that positions us very well for the coming year.

## Strategy review

We continue to review the factors that drive our business and our success, and we have ensured that we focus on the distinctive technologies and skills that give us a competitive edge. We also appreciate the things that enable us to continue

to operate through such a radical change of working practices whilst still delivering the highest standards of customer support and delivery.

The five pillars of our strategy as noted earlier remain as relevant today as ever. We have seen growth in our consulting and digital solutions activities and intend to pursue these with even more focus in the coming years.

We have worked hard to support our key customers and have added new accounts along the way to strengthen the depth and breadth of our reach. This is especially true with our investments in developing our European business, continuing to work with major customers in the Far East and opening new opportunities in the United States.

We extended our range and reach through the acquisition of Osprey and sharpened our focus through the sale of the loss-making TPG Engineering Limited and discontinuing the business activities of Lift BV, which was identified as non-core.

## Response to the COVID-19 pandemic

The Group has shown its agility and flexibility in facing up to the changes arising from COVID-19. Our Group HR team were swift to connect with the operating leadership in each location to establish new working patterns that were appropriate to their activities and local regulations. We are proud to report that no staff were laid off or furloughed and customer deliveries continued wherever it was possible to do so.

## Our people and culture

Now, more than ever, I must directly thank all our employees across the UK and Europe for their commitment to their customers, to our business and most importantly to each other through this most difficult of times.



“

*2020 was a challenging year for all businesses and TP Group was able to adapt and perform against an unprecedented backdrop.”*

This effort speaks volumes for the culture that we are building across the Group. As we continue to build our consulting and digital offerings, our people are the main asset in driving our performance, and their wellbeing and development is at the heart of all that we do.

Our Group HR team has taken the opportunity to implement several new support systems that provide services to staff consistently and wherever they may be. This includes transactional support such as expenses, absence and vacation tracking, developmental support through training and reference libraries and pastoral care via our online employee assistance programmes.

People will be at the heart of our growth ambitions. We will continue to seek and develop talented people with distinctive skills. We will provide them with a culture, infrastructure and support network that makes us an employer of choice, and in so doing build a stronger capability for our customers.



# Chief Executive's statement

## CONTINUED

### Organic growth

We have been very pleased to see our investment in consulting and advanced software solutions convert into new business and growth across our CaPS business. The team has developed their consulting customer base from nothing in 2015 to its current scale of £35.0m revenue, with substantial contract extensions in the UK, and new work in several European institutions.

Our AI and ECLIPSE software solutions have developed with new AI applications in autonomy and decision support, whilst ECLIPSE has transitioned into aerospace manufacturers as a complementary activity alongside its use by the European Space Agency. These developments, plus ongoing work on high-integrity software within the defence sector, mean that our digital solutions activities have developed the critical mass to be recognised as a distinctive part of the business that we intend to promote actively in the future.

### Acquisition and disposal

Osprey, which we acquired in August 2020 and was accretive to earnings in the year, is a consultancy and software company, operating in a similar way to our CaPS business.

We became aware of it as a potential acquisition in February of 2020 and recognised its potential as a good fit, both technically and culturally. This has led to us adding safety and mission critical air space management and regulation support in the defence, space and the emerging urban air mobility markets.



*We trust that the harsh trading conditions of 2020 will eventually soften, and so we have taken the opportunity to prepare the Group to be in the best shape for our future business.”*

Osprey has growth potential in the management of unmanned aircraft, aerial activities around renewable energy installations and a growing space launch capability in the UK. Its business has been mainly in the UK, and so by joining TP Group we can introduce its capabilities across our wider European and international footprint.

Our ongoing focus is to maximise the growth potential of opportunities in our high-technology consulting, digital solutions and specialist engineering activities. This led us, strategically, to sell the loss-making Manchester fabrication business TPG Engineering, completing the sale to Rcapital in October 2020. We also discontinued the business activities of Lift BV, a subsidiary of Sapienza, which was identified as non-core to the future direction of the Group.

Subsequent to the end of the year we announced the possible disposal of TPG Maritime Limited and at the time of this report, discussions with a preferred bidder are ongoing.





## Geographic expansion

We were very pleased to sign our first significant contract in the United States during 2020. The U.S. is a very attractive market, but also very challenging to enter and sustain a presence. Our advanced AI software has proved to be the asset that made this possible and led us to the first of what we hope to be many such contracts. Becoming active in America also brings us to the attention of the huge industrial and service community there, and we are actively discussing several partnership opportunities that will further develop our position in that market.

The Group has committed to build on our European footprint by investing in and expanding our operations across the continent. This has been rewarded by expanding our customer base among the European institutions with new business in organisations such as NATO, EUROCONTROL and Eurojust.

## Outlook

We trust that the uncertain trading conditions of 2020 will eventually stabilise, and so we have taken the opportunity to prepare the Group to be in the best shape to continue revenue growth and return to improving profit levels. We have invested in our business in Europe, secured new work in the Middle East and the United States, and focused on our growing activities in consulting and software with the acquisition of Osprey and the sale of TPG Engineering.

There is substantial pent-up demand for me and my team to meet existing and new customers across the United States, Europe and the Far East. This can only be satisfied once we can travel more freely and engage once more in our normal fashion.

From this point, I believe that the Group is better prepared for what lies ahead and we can carry our excellent consulting, digital and technology capabilities with confidence towards the exciting opportunities before us.

**PHIL CARTMELL**  
**CHIEF EXECUTIVE**

# Financial and operational review

**DERREN STROUD**  
CHIEF FINANCIAL OFFICER



## Group Key Performance Indicators

	2020 £'m	2019 £'m	Change £'m
Order intake	71.5	62.5	9.0
Closing order book	69.3	56.8	12.5
Revenue	59.0	49.4	9.6
Gross profit %	27%	32%	(5%)
Adjusted operating profit <sup>1</sup>	3.7	6.2	(2.5)
Operating loss	(4.8)	(1.0)	(3.8)
Loss from discontinued operations	(5.0)	(0.1)	(4.9)
Statutory loss	(10.0)	(2.0)	(8.0)
Cash	7.4	6.6	0.8
Bank debt	(7.0)	-	(7.0)

## Closing order book by business stream

	2020 £'m	2019 £'m	Change £'m
T&E	26.8	39.4	(12.6)
CaPS	42.5	17.4	25.1
Group closing order book	69.3	56.8	12.5

## Revenue by business stream

	2020 £'m	2019 £'m	Change £'m
T&E	24.0	24.9	(0.9)
CaPS	35.0	24.5	10.5
Group revenue	59.0	49.4	9.6

## Adjusted operating profit<sup>1</sup> by business stream

	2020 £'m	2019 £'m	Change £'m
T&E	3.4	5.9	(2.5)
CaPS	1.6	1.5	0.1
Central unallocated costs	(1.3)	(1.2)	(0.1)
Adjusted Group operating profit	3.7	6.2	(2.5)

<sup>1</sup> Refer to the Financial and operational review on page 26 "Adjusted operating profit" for the bridge from operating loss to adjusted operating profit

The focus in 2020 was on sustaining the business through a challenging period. Activity levels were maintained wherever possible to ensure the minimum disruption to our customers and our staff. Our strong opening order book led revenues to hold up well, however, margins were eroded as a consequence of lockdown and the general business climate in the year. Some improvement was noted in the later months of the year, but we remain cautious of the continuing impact of the pandemic.

Despite the above, we have continued to invest in shaping the business for long-term success, which included the acquisition of Osprey and other investments in AI and renewable energy capabilities.

## Operating results

### Order book

The Group's closing order book increased by 22% to £69.3m (2019: £56.8m). £6.7m (c.12%) was secured through organic growth and the remaining £5.8m was contributed by the acquisition of Osprey.

This growth was achieved through significant long-term new contract wins and extensions closed in the year as noted below, plus the addition of a significant new customer portfolio through the acquisition of Osprey.

Despite the difficulties arising from COVID-19, 2020 was another strong year for the Group's order book, which positions us well for 2021 and beyond, and provides resilience against future challenges.

### Order intake

The 2020 order intake increased by £9.0m (14%) year-on-year to £71.5m, including a £5.3m opening order book acquired with Osprey.

Significant new contract wins and extensions include:

- Follow-on order worth at least £5.0m from Army HQ for consulting support for its multi-billion-pound transformation programme
- An extension to the European Space Agency ("ESA") framework contract until December 2022 and secured orders worth more than €30.0m
- Carbon dioxide solution contract worth £1.0m with a Southeast Asian customer alongside a contract worth £1.0m for oxygen generation devices
- Contract signed with a German customer worth £1.7m for innovative mobile computing devices
- Five-year contract to supply ECLIPSE project management software to Airbus UK
- Initial contract worth £0.3m to develop an AI solution to optimise critical equipment in the energy sector in the United Arab Emirates
- £2.0m extension to the MoD LE TacCIS consulting contract
- Orders worth c.£4.0m to supply MoD with oxygen generation and carbon dioxide removal devices under the long-term c. £22m framework agreement announced in April 2017



*Sustaining the business whilst investing in future growth."*

### Revenue

Revenue increased by 20% to £59.0m (2019: £49.4m). Organic growth was £3.5m (9%), with an additional £4.7m coming from a full year's contribution by Sapienza, and £1.4m from Osprey since its acquisition on 25 August 2020.

A good opening order book was supported by significant contract wins and extensions noted above. Many of these are on substantial programmes that provide a solid foundation for revenue conversion in the year, as well as delivering on our strategy for sector and geographic expansion.

The disposal of TPG Engineering (noted below) took the Group away from heavy fabrication and engineering for the energy sector. The sector itself, however, remains a key market for growth in consulting and software activities, and for the development of clean energy solutions which are anticipated to add incremental revenues from 2021 onwards.

The market sector breakdown year-on-year was:

- Aerospace grew by 57% to £18.9m (2019: £12.1m)
- Defence grew by 7% to £39.9m (2019: £37.3m)
- Energy sector added new business worth £0.2m (2019: £0.0m)

European expansion was achieved as well as domestic growth:

- UK £37.1m (2019: £30.3m)
- Europe £18.7m (2019: £13.1m)
- Rest of World £3.2m (2019: £3.7m)

# Financial and operational review

## CONTINUED

### Gross profit percentage

Gross profit percentage reduced to c.27% (2019: c.32%). This reflects a change in mix as well as pressure on margins across all sectors and activities, reflecting the challenging trading conditions brought about by the COVID-19 pandemic.

The impacts to the business were as follows:

- Recruitment of new employees to support growth, primarily in the consulting business, was hampered by availability and mobility of new hires leading to increased use of short-term third-party subcontractors.
- Mobility of people across borders in Europe to support delivery of existing contracts was constrained, causing contract delivery delays or reliance on short-term third-party subcontractors to cover immediate requirements.
- Delays in receipt of materials and components through our supply chain led to delays in project execution which not only impacted margins but also delayed milestone deliveries and cash collection.
- Delays in customer availability to approve project milestones or deliveries led to consequential delays in project execution and cash collection.

Furthermore, the business profile changed:

- A change in mix between the CaPS and T&E business streams,

where CaPS contributed a greater proportion of total Group revenue but at a lower gross profit percentage than is typically generated by T&E.

- Delays in project execution noted above were typically in high margin projects with a disproportionate effect on the overall gross profit percentage. T&E revenue, however, remained consistent with prior year through the addition of lower margin consumables orders.

There were some signs of gross profit percentage recovery towards the end of the year. However, the conditions that caused the initial deterioration are still present and in some geographies are still at risk of further deterioration.

### Operating loss

The Group's operating loss from continuing operations has increased to £4.8m (2019: £1.0m), due to items identified in adjusted operating profit noted below.

Other key movements included:

- Acquisition and non-operating expenses of £2.1m (2019: £1.8m) resulting from the acquisition of Osprey, the disposal of TPG Engineering Limited, the potential disposal of TPG Maritime Limited and restructuring costs associated with the integration of our European business.
- Earn-out provision of £0.5m (2019: £1.6m) relating to the Sapienza and Osprey acquisitions.

- Depreciation, amortisation and impairment increased by £2.4m to £5.7m relating mainly to the Sapienza and Osprey acquisitions and the impairment of the Lift BV intangibles (£1.4m) following the discontinuing of business activities.

### Adjusted operating profit

The directors 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 2019. Refer below for details of the reconciliation of adjusted operating profit to operating loss.

	2020 £'m	2019 £'m
<b>Operating loss</b>	<b>(4.8)</b>	<b>(1.0)</b>
Depreciation, amortisation and impairment	5.7	3.3
Acquisition and disposal-related costs	1.0	1.5
Non-operating costs	1.1	0.3
Earn-out payments	0.5	1.6
Lift BV discontinued business	0.1	0.3
Share-based payments	0.1	0.2
<b>Adjusted operating profit</b>	<b>3.7</b>	<b>6.2</b>



Adjusted operating profit reduced to £3.7m (2019: £6.2m). This includes:

- gross profit materially similar to the prior year that reflects the increase in revenue but at a lower gross profit percentage for reasons noted above;
- an increase in operating expenses of £c. £0.7m in support of growth initiatives including the opening of in-country operations in France and the investment in leadership positions in AI, renewable energy and the space sector;
- the full-year impact of Sapienza operating expenses (c. £1.1m); and
- additional costs from Osprey 9c. 30.3m).

Despite the pressures of the COVID-19 pandemic, the board chose to continue investing prudently in selected growth areas to enable the business to thrive once the pandemic restrictions ease. The investment areas included:

- opening of an office in France to improve management of local customers and better access to delivery resources as well as market opportunities in the French aerospace and energy sectors;
- new initiatives to enter the hydrogen and clean energy markets; and
- business development and operational support to our emerging AI software capability.

### Statutory loss

The statutory loss in the period increased to £10.0m (2019: £2.0m). The key components of this are:

- operating losses increased by £3.8m to £4.8m as noted above;
- tax credits of £0.2m (2019: tax charge of £0.7m); and
- loss from discontinued operations arising from the disposal of TPG Engineering increased to £5.0m (2019: £0.4m), of which £3.3m

relates to the impairment of intangibles and loss on disposal of the underlying assets, with the balance being the trading activity of the business through to sale.

### Cash and bank balances

Year-end Group cash of £7.4m (2019: £6.6m), was higher than the prior year. The key movements included:

- draw down of the HSBC banking facility of £7.0m;
- the cash element of the acquisition of Osprey of £2.0m;
- deferral of VAT payments in line with the government extension of £0.5m;
- the settlement of final earn-out payments of £0.9m for Sapienza; and
- £2.3m invested in business systems, infrastructure, equipment, IP and software development.

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

On 24 August 2020 the Group completed the strategic acquisition of Osprey Consulting Services Limited for a maximum consideration of £3.5m on a debt-free, cash-free, normalised working capital basis, funded from its existing cash resources. This comprised an initial consideration of £2.25m on acquisition, with an additional £1.25m payable at the end of year one, subject to completion of certain transition activities by the vendors.

Osprey is a consultancy company whose business centres on safety and mission-critical air space management and regulation in the defence, space and the emerging urban air mobility markets.

Following a strategic review of the Group's business, it was concluded that TPG Engineering Limited was no longer core to the Group's strategy. As a result, the Group disposed of the company to Rcapital for a nominal cash consideration of £1.00 on 29 October 2020. As noted above, the Group incurred losses on discontinuing operations of £5.0m. Furthermore, we also discontinued the business activities of Lift BV which was identified as non-core to the future direction of the Group.

The Group incurred £1.0m of transactional costs for acquisitions and disposals (2019: £1.5m) predominantly relating to the Osprey and TPG Engineering transactions both noted above, as well as costs incurred to date in relation to the possible sale of TPG Maritime Limited. These were charged to the Statement of Comprehensive Income in the year.

A final earn-out payment of £0.9m has been made in the year relating to the acquisition of Sapienza in 2019.

We are pleased to note that despite challenging conditions, the Group continued its focus on technology and software development to position us better for current and future market opportunities.

These investments included:

- ECLIPSE software £0.6m – to enhance the project management software suite for new users and markets
- AI software £0.2m – to develop algorithms for autonomy and decision support applications
- Maritime solution development £0.5m – covering noise and vibration reduction, and reduced toxicity of active ingredients
- Electronics product development £0.1m – high-performance cooling systems

# Financial and operational review

## CONTINUED

Furthermore, the Group continues to invest in its facilities, equipment and systems to support business growth and new lean working practices arising from the pressures of COVID-19.

### Non-operating items and earn-out costs

During the year, the Group incurred one-off non-operating and earn-out costs of £1.6m (2019: £1.9m). These relate to restructuring and integration costs associated with Sapienza, earn-out provisions relating to Osprey and Sapienza, and professional fees relating to strategic restructuring initiatives.

### Finance costs

Finance costs of £0.3m (2019: £0.2m) were incurred, predominantly relating to:

- interest charges of £0.2m (2019: £0.2m) incurred following the adoption of IFRS 16 in 2018; and
- interest charges of £0.1m on the £7.0m HSBC bank loan draw down (2019: £nil).

### Discontinued operations

Discontinued operations relate to the disposal of TPG Engineering Limited on 27 October 2020. Loss from discontinued operations was £5.0m (2019: £0.1m). Refer to the statutory loss section above for details.

### Taxation

The tax credit for the financial year to 31 December 2020 is £0.2m (2019 tax charge of £0.7m). Refer to note 8 of the financial statements for further detail.

The Group expects to incur in total cash tax payments of c. £0.1m net of expected R&D tax credits of £0.2m for the 2020 financial year (2019: £0.0m). The R&D tax credits assumed for 2020 are materially consistent with prior periods.

### Results and dividends

The directors continually evaluate Group performance, and do not currently recommend the payment of a dividend (2019: £nil).

### Brexit

Following the UK exit from the European Union at the end of 2020, the impact to the business has been minimal, as anticipated in last year's Annual Report.

Our strategic decision to establish a mainland European presence and location-based business activities has been a key contributor to this conclusion and positions us for future growth opportunities across the EU.

Our supply chain is distributed across the UK, EU and other global locations which allows us to balance requirements according to conditions at the time. We will continue to monitor and manage this closely.

### Auditor

In December 2020 the board took the decision to replace RSM UK Audit LLP as auditor and appoint BDO LLP.

### Going concern

The going concern position of the Parent Company is intrinsically linked to that of the Group and is therefore considered as part of the directors going concern assessment of the wider group.

In March 2020 the Group secured a £7m 3-year term loan facility that matures in 2023, which was fully drawn in year. This loan facility also includes a £5 million accordion option that may be made available by the lending bank but is not yet a committed facility. The bank has indicated their support of the business and as management progresses work to secure this line of funding, the directors see no reason why this facility will not be available to draw on if required. Furthermore,

the Company could raise additional capital through its listing on the AIM, however, is mindful that the ongoing effects of the pandemic could affect stock markets and disrupt any fund-raising potential. The Company can raise 10% of its market capitalisation through a direct placing without the need for shareholder approval, so is able to react with reasonable speed in the event it was required to pursue this course of action.

The directors regularly review operating performance and cash generation projections for the Group which are based on delivery of the Group's secured order book, a reasonable expectation of success in ongoing and future bids for further contracts and an expectation of additional work from current and new customers.

A base case budget and cash flow projection has been prepared for 2021 and 2022, covering at least the 12-month period following the signing of the Group accounts. The budget builds from a strong opening order book which covered c.61% of budgeted 2021 revenues and c.29% of budgeted 2022 revenues. Prudent expectations of new business to be secured through that period, assuming standard rates of cash collection were added to this. The base cash budget does not assume the accordion is drawn and provides sufficient liquidity and bank covenant compliance throughout the period.

Performance in Q1 of 2021 has substantially been in line with the base case budget and orders received have improved 2021 budgeted revenue coverage to c.72% and 2022 to c.41%. This provides considerable comfort in the Group's ability to execute on its projections for the year.

However, the business continues to navigate through the consequential effects of restrictions imposed by governments to combat COVID-19. These include ongoing travel

disruption, the ability to source and recruit new talent, an expected surge in demand for raw materials and components, and the ability of logistics systems to deliver supplies, all of which may delay the timely execution of the Group's order book. Economic conditions caused by the pandemic may also impact the timing of new business opportunities coming to market that the Group would secure in the future.

The Group has taken steps to mitigate some of these effects, for example, the successful adoption of homeworking which has allowed us to mitigate, best possible, the travel restrictions across our territories. This has been specifically notable in the CAPs business stream, however, the requirement for some onsite customer presence could continue to see some disruption specifically in relation to cross border movement of people.

The above noted effects could result in revenue, margins and resulting cash inflows that are less and/or later than modelled, putting pressure on the Group's cash position at times.

The directors have, therefore, flexed and stress tested the base case budget and projection to account for operating scenarios that reflect the occurrence of various possible factors, these include:

- a reduction in revenue,
- a reduction in the Group's gross margin percentage,
- a deterioration in working capital cash conversion; and
- a blend of the above.

These scenarios assume similar and/or greater levels of disruption to the Group's business to those experienced to date since the onset of the COVID-19 pandemic, despite conditions starting to improve as lockdowns are eased and the Group and its markets emerge from a testing period. In all the above scenarios, for at least the 12-month

period following signing of the financial statements, the bank covenants are achieved.

However, at their most severe, in the event they were to occur, these scenarios would place a strain on the Group's performance and cash reserves leading to periods when additional financing may be needed to maintain liquidity. Mitigating actions that could preserve available cash include deferring discretionary spend, R&D expenditure and investment capex. In the event additional funding was required, the Group would, in the first instance, look to secure this from the bank by making use of the £5million accordion facility. The ability of the Group and Parent Company to access this facility is dependent upon certain conditions being met at the time the funds are requested. However, given the relationship with the facility provider management consider it reasonable to conclude such facility will be obtained. Thereafter, if required, management would seek funding through a direct equity placing, as noted earlier. In all the above scenarios, for at least the 12-month period following signing of the Group accounts, the bank covenants are achieved.

The directors have reviewed the Group's overall position and outlook in respect of the matters identified above and are of the opinion that there are reasonable grounds to believe that operational and financial projections are achievable, including the base case budget, and that funding will be secured if required. Accordingly, the directors have a reasonable expectation that the Group and Parent Company will have adequate resources to meet their obligations as and when they fall due for the foreseeable future and are satisfied that it is appropriate to prepare the financial statements for the Group on a going concern basis.

However, considering all of the above factors, the directors have

concluded that a down-side scenario could arise where the Group and Parent Company would require access to the accordion facility and is therefore reliant on the continuing support of its facility provider. These events and conditions indicate that a material uncertainty exists which may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern and therefore their ability to realise their assets and discharge their liabilities in the ordinary course of business. These financial statements do not include the adjustments that would be necessary should the Going Concern basis of preparation no longer be appropriate.

**DERREN STROUD**  
**CHIEF FINANCIAL OFFICER**

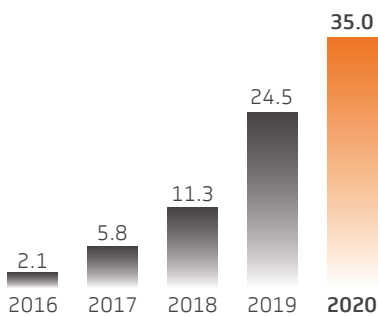


# Operational review

## CONSULTING & PROGRAMME SERVICES (“CaPS”)

### Revenue

£35.0m +43%



### 2020 Key achievements:

- First AI system project in the United States
- Extended key relationships in MoD contracts
- Entered the aviation market through the Osprey acquisition
- New European framework contract at EuroControl
- Extended long-term ESA framework agreement
- AI system project in the UAE energy sector

Our Consulting & Programme Services business delivers professional services alongside software tools that allow our clients to understand their enterprise, solve challenging problems in dynamic and complex environments, make informed decisions and act on them with confidence to achieve high-performance and safe operations.

### Business performance

- Revenue grew by 43% to £35.0m (2019: £24.5m)
- Adjusted operating profit materially consistent with prior year at £1.6m (2019: £1.5m)
- Closing order book more than doubled to £42.5m (2019: £17.4m), of which Osprey contributed £5.8m

2020 was another strong revenue year for the Group's consulting and software activities with year-on-year growth. Gross profit margins were, however, eroded by the effects of COVID-19. This, coupled with investment in operating expenses, led to an increase in adjusted operating profit but at a lower conversion rate than the prior year.

Sapienza was fully integrated into the business and we completed the acquisition of Osprey which adds complementary capabilities plus access to adjacent markets that the rest of the Group can now support.

### Outlook

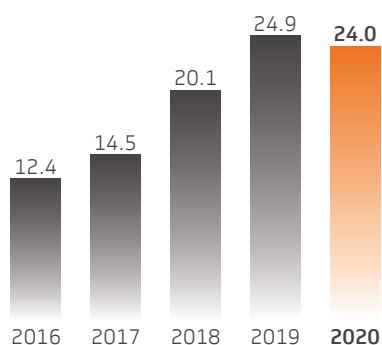
The services businesses have delivered on their ambitious plans in 2020, even with the constraints of COVID-19 and have emerged as the greater part of the Group's revenue. From this foundation they have the potential to build upon their trusted relationships with established customers and serve a broader international base across a wider range of sectors and activities.

The growing Software and Digital Solutions part of the business has led us to identify it as a separate capability that can be reported on in its own right, and we are optimistic about the opportunities that have arisen in that area.

## TECHNOLOGY & ENGINEERING (“T&E”)

### Revenue

£24.0m -4%



### 2020 Key achievements:

- First hydrogen system project
- Established partnership for hydrogen fuelling
- Large European contract for military IT equipment
- Additional orders for submarine oxygen generation and carbon dioxide removal equipment in existing long-term programmes

Our Technology & Engineering business stream designs, builds and supports life-support systems and specialist electronics in critical workspaces, and hydrogen-based renewable energy solutions.

### Business performance

- Revenue marginally down to £24.0m (2019: £24.9m)
- Adjusted operating profit £3.4m (2019: £5.9m)
- Closing order book £26.8m (2019: £39.4m)

The Group’s engineering businesses remained strong despite the effects of COVID-19.

Business volume was broadly similar; however, margins were eroded as a result of delayed project execution timings, project mix, resource utilisation and supply chain issues. This had a direct impact upon adjusted operating profit which was down on the prior year.

The closing order book is down on the prior year due to the timing of orders related to major submarine programmes that were received in prior periods and which run across multiple years. The pipeline of future opportunities remains substantial with orders anticipated in line with the build plans over the coming years.

### Outlook

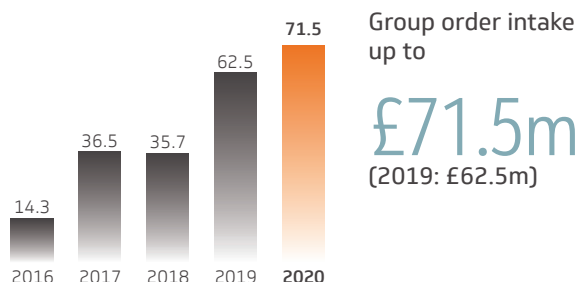
Our strategy is that the T&E businesses will:

- maintain its core business by continuously improving customer interaction, technical leadership, and delivery efficiency; and
- build upon early successes in new markets including carbon capture and hydrogen fuels.

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

# KPIs

## 01 Order intake



### Why we measure it

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

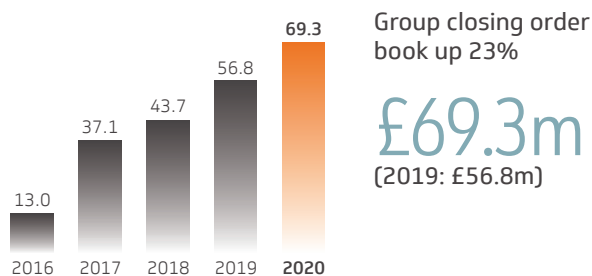
### Performance

A strong performance with organic growth through existing and new customers plus a £5.3m opening order book from the Osprey acquisition.

### Link to Strategy

- 01
- 02
- 05

## 02 Order book



### Why we measure it

A clear indicator of forward demand for the business. It is the basis of capacity planning and resource allocation.

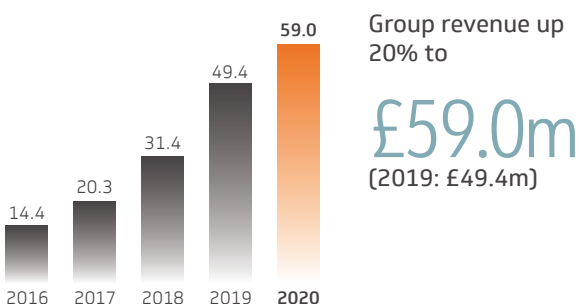
### Performance

Continuing to grow with long-term contract wins and extensions that position the Group well for future years.

### Link to Strategy

- 02
- 03

## 03 Revenue



### Why we measure it

The fundamental indicator of the scale of the business and the basis upon which cash is generated.

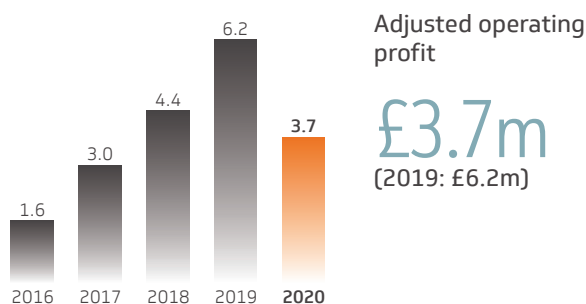
### Performance

Building upon the opening order book and new orders captured and maintaining activity across the business through challenging operating conditions.

### Link to Strategy

- 01
- 02
- 03
- 05

## 04 Adjusted operating profit



### 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

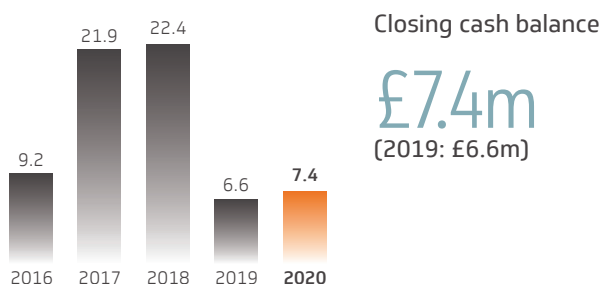
Reduced through the combined effects of reduced gross margin percentages because of COVID-19 and continuing investment for future positioning.

### Link to Strategy

- 01
- 02
- 03
- 05



## 05 Cash



### Why we measure it

Allows us to manage the operational business effectively and flexibly, with resources available for investment as required.

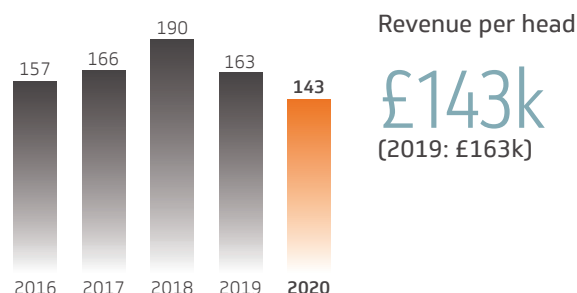
### Performance

Carefully managed to balance the effects of working capital movements, investments and the draw down of the HSBC banking facility.

### Link to Strategy

03 04

## 06 Productivity – revenue per head



### Why we measure it

An indicator of overall efficiency and productivity. This KPI is based upon the average of monthly productivity through the year.

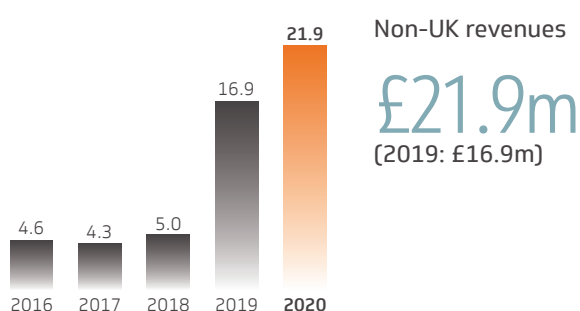
### Performance

Reduced due to change of mix towards services following the acquisitions of Sapienza and Osprey.

### Link to Strategy

03

## 07 Geographic reach – non-UK revenues



### Why we measure it

Reflects one of our key objectives to become a more global business.

### Performance

Building our position in Europe through Sapienza and maintaining presence on international programmes elsewhere.

### Link to Strategy

05

## 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

Details of the Group's [strategy](#) can be seen on pages 14 and 15.

### 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 on page 26 "Adjusted operating profit" for the bridge from operating loss to adjusted operating profit.

# Section 172 statement

## Background

TP Group has put in place appropriate measures to enable the board to understand and comply with their collective and individual responsibilities under Section 172 of the Companies Act 2016. Each director understands his obligation to act in the way he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

In making decisions on behalf of the Company, the board members will carefully consider:

- 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.

## Appropriate decision making

The board is given access to salient details of the Company's performance ahead of each Board meeting, along with projections for the future to assist in the overall planning process. Decisions regarding the business (including as to branding, market position, investment opportunities, M&A activity, senior management appointments etc.) are considered fully and discussed openly between board members, taking account of each of the considerations listed above. The board seeks to understand the views and needs of the Group's key stakeholders to ensure that we make decisions with consideration for all our stakeholder groups and address their long-term needs and concerns. Where there may be competing priorities, these are discussed by the board and the commercial, human and broader business impacts are considered against the longer-term sustainability of the business.

## Effective stakeholder engagement

TP Group has identified its main stakeholders as being its:

- shareholders;
- customers and suppliers;
- employees; and
- the wider community.

Engaging with our stakeholders strengthens our relationships and helps us to 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. Details can be found in the Corporate Governance Report, specifically principles two and three regarding stakeholder engagement.

## Key decisions made during the period

During FY2020, TP Group made several decisions about the strategy, structure and future of the business. Among these decisions were four key examples relating to:

- Group restructuring
- Acquisition of Osprey
- Divestment of TPG Engineering
- Potential disposal of TPG Maritime Limited

## Restructuring

As part of the Group's strategic review, it was considered beneficial to align the business with the cultural, commercial and geographic norms within the territories in which we operate. It was decided to restructure the business along geographic lines in early 2020. The board carefully considered the impact of this change on its stakeholders and particularly its employees across the Group, putting in place appropriate communications plans and other measures to enable a successful transition. An open approach to feedback means that the board and its management team have been able to respond quickly and effectively to any issues arising and to adjust as needed to ensure success.

## Acquisition of Osprey

TP Group acquired Osprey in order to develop the CaPS business further and enter complementary market sectors in support of the Group's strategy. During the acquisition process representatives from both companies worked closely together to look at stakeholder management across both businesses – putting in place internal and external day one and ongoing communications plans, considering integration scope and timing, and working together to ensure a shared approach to the transition. This included interfaces with Osprey's key customers, and factors associated with staff and service delivery which were managed carefully to ensure impacts were minimised.

## TPG Engineering divestment

The decision to divest of TPG Engineering also followed a strategic review which considered the likely impacts on stakeholders both externally and within that business and the wider Group. The board particularly considered the impacts on key customers and ongoing contracts, employees and the Group's wider business direction as a consequence of the disposal.

## Potential disposal of TPG Maritime Limited

Towards the end of 2020 it became apparent that there was external interest in the market for the Group's subsidiary TPG Maritime Limited. Having considered the future implications for the Group strategy and the potential impacts on the staff and customers, it was deemed worthy of investigation.

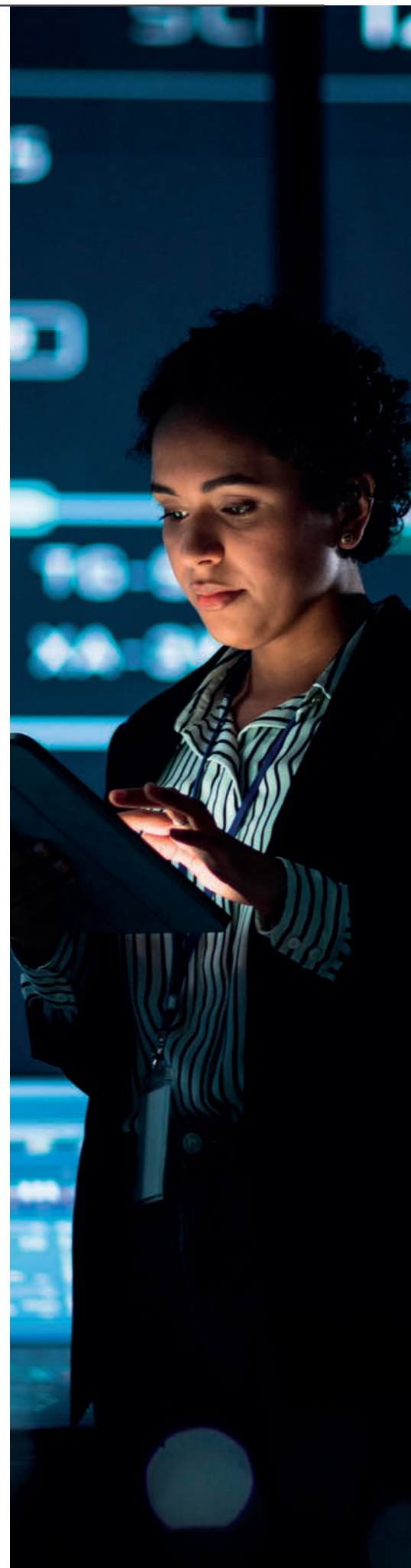
## Summary

Overall, the Company's approach to compliance with Section 172 is appropriate for an organisation of our size and the types of stakeholders we have.

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 carefully considering 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 can drive a company ethos which aligns to the key requirements of S172 and thus deliver benefit to all stakeholders.







# Sustainability

TP Group is on a journey to improve our wider community engagement and approach to sustainability. Our Corporate Social Responsibility focus areas are outlined below:



## Community

- **Community support through the COVID- 19 pandemic**
- **STEM initiatives**
- **Supporting local charities**



## Environment

- **LSE Green Economy Mark**
- **140001/ OHSE management**
- **New green energy capability**



## Marketplace

- **G-Cloud (Government portal)**
- **Ethical business practices**



## Workplace

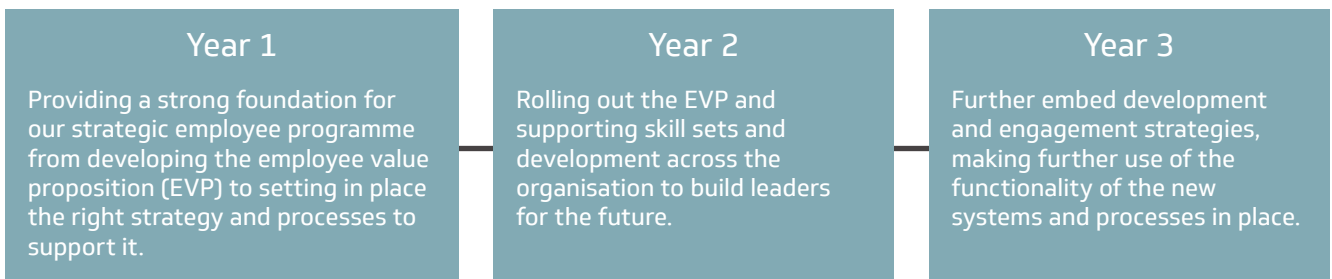
- **Strategic employee programme**
- **Equal opportunities**
- **COVID Support measures**
- **Disability confident**
- **5% Club**



## OUR PEOPLE

TP Group recognises that our people offer skills and experience that are critical to our long-term business success and we have rolled out a three-year strategic employee programme to underpin how we attract, retain, develop and reward them.

### Three-year strategic roadmap



### Four-stage development programme





# Sustainability

## CONTINUED

### Community

The pandemic shaped TP Group's approach to the community over the last year. We were involved with various initiatives including:

- TP Group provided people and equipment to support a 24/7 programme, involving several organisations, to provide face shields to community care teams. As a result, over 13,000 health workers across the community have been better protected as they carry out their critical work.
- Our STEM (initiatives in Science, Technology, Engineering and Mathematics education) programme where all employees can engage in extracurricular education for children and young people has been rejuvenated across the business as we look to being able to be more engaged with schools and colleges in 2021. In 2020, Osprey Kids, an online STEM initiative, reached thousands of homes across ten countries to support STEM learning up to Key Stage 2.

### Environment

TP Group recognises that it is at an early stage of our journey to net zero carbon and have made some steps forward over the year.

Many of our businesses are accredited to ISO 14001, which is the environmental management system ("EMS"). The measures in place for the EMS system and associated external audits, ensure that these businesses do not damage the environment.

As part of our decarbonisation journey, we are currently engaging with external advisors to look at our carbon footprint across the Group and understand how we can offset this in a balanced way without impacting the performance of the business.

Furthermore, in the services we offer to our customers, we have

successfully transitioned our heritage hydrogen system capability to new uses within markets looking to adopt clean energy power sources. For example:

- Our capability means that we can support the provision of clean fuel for trains.
- We are also working with industry partners and academia to advance technology around carbon capture.

In 2020, our work in the renewables area was recognised with the award of the London Stock Exchange's Green Economy Mark.

### Workplace and employees

We employ over 400 people within the UK and Europe – and look to provide a culture that supports our people whilst encouraging openness, trust, inclusion and innovation. This is built on the following TP Group's core values:

- Achieve together
- Embrace responsibility
- Strive for excellence
- Build unity
- Challenge ourselves
- Have integrity in all we do

We have invested in a new employee portal called Horizon which better connects people across the whole of the business. The portal is the foundation of our people strategy and is being used to help reinforce our company culture, provide recognition for employees, and to improve our communications and reporting.

The welfare of our people is at the forefront of our focus. Through the pandemic, we made rapid changes to ensure that we kept employees safe whilst complying with government guidelines. This included flexible shifts, increased PPE, antibacterial stations, information and training. For those working from home, we provided online training and support





around safe working as well as regular communications on staying physically and mentally fit.

Inclusivity is part of our culture. We encourage equal opportunities and, since 2019, TP Group has been part of the government's Disability Confident scheme which encourages employers to think differently about disabilities and to improve how they recruit, retain and develop disabled people.

We show support for the Armed Forces, and their valuable contribution, through our signing of the UK Armed Forces Covenant and the introduction of a Reservists Policy.

We updated our formal anti-slavery statement in 2020, 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.

Our people offer skills and experience that are critical to our long-term business success from specialist software skills to industry-leading consultancy capabilities.

In underpinning how we attract and retain our talent, we have rolled out a three-year strategic employee programme that works across four areas that include: Attract & recruit, Engage & develop, Manage & develop, and Reward & retain.

### Attracting new talent

In 2020 we recruited a Talent Acquisition Manager to identify and recruit new talent to build our capabilities and expertise from AI Software Developers to Business Development Managers that can help us grow the business.

Our website continues to be developed to build awareness of the scope of roles and opportunities within TP Group – supported by our social media platforms.

To provide a successful start for all new employees, we have brought in a pre-boarding experience to enable a better understanding of our culture and greater engagement.

### Employee value proposition

One of the most critical areas of the programme has been developing an employee value proposition (EVP) which encompasses the central reasons that people are proud and motivated to work at TP Group, along with the unique set of benefits that an employee receives in return for the skills, capabilities, and experience they bring to a company.

We were delighted with the response and engagement around our "Worklife programme", a next generation of EVP analysis, which provided a valuable insight into our employees' values and preferences.

# Sustainability

## CONTINUED

### Development

We continue to expand our suite of development opportunities from supporting employees in their role to helping them develop their potential. Our development approach is designed across four stages to take our employees from their early career through to supporting them to take on greater responsibility and senior roles.

- We aim to provide our people the challenging targets they need to move into their next role. For example, our Consultant's Toolkit provides a thorough grounding in the essential skills required in a consultancy role for those moving from another discipline.
- Our people are supported with a range of in-house, external and online training (comprising over 300 courses), as well as partnering with leading training organisations to deliver leadership programmes.
- We support our people with continual learning up to postgraduate level.
- We encourage mentoring across the organisation, and forums for innovation and knowledge sharing.
- In early 2021, we ran a personal development programme pilot, using our new employee portal, which is planned to be rolled out throughout the Group during 2021.

### Future talent programmes

We work with schools, colleges and universities to promote our apprenticeship and graduate programmes. We have a great record of supporting young talent within the business, supporting them every step of the way.

In 2021, TP Group joined the 5% Club, which is a dynamic movement of employers committed to “earn and learn” as part of building and developing the workforce they need. By the end of 2021, TP Group aims to exceed the required 5% of workforce in earn and learn positions (including apprentices, sponsored students and graduates on formalised training schemes) within five years of joining.

### Leadership programmes

Our culture encourages continuous learning and we provide a range of opportunities and support at a senior level, including supporting both current and aspiring female leaders through the externally provided “Women in Leadership” courses. This might involve further academic studies, up to a Masters degree, or engaging in leadership and personal growth programmes.

### Rewarding our employees

Work has commenced on our new flexible benefits offering based on the EVP analysis carried out in late 2020 and will be implemented mid-2021. These are tailored to those areas highlighted as important to our employees in the survey. We have also introduced a monthly recognition scheme for individuals and teams on the employee portal.



## CASE STUDY

# Disability Confident

TP Group is part of the government's Disability Confident scheme which encourages employers to think differently about disabilities and to improve how they recruit, retain and develop disabled people.

Over 20% of the UK population are classed as disabled and bring a wealth of skills and experience, and TP Group is committed to helping remove barriers to disabled people and promote the opportunities to fulfil their potential and realise their aspirations.

Signing up as a Disability Confident organisation in 2019, TP Group made five commitments:

- Ensuring our recruitment process is inclusive and accessible.
- Communicating and promoting vacancies through a range of channels.
- Offering interviews to disabled people.
- Anticipating and providing reasonable adjustments as required.
- Supporting existing employees who acquire a disability or long-term health condition, enabling them to stay in work.

Since 2019, TP Group has supported #PurpleLightUp which is a global movement that celebrates and draws attention to the economic contribution of the

**386  
million**

disabled employees around the world. This is celebrated across the business and promoted externally to our customers, partners and suppliers.



# Principal risks and uncertainties

## 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 certain risks 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

## 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 2020.

Principal risk	Impact	Mitigation/risk hedging	Risk trend	KPIs affected	Strategic impact
<b>Global economic conditions</b>					
The Group is adversely affected by the commercial conditions in its markets.	<p>Delay or loss of customer contracts, risk to expansion of global business.</p> <p>Delays in delivery of goods and services leading to pressure on income and cash receipts.</p>	The Group is diversifying through organic growth and acquisition 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.	→	<div style="display: flex; flex-wrap: wrap;"> <div style="margin-right: 5px;">01</div> <div style="margin-right: 5px;">02</div> <div style="margin-right: 5px;">02</div> <div style="margin-right: 5px;">05</div> <div style="margin-right: 5px;">03</div> <div style="margin-right: 5px;">04</div> <div style="margin-right: 5px;">05</div> </div>	



Strategic Priorities

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

KPIs

- 01** Order intake
- 02** Order book
- 03** Revenue
- 04** Adjusted operating profit
- 05** Cash
- 06** Productivity revenue per head
- 07** Geographic reach – non-UK revenues

Principal risk	Impact	Mitigation/risk hedging	Risk trend	KPIs affected	Strategic impact
<b>Government policy, regulation and legislation</b>					
Increasing activity with global customers and suppliers exposes the Group to additional export/import regulations, including new regulation resulting from the UK leaving the EU.	Potential limitations on access to markets or technologies constrains growth. Impact of duties affects margins. Delay in delivery of customer orders leading to loss of customer goodwill, cashflow implications and potential contractual issues.	Market assessment prior to significant investment to avoid entry into overly constrained business activities. Defined compliance process and skilled heads in place to manage existing requirements. Supply chain management processes to optimise inbound goods in light of tariffs, duties etc. Training, education and awareness across the Group to support growing complexity including further investment in qualified resource.	↑	<div style="display: flex; flex-wrap: wrap; gap: 5px;"> <div style="background-color: #e67e22; color: white; padding: 2px 5px; border-radius: 3px;">01</div> <div style="background-color: #e67e22; color: white; padding: 2px 5px; border-radius: 3px;">02</div> <div style="background-color: #34495e; color: white; padding: 2px 5px; border-radius: 3px;">02</div> <div style="background-color: #34495e; color: white; padding: 2px 5px; border-radius: 3px;">05</div> <div style="background-color: #e67e22; color: white; padding: 2px 5px; border-radius: 3px;">03</div> <div style="background-color: #e67e22; color: white; padding: 2px 5px; border-radius: 3px;">04</div> <div style="background-color: #e67e22; color: white; padding: 2px 5px; border-radius: 3px;">05</div> </div>	
Revenue generated from defence, energy and aerospace industry contracts are impacted by changes in government policies and legislation.	Possible delay or loss in customer contracts.	Contracts are typically 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 and aerospace policy, in the UK and Europe, has protected the key programmes we are active on. Whilst the business is less reliant on the energy sector, we monitor policy and programmes horizon, as well as global events, in order to react early to potential impacts to the business plan.	→	<div style="display: flex; flex-wrap: wrap; gap: 5px;"> <div style="background-color: #e67e22; color: white; padding: 2px 5px; border-radius: 3px;">01</div> <div style="background-color: #e67e22; color: white; padding: 2px 5px; border-radius: 3px;">02</div> <div style="background-color: #34495e; color: white; padding: 2px 5px; border-radius: 3px;">02</div> <div style="background-color: #34495e; color: white; padding: 2px 5px; border-radius: 3px;">05</div> <div style="background-color: #e67e22; color: white; padding: 2px 5px; border-radius: 3px;">03</div> <div style="background-color: #e67e22; color: white; padding: 2px 5px; border-radius: 3px;">04</div> <div style="background-color: #e67e22; color: white; padding: 2px 5px; border-radius: 3px;">05</div> </div>	
Health, safety, environmental, privacy and social regulations place greater burden on the business.	Additional cost and oversight added to business processes, along with potential business interruption in extreme circumstances.	These risks are managed by the Group’s accreditations under environmental management, occupational health and safety management regulations in each location. The Group has implemented measures to comply with GDPR, and monitors pending regulations closely. Regarding widespread health matters, the Group monitors government responses to any outbreaks and their recommendations. The Group issues guidance notes and commentary to all staff and takes appropriate actions to manage travel etc. when appropriate.	→	<div style="display: flex; flex-wrap: wrap; gap: 5px;"> <div style="background-color: #e67e22; color: white; padding: 2px 5px; border-radius: 3px;">04</div> <div style="background-color: #e67e22; color: white; padding: 2px 5px; border-radius: 3px;">05</div> <div style="background-color: #34495e; color: white; padding: 2px 5px; border-radius: 3px;">03</div> </div>	

# Principal risks and uncertainties

## CONTINUED

Principal risk	Impact	Mitigation/risk hedging	Risk trend	KPIs affected	Strategic impact
<b>Customers, competitors and commercial relationships</b>					
COVID-19	Staff outages/customer-driven delays/supply chain issues results in delays in customer projects, impact to revenues, profits and cash flow. Ultimately risk to factory operations (site closedown) and service deliveries.	COVID-19 mitigation polices and procedures have been established across the business. Factory sites operate with minimal staff and split shifts when necessary. Working from home policy in place across the Group and applied where possible. Key/critical customer programmes identified and prioritised. All customers being engaged pro-actively in relation to our current business activity and contingency plans. Cash flow is being tracked and focus on key deliverables to trigger material collections.	→	01 02 03 04 05 06	01 02 03 05
Competitor capabilities may change or disruptive technologies emerge leading to loss of advantage or market position.	Loss of future customer orders, market share and capability erosion.	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
Loss of a major customer.	Reduced revenue, EBITDA, cash and reputation.	Focus on operational excellence to avoid loss of customer whilst also expanding the Group's activities to engage additional key accounts to minimise reliance on any single account.	→	01 02 03 04 05	02
<b>Availability of key resources</b>					
Key employee knowledge and skill, upon which key functions or initiatives depend, may be lost.	Ability to deliver growth strategy.	The Group seeks to avoid single points of failure or capacity constraints by attracting and retaining suitably skilled and experienced staff to support the business performance. This is achieved through appropriate and competitive remuneration packages, a framework for personal and professional development and working environments that make TPG an attractive place to work. Through growth, we reduce reliance on limited resources which in turn diminishes the risk effect.	→	01 03 04	01 02 05

**Strategic Priorities**

- 01** Achieve sustainable competitive leadership in complex, mission-critical systems

**02** Drive value from excellent relationships with major customers

**03** Invest in best-in-class operating capabilities and technologies
- 04** Supplement organic growth with suitable acquisitions and partnerships

**05** Expand our geographic reach in customers and capabilities

**KPIs**

- 01** Order intake
- 02** Order book
- 03** Revenue
- 04** Adjusted operating profit
- 05** Cash
- 06** Productivity revenue per head
- 07** Geographic reach – non-UK revenues

Principal risk	Impact	Mitigation/risk hedging	Risk trend	KPIs affected	Strategic impact
<b>Availability of key resources</b>					
Loss of performance, reliability and availability of certain key assets and information technology systems impacts delivery execution.	Unable to deliver customer contracts – impacts revenue/ EBITDA and cash, however major impact is loss of future orders and reputation.	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.	↓	<b>03</b> <b>05</b>	<b>04</b> <b>02</b> <b>03</b>
<b>Technology and security</b>					
Cybersecurity threats come in several forms, posing a risk to sensitive data held in the normal course of business, as well as business interruption risk.	Loss of data, damage to reputation, possible breach of customer contracts.	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 acquisitions increase potential risk until they are fully integrated into the Group protocols.	→	<b>03</b> <b>05</b>	<b>04</b> <b>02</b>
<b>Acquisitions</b>					
Issues may arise from an acquisition that could add unexpected costs or liabilities to the Group.	Ability to deliver growth strategy, leverage full benefits of acquisition, impairment to asset acquired.	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.	→	<b>04</b> <b>05</b>	<b>04</b>





# We are influential

Board of Directors	48
Directors' report	50
Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements	52
Corporate governance report	53
Remuneration report	60





# 02 Governance

# Board of Directors and Company Secretary



## **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 several 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, Envovox 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, 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 numerous 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 2020.

## Principal activity

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

Our customers trust us to deliver the expected levels of 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.

The Group currently reports as two core businesses streams at 31 December 2020:

- **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

However with the disposal of TPG Engineering Ltd and the extension of the CaPS capabilities to include software and digital solutions alongside traditional consulting services, going forward we have decided to position the business as three complementary value streams:

- **Atmosphere Management Systems** – life support systems and specialist electronics in critical workspaces, and hydrogen-based renewable energy solutions (previously T&E).
- **Consulting** – specialist services to enable our clients to transform their enterprise and evolve their systems and services.
- **Software and Digital Solutions** – solving complex problems in dynamic and changing environments with AI and software tools.

This allows us to be clearer in the nature of our offerings to support customers through the full lifecycle of their projects or programmes. Our consultants can support initial planning, justification and project management whilst specialist teams can deliver software or equipment as required.

## Results and dividends

The directors do not recommend the payment of a dividend (2019: £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. Post balance sheet events are discussed in note 35.

## Research and development

Total R&D expenditure in the year was £1.0m (2019: £0.4m). £0.1m (2019: £nil) was charged to the income statement as amortisation and £1.0m (2019: £0.4m) 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 34.

## Capital management

Capital consists of equity attributable to the shareholders of TP Group plc (the "Parent Company") and a £7.0m revolving loan facility ("Facility Agreement") with HSBC UK Bank plc, put in place on 3 March 2020.

The Facility Agreement has a term of three years, with the option to extend for a further two years and carries an option to increase the headroom to £12.0 million subject to bank consent and compliance with the facility agreement. 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 and is subject to quarterly banking covenants. Through the end of 2020, and up to the date of the signing of these accounts, £7.0m of the facility had been drawn to insulate the business against COVID-19 impacts and support the acquisition of Osprey Consulting.

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.

For information on the Group's financial risk management policies, please refer to the Financial Instruments note (note 25). This considers areas including liquidity, credit, interest rate and foreign currency risk.

### 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.

### 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.

Further information on employee engagement is set out in the 'Workplace and Employees' section in the Strategic Report (page 38).

### Streamlined Energy and Carbon Reporting (SECR)

Due to its size the Group falls within the disclosure requirements for Streamlined Energy and Carbon Reporting (SECR). TP Group plc has taken advantage of the exemption available to it not to provide the SECR disclosures for its subsidiary companies, all of which would be exempt from the requirement to do so in their own right due to their size.

As the parent company TP Group plc consumed less than 40,000 kWh of energy during the period for which the report would be prepared, it qualifies as a low energy user and therefore no SECR reporting disclosures have been given.

### 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 31 to the financial statements.

### Financial instruments

Details of the Group's financial instruments are set out in note 25 to the Consolidated Financial statements.

### 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.

In December 2020 the Board took the decision to replace RSM UK Audit LLP as auditors. BDO LLP were appointed as the new auditors of the Group on 21 December 2020.

By order of the Board

**CLAIRE MacPHERSON**  
**COMPANY SECRETARY**

Cody Technology Park  
Old Ively Road  
Farnborough  
Hampshire  
GU14 0LX

14 June 2021



# Statement of Directors' responsibilities

## IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report including 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 Accounting Standards in Conformity with the requirements of the Companies Act 2006 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 International Accounting Standards in Conformity with the requirements of the Companies Act 2006 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 of the Group 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 International Accounting Standards in Conformity with the requirements of the Companies Act 2006;
- 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 ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Parent Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Parent Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

# Corporate Governance Report

## Principles of good corporate governance

The London Stock Exchange requires all AIM listed companies to adopt a recognised corporate governance code. 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. The Group is able to confirm compliance with 9 of these the 10 principles as set out on our Company website at <https://www.tpgroupglobal.com/wp-content/uploads/2021/05/Statements-for-website.pdf>, and summarised below:

### Principle 1: Establish a strategy and business model which promote long-term value for shareholders

TP Group is a consulting, software and technologies business, working to make the world a safer place and, in 2021, positioned across three complementary value streams:

- Atmosphere Management Systems
- Consulting
- Software and Digital Solutions

Our strategy considers the following 5 areas:

- Achieve sustainable competitive leadership in complex, mission-critical systems
- Drive value from excellent relationships with major customers
- Invest in best-in-class operating capabilities and technologies
- Supplement organic growth with suitable acquisitions and partnerships
- Expand our geographic reach in customers and capabilities

Our business model and strategy allows us to establish a value generating cycle for the long term - we have world-leading capabilities that are made available to our customers through our long-standing relationships. We monetise these capabilities through the delivery of well-funded projects that are valued by our customers.

### Principle 2: Seek to understand and meet shareholder needs and expectations

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 Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting (AGM), regular RNS updates and one-to-one meetings with large existing or potential new shareholders as well as more informally via twitter and LinkedIn.



# Corporate Governance Report

## CONTINUED

The Board receives regular updates on the views of shareholders through briefings and reports from the Chief Executive Officer, Chief Financial Officer and the Company's brokers (Cenkos). The Company communicates with institutional investors frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views, and 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.

Despite the COVID-19 restrictions in place during the reporting period, we have been able to hold regular meetings with key shareholders coinciding with half-year and end-year updates. Our 2020 AGM was held as a closed meeting, with shareholders invited to ask questions via email in line with guidance from the FCA and our advisors.

The last AGM was held June 2020 and voting results can be found on the website at <https://www.tpgroupglobal.com/wp-content/uploads/2020/07/AGM-voting-2020-1.pdf>

### **Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success**

TP Group has identified its key stakeholders (other than its shareholders) as being its:

#### **Customers and Suppliers**

Our account and supply chain management teams are encouraged to build proactive, risk balanced and open relationships across the supply chain in order to build effective relationships and understand and respond to the needs of our customers and suppliers.

#### **Employees**

We recognise that our employees are one of our most important stakeholder groups. They offer skillsets and experience that are critical to our long-term business success and we have rolled out a 3-year strategic employee programme to underpin how we attract, retain, develop and reward our employees.

Inclusivity is part of our culture. We encourage equal opportunities and, since 2019, the Group has been part of the Government's Disability Confident Scheme which encourages employers to think differently about disabilities and to improve how they recruit, retain and develop disabled people.

The development of our core values programme (discussed further at Principle 8), and regular review of our Code of Conduct, our key policies and ways of working ensure that employees have the tools and information they need to perform effectively while feeling valued within the business.

#### **Wider Communities**

We take our responsibilities to our communities seriously and have a long history of supporting local charity events, engaging with schools and colleges, and sponsoring local sports teams etc. During the COVID-19 lockdown period, TP Group provided people and equipment to support a 24/7 programme that provided face shields to community care teams. As a result, over 13,000 health workers have been better protected as they carry out

their critical work. Our Reading office has also set up a recycling/donations point to donate clothing to SmarkWorks and a local homeless support charity.

Our corporate charities for 2019/2020 were Cancer Research UK and Mind Bluelight Works (Mental Health for current and ex emergency services workers). We are a Disability Confident organisation and are signed up to the Armed Force Covenant for Employers.

TP Group is looking at ways to improve its wider community engagement as part of its general Environmental, Social and Governance ("ESG") planning. It is recognised that more can and should be done across these areas as part of our developing ESG strategy and we will continue our focus on this over the coming reporting periods. The Company has engaged with external advisors to look at our carbon footprint across the Group and understand how we can offset this in a balanced way without impacting the performance of the business.

Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder engagement feedback 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. 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.





#### **Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Board has ultimate responsibility for the Group's system of internal controls and for reviewing its effectiveness and considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

The Company has an established framework of internal risk management controls, the effectiveness of which is reviewed by the Audit Committee, the Board and the Executive Management on a regular basis.

The Board is committed to maintaining appropriate standards for all the Company's business activities and ensuring that these standards are set out in written policies which are regularly reviewed to ensure that remain fit for purpose within our evolving business.

All of our 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 on a regular basis, taking guidance from both internal subject matter experts and external advisors as appropriate.

Training is also provided across a range of key compliance areas (including GDPR, Anti-Bribery and Security) to all applicable staff annually.

#### **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 has 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.

# Corporate Governance Report

## CONTINUED

### Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair

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.

The Board considers, after careful review and taking into account

background, other business interests and a confirmation that there are no links to key stakeholders and that the non-executive directors bring an independent judgement to bear.

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.

### Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Board is satisfied that, between the directors, it has an effective and appropriate balance of skills and experience, including in the areas of compliance with the AIM Rules for Companies and other related legislation, finance, internal controls, risk assessment and management, innovation, international trading, business growth, M&A activity and people development.

### Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board has adopted a self-assessment approach to meeting this objective, utilizing questions provided from a range of sources including the QCA. The first full assessment will be undertaken during 2021 and then annually thereafter with the questions and overall process reviewed periodically to ensure it remains fit for the intended purpose. Full compliance will be achieved in 2021.

### Principle 8: Promote a culture that is based on ethical values and behaviours

TP Group is committed to promoting a culture based on ethical values and behaviours across its business.

TP Group introduced its core values in 2019 to establish an ethical values based culture and progress continues to ensure that these core values are understood and embraced across the Group.

### Attendance

The directors are required to devote such time and effort to their duties as is required to secure their proper discharge and, for non-executive directors, this typically entails one or two days of meetings per month as well as reading and preparation time. A full pack of management information (in consistent, agreed form) is provided to the Board in advance of every meeting. Each executive director has a full-time service agreement.

Directors' attendances at meetings of the Board and its Committees during 2020 were as follows:

	Board	Audit Committee	Remuneration Committee
P Cartmell	8/8	4/4	n/a
A McCree	8/8	4/4	3/3
D Stroud	8/8	4/4	n/a
P Holland	8/8	4/4	3/3
J Warner-Allen	8/8	4/4	3/3





The core values are:

- Strive for Excellence
- Embrace Responsibility
- Achieve Together
- Building Unity
- Challenge Ourselves
- Have Integrity in all we do

Our core values form part of our wider Code of Conduct (which itself covers a wide range of cultural and ethical concepts around matters such as equality, service standards, anti-corruption and environmental matters). This Code of Conduct is reviewed regularly and updated as required to ensure it continues to be fit for purpose and accurately reflects our business standards.

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 and reviewed at least annually to ensure they remain fit for purpose and in line with current industry good practice. Ongoing training across a range of compliance areas (such as anti-bribery, harassment, GDPR, security) has been delivered during 2020 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.

Also see Principle 3 above.

### **Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**

The Board is responsible for the long-term success of the Company and sets direction for and reviews the performance of the Company. It monitors the exposure to key business risks and reviews the strategic direction of the business.

There is a formal schedule of matters reserved for the Board. It is responsible for:

- overall Group strategy;
- approval of major investments (whether Capex or Opex);
- approval of the annual and interim results;
- annual budgets;
- approval of major contracts;
- review of external announcements and reporting;
- M&A activity.

The senior management team members each report to the Board and collectively are responsible for:

- the day-to-day management of the Group's businesses and its overall trading;
- operational and financial performance in fulfilment of the strategy;
- management of key risks, management development and corporate responsibility programmes.

The Board is supported by the Audit and Remuneration Committees. Each Committee has access to such resources, information and advice, as it deems necessary, at the cost of the Company, to enable the Committee to discharge its duties.

### **Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

Please see our responses at Principle 2 and Principle 3 above.

#### **Audit Committee**

As detailed above, the Parent Company has adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code") and is committed to achieving high standards of governance as regards the audit committee.

#### **Members of the Audit Committee**

The Audit Committee comprises of three independent non-executive directors and has specific terms of reference that deal with its authority and duties.

The biographies of the members of the Committee can be found on pages 48 and 49, and demonstrate that the Committee brings together a range of relevant skills and knowledge that benefit the Parent Company as required by the provisions of the QCA Code.



# Corporate Governance Report

## CONTINUED

During the year, the Committee met 4 times and invited executive directors, the auditor and others to attend the meetings as appropriate, providing robust and relevant challenge to management and the external auditor in a balanced and considered manner.

Refer to principle 5 above for details of meetings attended.

### Key responsibilities

#### Financial reporting

- Monitor the integrity of the financial reporting process
- Review and scrutiny of the full and half year financial statements
- Review and challenge of significant matters and key financial judgements

#### Risk management and internal control

- Oversight of the Group's system of risk management and internal control and its effectiveness, including the process of identification of risks and opportunities, including relevant non-financial matters, ensuring risks are carefully identified, assessed and mitigated
- Reporting any significant reporting and risk issues, including estimates and judgements made in connection with the preparation of the annual report and financial statements, to the board
- Assessment of the need for an internal audit function

#### External auditor

- Management of the relationship with the external auditor, review their performance, independence and effectiveness
- Make recommendations to the Board with regard to any change of auditor appointment and the setting of audit fees

#### Compliance and assurance

- Review the going concern basis of preparation of the financial statements
- Consider whether the Annual Report and Financial Statements are "fair, balanced and understandable"
- Monitor compliance with applicable laws and regulations

#### Business of the Committee

Throughout the year, the Committee operated in accordance with its terms of reference. In addition, specific areas of work undertaken in 2020 included the following:

- Consideration of the onset of the Covid-19 pandemic and its impact on the Group's activities. This created a new and heightened risk and managing the business in the face of this has been a priority for the board, executive directors and senior management. Many challenges have been overcome with revised working practices, such as remote working, and regular communication with employees, customers, suppliers and other stakeholders. The Committee will continue to monitor the impact of the pandemic on the Group's risks and control environment over the coming year.
- A review of revenue recognition across the range of goods and services supplied by the Group, the applicable contract structures and profits associated with such contracts. The Committee discussed the Group's revenue recognition policies with executive management and their application to contracts across the Group and was satisfied that the policies were appropriate and had been properly applied to the Group's activities in the year.
- Review of any potential impairment to goodwill, intangibles and investments in subsidiaries. The Committee

discussed the Group's approach to impairment reviews and applicable accounting policies with executive management and was satisfied that the reviews were appropriate and accounting policies had been properly applied in the year.

- A review of market interest in acquiring TPG Maritime prior to the year-end. The Committee reviewed the level of interest expressed in the Group's TPG Maritime subsidiary and the consideration and response to this by the Parent Company. The Committee concluded it was correct that TPG Maritime continued to be included as a continuing activity of the Group and not reclassified as Held for Sale as at the balance sheet date.
- A review of the adoption of the Going Concern basis of preparation of the Parent Company's and Group's financial statements. A review of management budgets and forecasts was undertaken considering the continuing disruption to markets, travel, supply chains etc. caused by the pandemic. The Committee reviewed the assumptions adopted by management and series of possible down-side operating scenarios. The Committee concluded that it was appropriate to continue to adopt the going concern basis of preparation of the financial statements, but that details of a material uncertainty that exists which may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern should a combination of down-side scenarios occur, should be clearly described and disclosed in the Annual Report and Financial Statements. Refer to the Financial and Operational Review or Accounting Policies for further details of the going concern assessment.

In December 2020, the Committee completed its review of the engagement of the Parent Company and Group external auditor. Following this review, the Committee recommended to the board that RSM UK Audit LLP be replaced as auditor and that BDO LLP be appointed as the new auditors of the Group. The board resolved to make this change and appointed BDO LLP on 21 December 2020.

The Group does not have a separate internal audit function and the board reviewed the requirement for establishing one. Due to the size of the organisation, and close involvement of the senior management team in day-to-day operations, the Committee did not feel an internal audit function was either appropriate or necessary.

### Going Concern

The Chief Financial Officer's Review includes a review of going concern, as well as separate consideration of the impact of COVID-19.

On behalf of the Board

**PHILIP HOLLAND**  
**CHAIRMAN, AUDIT COMMITTEE**

14 June 2021



# Remuneration Report

## UNAUDITED INFORMATION

### Remuneration committee

The Remuneration Committee, as of June 2021, 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.

The proper application of the remuneration policy is overseen by the Remuneration Committee, who meet at least twice each year to consider the various matters within their remit. The role of this Committee is set out in the Terms of Reference which is reviewed regularly to ensure it remains up to date. The activities of the Committee include the determination of a framework policy for the remuneration of the Company's executive directors including pension rights and any compensation payments.

In determining the policy the committee will take into account all factors which it deems necessary. The objective of the policy is to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual

contributions to the success of the Company. Accordingly, the Remuneration Committee will regularly review the ongoing appropriateness and relevance of the remuneration policy and in determining the remuneration policy, review and have regard to pay and employment conditions across the Group, especially when determining annual salary increases.

### 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 2020 £000	Total emoluments 2019 £000
<b>Executive</b>					
P Cartmell	360	10	58	428	403
D Stroud	220	22	14	256	247
<b>Non-executive</b>					
A McCree	70	–	–	70	70
P Holland	39	–	–	39	36
J Warner-Allen	39	–	–	39	36
	728	32	72	832	792



## 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 2020 and 31 December 2019 were:

	As at 31 December 2019 number	Exercised in year number	Lapsed in year number	Issued in year number	As at 31 December 2020 number	Exercise price (p)	Lapse date
<b>Executive</b>							
P Cartmell	22,179,398	–	(12,673,942)	–	9,505,456	7.00	9 May 2027
D Stroud	9,980,729	–	(5,703,274)	–	4,277,455	7.00	9 May 2027
<b>Non-executive</b>							
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 6.76p at 31 December 2020. In the period 1 January 2020 to 31 December 2020 the closing mid-market high was 8.70p per Ordinary Share and low was 4.10p per Ordinary Share. The Share Option Plan expired at the end of 2020. The Remuneration Committee is engaged with a third party advisor to assist with the implementation of a new scheme for the Group that will best serve the ongoing needs of the business.

## 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 2020, at 31 December 2019 and at the date of this report:

	Number held at 31 December 2020 Ordinary Shares of 1 pence each	Number held at 14 June 2021 Ordinary Shares of 1 pence each	Number held at 31 December 2019 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**

14 June 2021

# We are exceptional

Independent auditor's report to the members of TP Group plc	64
Consolidated statement of comprehensive income	73
Consolidated and Parent Company statement of financial position	74
Consolidated statement of changes in equity	75
Parent Company statement of changes in equity	76
Consolidated statement of cash flows	77
Notes to the financial statements	78
Company information	127



# 03 Financial Statements



# Independent Auditor's Report to the members of TP Group Plc

## Opinion on the financial statements

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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

We have audited the financial statements of TP Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, the consolidated and Parent Company statements of financial position, the consolidated statement of changes in equity, the Parent Company statement of changes in equity, the consolidated statement of cash flows and 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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).

## 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## Material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which indicates that a downside scenario could arise where the Group and Parent Company would require access to the £5 million accordion facility to fulfil its working capital requirements as they fall due. The ability of the Group and Parent company to access this facility is dependent upon certain conditions being met at the time the funds are requested and is reliant on the continuing support of its facility provider. As stated in note 1, these events or conditions, along with other matters as set out in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Because of the judgements made by management, and the significance of this area, we have determined Going Concern to be a key audit matter.

Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Critically assessing the Directors' going concern assessment, forecasts and covenant compliance, including the reasonableness of their assumptions applied and downside stress case sensitivities using our knowledge of the business;
- Assessing the underlying forecast model and the Directors' historical forecast accuracy, including an assessment of Q1 2021 actuals against forecast;
- Challenging the order book and pipeline through agreement to underlying support and enquiries of management outside of the finance team;
- Assessing the terms and period of the Group's bank facility agreement and consideration of the additional draw down facility available;
- Considering the Group's banking covenants and related headroom in light of the Directors' downside forecast scenarios;
- Considering the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure and the forecasts and reverse stress test assessment prepared by the Directors.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### Summary of our audit approach

<b>Coverage</b>	98.0% of Group profit before tax	
	99.0% of Group revenue	
	98.0% of Group total assets	
<b>Key audit matters</b>	Revenue recognition	2020 ✓
	Impairment of non-current assets	✓
	Presentation of TPG Maritime as a continuing operation along with the presentation of other discontinued operations during the year	✓
	Going concern	✓
<b>Materiality</b>	Group financial statements as a whole	
	£700,000 based on 1.2% of revenue from continuing operations.	

# Independent Auditor's Report to the members of TP Group Plc

## CONTINUED

### An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group comprises a Parent Company, TP Group plc and operates through a number of legal entities, which form reporting components and are incorporated predominantly in the UK and the Netherlands. The components that were considered to be significant were TP Group plc, TPG Maritime Limited, TPG Services Limited and Sapienza Consulting Limited. All significant components were subject to full scope audits which were completed by the Group audit team. Non-significant components were subject to either specified procedures or desktop review procedures.

### Our involvement with component auditors

For the work performed by component auditors who were conducting specified procedures on Sapienza Consulting BV, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. These component auditors are not part of the BDO network of firms. Our involvement with component auditors included the following:

- Group audit instructions were provided to the component auditors detailing the materiality, scoping, procedures to be performed and reporting required;
- The Group audit team held meetings with the component auditors to confirm the scope of the work required and the basis of sampling to be used by the component auditor;
- Regular meetings were held to enable the Group audit team to provide direction and supervision throughout the audit process;
- The component auditor's work and reporting was reviewed in detail by the Group audit team as their work progressed and at its conclusion.



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How the scope of our audit addressed the key audit matter	
<p><b>Revenue recognition</b></p> <p>The accounting policy for revenue is disclosed in note 1 of the consolidated financial statements.</p> <p>The segmental information relating to Group revenue is disclosed in note 2 to the consolidated financial statements.</p> <p>Revenue relating to discontinued operations is disclosed in note 10 to the consolidated financial statements.</p>	<p>The Group generates revenue from the design and manufacture of high integrity equipment, provision of services and provision of software.</p> <p>Detailed contract terms vary across the Group companies as well as between individual contracts. These contracts are complex, often covering multiple periods, with a number of separate performance obligations, and with exposure to terms that may apply penalties or otherwise vary consideration due, and therefore have greater risk of not being recognised correctly in line with IFRS 15.</p> <p>There are also complexities in relation to the identification of separate performance obligations, the licence fee split, costs to complete estimates, liquidated damages (if any) and the justification for the percentage recognised and treatment of costs incurred in advance.</p> <p>Therefore, revenue has been identified as a key area of focus for our audit.</p>	<p>As part of our audit procedures we:</p> <ul style="list-style-type: none"> <li>Identified the Group's revenue streams and determined whether the related revenue recognition policy is in accordance with IFRS 15. We reviewed management's revenue recognition accounting papers for a sample of projects and agreed these projects to underlying contract agreements and corroborating evidence.</li> <li>Tested the completeness of the manually produced revenue calculations listing through comparison with the CRM systems employed by a Group entity. We performed procedures to check that information recorded on the revenue listing and CRM system was complete and correct by reference to underlying contracts on a sample basis.</li> <li>Agreed a sample of costs incurred to corroborative support such as purchase orders, subcontractor agreements, inspection forms, good received notes and purchase invoices where appropriate to determine if these were valid project costs and that the value of revenue recognised is appropriate in relation to the stage of completion.</li> <li>Considered costs to complete estimates on a sample basis for reasonableness through discussion with and challenge of project managers and through the review of project costing models used.</li> <li>Challenged management's forecasted costs and performed a review of historical forecasting accuracy on a sample of contracts.</li> <li>Considered the accounting treatment of modifications made on a sample of contracts.</li> <li>Assessed the treatment of liquidated damages or similar contract terms for a sample of contracts spanning the year end to determine whether the required provision has been made.</li> <li>Assessed the recoverability of contract assets through a review of the subsequent billing and cash receipt, as well as existence by agreeing to the contract and recalculated the amounts we expected to be accrued.</li> <li>Recalculated a sample of contract liabilities and tested for revenue deferrals not made.</li> <li>Reviewed the disclosures relating to revenue in accordance with the requirements of the applicable accounting standards.</li> </ul> <p><b>Key observations:</b></p> <p>Our work did not identify any material misstatements with respect to the amount of revenue recognised or the related financial statement disclosures.</p>

# Independent Auditor's Report to the members of TP Group Plc

## CONTINUED

Key audit matter	How the scope of our audit addressed the key audit matter	
<p><b>Impairment of goodwill</b></p> <p>Goodwill has a carrying value of £8.1m (2019 £9.2m).</p> <p>The accounting policy regarding recognition and impairment of goodwill is disclosed in note 1 of the consolidated financial statements.</p> <p>Goodwill is disclosed in note 11 in the consolidated financial statements.</p>	<p>This is the first full year following the acquisition of Sapienza. Goodwill of £2.8m was recognised in connection with the Sapienza acquisition. In addition, the trade of the Westek component was significantly impacted during the year as a result of COVID-19. However, no impairment of the goodwill of £0.9m attributable to the Westek acquisition had been recognised.</p> <p>A significant risk was identified in respect of the level of judgement and estimation applied as part of management's impairment review and the related financial statement disclosures.</p> <p>The goodwill balance in relation to the Lift BV acquisition of £1.2m was impaired in full during the year.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Challenging management's impairment assessment for each cash generating unit (CGU) including the underlying key assumptions of revenue growth rates, margin and discount rates applied. As part of this process, we held conversations with management of each component outside of the finance team to understand the order book and pipeline. We tied the pipeline and order book into revenue in the models, and verified the plans being used were those approved by the Board. We ensured the forecasts being used were internally consistent and were also used for the going concern assessment. We reviewed management's sensitivity analysis to determine if there is adequate headroom. In addition, we assessed management's ability to forecast accurately through review of prior budget to actual outturns.</li> <li>• Using our internal valuations specialists to review the underlying impairment models and the discount rates applied.</li> <li>• Reviewing the appropriateness of disclosures within the consolidated financial statements.</li> </ul> <p><b>Key observations:</b></p> <p>Our work did not identify any material misstatement with respect to results of management's impairment review or the related financial statement disclosures.</p>

Key audit matter	How the scope of our audit addressed the key audit matter	
<p><b>Presentation of TPG Maritime as a continuing operation, along with the presentation of other discontinued operations during the year</b></p> <p>As announced publicly on 13 January 2021 the Board had pre year-end received expressions of interest and had appointed advisors to assess the possible disposal of TPG Maritime.</p> <p>In addition, TPG Engineering was sold during the year and a decision was made to discontinue Lift BV's activities in December 2020.</p> <p>The accounting policy for discontinued operations is disclosed in note 1 of the consolidated financial statements.</p> <p>The impact of the discontinued operations is disclosed in notes 2 and 10 of the consolidated financial statements.</p>	<p>TPG Maritime is a significant component of the Group and the primary CGU within the Technology &amp; Engineering operating segment.</p> <p>The consideration of whether TPG Maritime should be disclosed within the financial statements as held for sale and presented within discontinued operations in accordance with IFRS 5 was considered to be a significant management judgement and therefore a significant risk.</p> <p>This key area of judgement is discussed in note 1 of the consolidated financial statements.</p> <p>Furthermore, there is a risk that the other discontinued operations during the year have not been accounted for and presented correctly.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Reviewing management's assessment at the balance sheet date of the application of IFRS 5 and the held for sale criteria and reviewing corroborating support for their conclusion. In particular, we challenged management's assessment of whether the sale was considered as being 'highly probable' as at the year-end by reviewing contemporaneous evidence, including correspondence with their broker and AIM. We also took into account whether the disposal would meet the class test per AIM Rule 15 and consequently, the necessity of shareholders' approval.</li> <li>• We considered whether the potential disposal value for TPG Maritime fell below the carrying value and if so, whether an impairment was required.</li> <li>• Challenging management's assessment of whether TPG Engineering and Lift BV represent major lines of business for the Group.</li> <li>• Reviewing the sale documentation and performing cut-off procedures for TPG Engineering to ensure the appropriate results for the period are consolidated into the Group financial statements.</li> <li>• Consideration of the appropriateness of the disclosures made in the consolidated financial statements in consideration of the requirements of both IFRS 5 and IFRS 10.</li> </ul> <p><b>Key observations:</b></p> <p>We considered management's judgements in respect of these matters and the related disclosures in the financial statements to be appropriate.</p>



# Independent Auditor's Report to the members of TP Group Plc

## CONTINUED

### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements	Parent company financial statements
	2020 £	2020 £
<b>Materiality</b>	£700,000	£350,000
<b>Basis for determining materiality</b>	1.2% of revenue	1.2% of total assets
<b>Rationale for the benchmark applied</b>	Revenue is considered to be the most appropriate performance measure as it is a key performance indicator for the users of the financial statements	Total assets is considered to be the most appropriate measure as the Company is a holding company that does not trade.
<b>Performance materiality</b>	£490,000	£245,000
<b>Basis for determining performance materiality</b>	70% of overall materiality	70% of overall materiality

### Component materiality

We set materiality for each component of the Group based on a percentage of between 9% and 64% of Group materiality dependent on size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £60,000 to £450,000. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

### Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £21,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

### 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

## Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

<b>Strategic report and Directors' report</b>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.</p>
<b>Matters on which we are required to report by exception</b>	<p>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:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• the Parent Company financial statements are not in agreement with the accounting records and returns; or</li> <li>• certain disclosures of Directors' remuneration specified by law are not made; or</li> <li>• we have not received all the information and explanations we require for our audit.</li> </ul>

## Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, 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.

# Independent Auditor's Report to the members of TP Group Plc

## CONTINUED

### Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Gaining an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, through discussion with management and the audit committee and our knowledge of the industry. The significant laws and regulations we considered in this context included the UK Companies Act, the Official Secrets Act, the applicable accounting framework, and relevant tax legislation;
- Discussing among the audit engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud;
- Enquiring of management and the audit committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering our knowledge of the nature of the industry, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration and performance targets;
- Testing the appropriateness of journal entries made through the year by applying specific criteria to detect possible irregularities and fraud;
- Performing a detailed review of the Group's year-end adjusting entries;
- Assessing whether the judgements made in significant accounting estimates were indicative of a potential bias;
- Reviewing minutes from board meetings of those charged with governance to identify any instances of non-compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Christopher Pooles** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Reading, United Kingdom  
14 June 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



# Consolidated statement of comprehensive income

## FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £'000	2019 <sup>1</sup> £'000
<b>Revenue from continuing operations</b>	2	<b>59,045</b>	49,396
Cost of sales		<b>(43,368)</b>	(33,688)
<b>Gross profit from continuing operations</b>		<b>15,677</b>	15,708
Administrative expenses		<b>(20,518)</b>	(16,739)
<b>Operating loss from continuing operations<sup>2</sup></b>	4	<b>(4,841)</b>	(1,031)
Net finance cost	7	<b>(337)</b>	(194)
<b>Loss before taxation from continuing operations</b>		<b>(5,178)</b>	(1,225)
Taxation credit/(charge)	8	<b>196</b>	(693)
<b>Loss after taxation for the year from continuing operations</b>		<b>(4,982)</b>	(1,918)
Loss for the period from discontinued operations (attributable to equity holders of the company)	10	<b>(5,017)</b>	(91)
<b>Loss for the period</b>		<b>(9,999)</b>	(2,009)
Attributable to:			
Equity holders of the parent company		<b>(9,999)</b>	(1,927)
Non-controlling interest		<b>–</b>	(82)
<b>Total loss for the year</b>		<b>(9,999)</b>	(2,009)
<b>Loss for the year</b>		<b>(9,999)</b>	(2,009)
<b>Other comprehensive income/(expense): items that may be subsequently recycled to the income statement:</b>			
Foreign exchange gains/(losses) on translation of foreign operations		<b>427</b>	(4)
<b>Total comprehensive expense for the year</b>		<b>(9,572)</b>	(2,013)
Attributable to:			
Equity holders of the parent company		<b>(9,572)</b>	(1,931)
Non-controlling interest		<b>–</b>	(82)
		<b>(9,572)</b>	(2,013)
<b>Earnings per share:</b>			
Loss per share (pence per share)			
Continuing operations:			
Basic loss per share (pence per share)	9	<b>(0.64)</b>	(0.25)
Diluted loss per share (pence per share)	9	<b>(0.64)</b>	(0.25)
Discontinued operations:			
Basic loss per share (pence per share)	9	<b>(0.64)</b>	(0.01)
Diluted loss per share (pence per share)	9	<b>(0.64)</b>	(0.01)
Total:			
Basic loss per share (pence per share)	9	<b>(1.28)</b>	(0.26)
Diluted loss per share (pence per share)	9	<b>(1.28)</b>	(0.26)

1. The consolidated statement of comprehensive income has been re-presented to reflect discontinued operations arising from the disposal of TPG Engineering Limited. The current and comparative results for this entity is presented within 'Loss for the period from discontinued operations' and note 10.

2. Please refer to segment reporting in note 2 for bridge to adjusted operating profits from continuing operations

The notes on pages 78 to 126 form part of these financial statements.

# Consolidated and Parent Company statements of financial position

AS AT 31 DECEMBER 2020

	Note	Group		Parent Company	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Goodwill	11	8,091	9,161	–	–
Other intangible assets	12	19,633	19,466	185	141
Property, plant and equipment	13	962	2,073	116	157
Right-of-use assets	24	3,841	5,808	302	363
Investments	14	–	–	33,013	33,874
Amounts owed by EBT	15	–	–	108	105
Trade and other receivables	19	–	–	3,635	–
		<b>32,527</b>	<b>36,508</b>	<b>37,359</b>	<b>34,640</b>
<b>Current assets</b>					
Inventories	17	1,417	2,036	–	–
Trade and other receivables	19	10,268	13,031	1,312	1,200
Amounts due from contract customers	18	9,388	10,042	–	–
Taxation recoverable		239	–	–	–
Cash and bank balances	20	7,372	6,568	1,557	144
		<b>28,684</b>	<b>31,677</b>	<b>2,869</b>	<b>1,344</b>
<b>Total assets</b>		<b>61,211</b>	<b>68,185</b>	<b>40,228</b>	<b>35,984</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	23	(13,925)	(11,605)	(3,431)	(7,152)
Amounts due to contract customers	18	(5,351)	(10,228)	–	–
Current tax liabilities		–	(180)	–	–
Lease liabilities	22	(609)	(1,022)	(116)	(120)
		<b>(19,885)</b>	<b>(23,035)</b>	<b>(3,547)</b>	<b>(7,272)</b>
<b>Non-current liabilities</b>					
Trade and other payables	23	–	(286)	–	(285)
Deferred taxation	8	(3,001)	(2,738)	–	–
Lease Liabilities	24	(4,079)	(5,429)	(207)	(272)
Borrowings		(7,000)	–	(7,000)	–
Provisions	26	(254)	(231)	(20)	(20)
		<b>(14,334)</b>	<b>(8,684)</b>	<b>(7,227)</b>	<b>(577)</b>
<b>Total liabilities</b>		<b>(34,219)</b>	<b>(31,719)</b>	<b>(10,774)</b>	<b>(7,849)</b>
<b>Net assets</b>		<b>26,992</b>	<b>36,466</b>	<b>29,454</b>	<b>28,135</b>
<b>Equity</b>					
Share capital	27	7,792	7,792	7,792	7,792
Share premium		18,529	18,529	18,529	18,529
Own shares held by the EBT		(561)	(561)	–	–
Translation of foreign operations		415	(4)	–	–
Share-based payments reserve		685	1,142	685	1,142
Retained earnings		131	9,140	2,448	672
<b>Total equity due to shareholders</b>		<b>26,991</b>	<b>36,038</b>	<b>29,454</b>	<b>28,135</b>
Non-controlling interest		1	428	–	–
<b>Total equity</b>		<b>26,992</b>	<b>36,466</b>	<b>29,454</b>	<b>28,135</b>

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 £1,221,000 (2019 profit: £627,000) for the year.

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 14 June 2021. The notes on pages 78 to 126 form part of these financial statements.

Phil Cartmell  
Chief Executive

Derren Stroud  
Chief Financial Officer

(Company number: 3152034)

# Consolidated statement of changes in equity

## FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £'000	Share premium £'000	Own shares held by EBT £'000	Share-based payments reserve £'000	Translation Reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total £'000
<b>Balance at 1 January 2019</b>	<b>7,586</b>	<b>17,438</b>	<b>(561)</b>	<b>1,441</b>	<b>-</b>	<b>10,592</b>	<b>-</b>	<b>36,496</b>
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	-	-	-	176	-	-	-	176
Share-based payments reserves transfer	-	-	-	(475)	-	475	-	-
Non-controlling interest on acquisition of Lift BV	-	-	-	-	-	-	510	510
<b>Balance at 31 December 2019</b>	<b>7,792</b>	<b>18,529</b>	<b>(561)</b>	<b>1,142</b>	<b>(4)</b>	<b>9,140</b>	<b>428</b>	<b>36,466</b>
Loss for the year	-	-	-	-	-	(9,999)	-	(9,999)
Other comprehensive gain	-	-	-	-	427	-	-	427
Total comprehensive gain/(loss)	-	-	-	-	427	(9,999)	-	(9,572)
Share-based payments charge (note 28)	-	-	-	98	-	-	-	98
Share-based payments reserves transfer	-	-	-	(555)	-	555	-	-
Forex movement	-	-	-	-	(8)	8	-	-
Non-controlling interest transfer on acquisition of 100% ownership of Lift BV (note 16)	-	-	-	-	-	427	(427)	-
<b>Balance at 31 December 2020</b>	<b>7,792</b>	<b>18,529</b>	<b>(561)</b>	<b>685</b>	<b>415</b>	<b>131</b>	<b>1</b>	<b>26,992</b>

The notes on pages 78 to 126 form part of these financial statements.

# Parent Company statement of changes in equity

## FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £'000	Share premium £'000	Share-based payments reserve £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 January 2019</b>	<b>7,586</b>	<b>17,438</b>	<b>1,441</b>	<b>(430)</b>	<b>26,035</b>
Total comprehensive profit	-	-	-	627	627
Shares issued	206	1,091	-	-	1,297
Share-based payments charge	-	-	176	-	176
Share-based payments reserves transfer	-	-	(475)	475	-
<b>Balance at 31 December 2019</b>	<b>7,792</b>	<b>18,529</b>	<b>1,142</b>	<b>672</b>	<b>28,135</b>
Total comprehensive profit	-	-	-	1,221	1,221
Share-based payments charge (note 28)	-	-	98	-	98
Share-based payments reserves transfer	-	-	(555)	555	-
<b>Balance at 31 December 2020</b>	<b>7,792</b>	<b>18,529</b>	<b>685</b>	<b>2,448</b>	<b>29,454</b>

The notes on pages 78 to 126 form part of these financial statements.



# Consolidated statement of cash flows

## FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group	
		2020 £'000	2019 £'000
<b>Operating activities</b>			
Loss before taxation from continuing operations		(5,178)	(1,225)
Loss before taxation from discontinued operations		(5,144)	(738)
Adjustments for:			
Depreciation, amortisation and impairment		5,563	3,865
Finance cost		416	264
Share-based payment expense		98	176
Impairment loss on available-for-sale assets		2,721	-
Loss on disposal of subsidiary		596	-
Decrease in inventories		483	691
Decrease in trade and other receivables		(1,423)	(7,086)
Increase in trade and other payables		2,017	1,901
Increase/(decrease) in provisions		73	(269)
		222	(2,421)
Taxation credit/(paid)		189	(412)
<b>Net cash generated from/(used in) operating activities</b>		<b>411</b>	<b>(2,833)</b>
<b>Investing activities</b>			
Acquisition of subsidiary, net of cash acquired		(2,000)	(8,282)
Acquisition of subsidiary - payment of earn out		-	(2,000)
Interest received		-	23
Purchase of property, plant and equipment		(781)	(932)
Purchase of intangible fixed assets		(1,562)	(556)
Disposal of subsidiary, net of cash disposed of		(349)	-
<b>Net cash used in investing activities</b>		<b>(4,692)</b>	<b>(11,747)</b>
<b>Financing activities</b>			
New borrowings	21	7,000	-
Interest payable		(313)	(286)
Repayment of lease liabilities	21	(1,622)	(981)
<b>Net cash generated from/(used in) financing activities</b>		<b>5,065</b>	<b>(1,267)</b>
<b>Effects of exchange rates on cash and cash equivalents</b>		<b>20</b>	<b>2</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>804</b>	<b>(15,845)</b>
Cash and cash equivalents at beginning of year		6,568	22,413
<b>Cash and cash equivalents at end of year</b>	20	<b>7,372</b>	<b>6,568</b>

The notes on pages 78 to 126 form part of these financial statements.

# Notes to the financial statements

## 1. Accounting policies

### The Company

TP Group is a consulting, software and technologies 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 solutions 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.

The Group currently reports as two core businesses streams at 31 December 2020:

- **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

However with the disposal TPG Engineering Ltd and because CaPS has become more material to the Group's performance and its capabilities have extended to include software and digital solutions alongside traditional consulting services, going forward we have decided to position the business as three complementary value streams:

- **Atmosphere Management Systems** – life support systems and specialist electronics in critical workspaces, and hydrogen-based renewable energy solutions (previously T&E)
- **Consulting** - specialist services to enable our clients to transform their enterprise and evolve their systems and services
- **Software and Digital Solutions** - solving complex problems in dynamic and changing environments with AI and software tools

This allows us to be clearer in the nature of our offerings to support customers through the full lifecycle of their projects or programmes. Our consultants can support initial planning, justification and project management whilst specialist teams can deliver software or equipment as required.

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 Ivelly 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”), in conformity with the requirements of the Companies Act 2006 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 and the provisions of the Companies Act 2006.

FRS 101 sets out a reduced disclosure framework for a ‘qualifying entity’ as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of adopted IFRSs.

FRS 101 sets out amendments to adopted IFRSs that are necessary to achieve compliance with the Companies Act and related Regulations.

In preparing the Parent Company financial statements, the directors have taken advantage of the following exemptions for disclosures:

- A cash flow statement and related notes as required by IAS 7 ‘Statement of Cash Flows’;
- To disclose related party transactions entered into between two or more members of the Group, provided that the subsidiary is wholly owned, under paragraphs 17 and 18A of IAS 24, and the requirements in IAS 24.

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, financial assets at fair value through other comprehensive income, or when an impairment is recognised on non-current assets.

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.

### **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 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IFRS 3: Definition of a Business
- Amendments to IAS 1 & IAS 8: Definition of Material
- Amendments to IAS 39 & IFRS 9: Interest rate Benchmark Reform – Phase 1
- Amendments to IFRS 16 Leases COVID-19-related Rent Concessions
- Amendments to references to the Conceptual Framework

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 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.

#### **Going concern (judgement)**

The going concern position of the Parent Company is intrinsically linked to that of the Group and is therefore considered as part of the directors going concern assessment of the wider group.

In February 2020 the Group secured a £7m 3-year term loan facility that matures in 2023, which was fully drawn in year. This loan facility also includes a £5 million accordion option that may be made available by the lending bank but is not yet a committed facility. The bank has indicated their support of the business and as management progresses work to secure this line of funding, the Directors see no reason why this facility will not be available to draw on if required. Furthermore, the Company could raise additional capital through its listing on the AIM, however, is mindful that the ongoing effects of the pandemic could affect stock markets and disrupt any fund-raising potential. The Company is able to raise 10% of its market capitalisation through a direct placing without the need for shareholder approval, so is able to react with reasonable speed in the event it was required to pursue this course of action.

The Directors regularly review operating performance and cash generation projections for the Group which are based on delivery of the Group's secured order book, a reasonable expectation of success in ongoing and future bids for further contracts and an expectation of additional work from current and new customers.

# Notes to the financial statements

## CONTINUED

### 1. Accounting policies (continued)

A base case budget and cash flow projection has been prepared for 2021 and 2022, covering at least the 12 month period following the signing of the Group accounts. The budget builds from a strong opening order book which covered c.61% of budgeted 2021 revenues and c.29% of budgeted 2022 revenues. Prudent expectations of new business to be secured through that period, assuming standard rates of cash collection were added to this. The base cash budget does not assume the accordion is drawn, and provides sufficient liquidity and bank covenant compliance throughout the period.

Performance in Q1 of 2021 has substantially been in line with the base case budget and orders received have improved 2021 budgeted revenue coverage to c.72% and 2022 to c.41%. This provides considerable comfort in the Group's ability to execute on its projections for the year.

However, the business continues to navigate through the consequential effects of restrictions imposed by governments to combat COVID-19. These include ongoing travel disruption, the ability to source and recruit new talent, an expected surge in demand for raw materials and components, and the ability of logistics systems to deliver supplies, all of which may delay the timely execution of the Group's order book. Economic conditions caused by the pandemic may also impact the timing of new business opportunities coming to market that the Group would secure in the future.

The Group has taken steps to mitigate some of these effects, for example, the successful adoption of homeworking which has allowed us to mitigate, best possible, the travel restrictions across our territories. This has been specifically notable in the CAPs business stream, however, the requirement for some onsite customer presence could continue to see some disruption specifically in relation to cross border movement of people.

The above noted effects could result in revenue, margins and resulting cash inflows that are less and/or later than modelled, putting pressure on the Group's cash position at times.

The Directors have, therefore, flexed and stress tested the base case budget and projection to account for operating scenarios that reflect the occurrence of various possible factors, these include:

- a reduction in revenue,
- a reduction in the Group's gross margin percentage,
- a deterioration in working capital cash conversion; and
- a blend of the above.

These scenarios assume similar and/or greater levels of disruption to the Group's business to those experienced to date since the onset of the COVID-19 pandemic, despite conditions starting to improve as lockdowns are eased and the Group and its markets emerge from a testing period. In all the above scenarios, for at least the 12-month period following signing of the financial statements, the bank covenants are achieved.

However, at their most severe, in the event they were to occur, these scenarios would place a strain on the Group's performance and cash reserves leading to periods when additional financing may be needed to maintain liquidity. Mitigating actions that could preserve available cash include deferring discretionary spend, R&D expenditure and investment capex. In the event additional funding was required, the Group would, in the first instance, look to secure this from the bank by making use of the £5million accordion facility. The ability of the Group and Parent Company to access this facility is dependent upon certain conditions being met at the time the funds are requested. However, given the relationship with the facility provider management consider it reasonable to conclude such facility will be obtained. Thereafter, if required, management would seek funding through a direct equity placing, as noted earlier.

The Directors have reviewed the Group's overall position and outlook in respect of the matters identified above and are of the opinion that there are reasonable grounds to believe that operational and financial projections are achievable, including the base case budget, and that funding will be secured if required. Accordingly, the Directors have a reasonable expectation that the Group and Parent Company will have adequate resources to meet their obligations as and when they fall due for the foreseeable future and are satisfied that it is appropriate to prepare the financial statements for the Group on a going concern basis.



However, taking into account all of the above factors, the Directors have concluded that a down-side scenario could arise where the Group and Parent Company would require access to the accordion facility, and is therefore reliant on the continuing support of its facility provider. These events and conditions indicate that a material uncertainty exists which may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern and therefore their ability to realise their assets and discharge their liabilities in the ordinary course of business. These financial statements do not include the adjustments that would be necessary should the Going Concern basis of preparation no longer be appropriate.

#### **Assets held for sale (judgement)**

Management has reviewed the Group's non-current assets and associated liabilities in line with IFRS 5. In particular management has assessed the Held for sale criteria in IFRS 5 with a view to determining whether reclassification of TPG Maritime Limited as a held for sale asset was required at the balance sheet date. Following management's assessment it was determined that no reclassification was required as TPG Maritime Limited did not meet the IFRS 5 held for sale criteria.

#### **Discontinued operations (judgement)**

For operations classified as discontinued operations, management has considered the facts and circumstances of each transaction, with consideration of IFRS 5 as to whether the disposal or ceased activity represents a 'discontinued operation'.

#### **Business combinations (judgement)**

Management uses valuation techniques when determining the fair value of certain assets and liabilities acquired in a business combination (see note 33). In particular, for the acquisition of Osprey Consulting Services Limited there were a number of judgements around the inputs and assumptions in the cash flow forecasts, the growth rates and discount rates used. This also involved management's assessment of the intangible assets identified and the fair value allocated to each.

#### **The determination of incremental borrowing rates used to measure lease liabilities (judgement)**

The Group holds leases where the interest rate is not implicit in the lease. In these circumstances an incremental borrowing rate is used. The incremental borrowing rates used by the Group are based on assessment of rates to borrow over similar terms and with similar security to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

#### **Revenue (estimate and judgement)**

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 costs incurred on 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.

#### **Impairment of non-current assets (estimate)**

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 (see note 11). 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 (see note 11).

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.

#### **Useful economic life of intangible assets (estimate)**

Given the nature of the operations performed by the Group, the useful life of an asset is determined as the period over which the asset is expected to be available for use by the entity. 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.

# Notes to the financial statements

## CONTINUED

### 1. Accounting policies (continued)

#### 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 2020. 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.

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 owners of the parent and to the non-controlling interest, even if this results in the non-controlling interest having 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. 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.

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. 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, based on straight line recognition over the period of the warranty, which 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 as a provision of assets are provided and control passes to the customer on the sale of the goods. Where it is concluded that the customer has material rights under the contract for asset availability service then this will be assessed in measuring progress towards complete satisfaction of the performance obligation that depicts the Group's performance in providing the asset availability service to the customer.

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.

# Notes to the financial statements

## CONTINUED

### 1. Accounting policies (continued)

#### *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. 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 specified deliverables under the project.

Payment terms under these contracts are typically 30 days.

#### *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. Revenue is recognised 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. 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 as the hours are consumed by the customer. 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.

## 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.

# Notes to the financial statements

## CONTINUED

### 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 transaction date or date of valuation. 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 liabilities are recognised in the Statement of Financial Position when a member of the Group becomes party to the contractual provisions of the instrument.

#### *Financial assets*

Financial assets are classified according to the business model within which the asset is held and the contractual cash-flow characteristics of the asset.

All financial assets are classified as at amortised cost.

#### *Financial assets at amortised cost*

The Group's financial assets at amortised cost comprise trade receivables, loans, other receivables and cash and cash equivalents.

Financial assets at amortised cost are initially recognised at fair value including any directly attributable costs. They are subsequently measured at amortised cost using the effective interest method, less any impairment. No interest income is recognised on financial assets measured at amortised cost, with the exception of cash and cash equivalents, as all financial assets at amortised cost are short-term receivables and the recognition of interest would be immaterial. Financial assets are derecognised when the contractual right to the cash flows from the asset expire.

#### *Trade and other receivables*

Trade and other receivables are initially recorded at the fair value of the amount receivable and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Other receivables also represent client money required to meet settlement obligations.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash in hand, on demand deposits with banks and other short-term highly-liquid investments with original maturities of three months or less.

### *Impairment of financial assets*

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables are considered on an individual basis due to the differing nature of complexity and scope of the contracts the Group enters into with its customers. Where balances are unpaid, the Group will engage with customers to understand the circumstances, and where these are considered unlikely to be resolved, will consider the debt to be in default.

The carrying amount of the financial assets is reduced by the use of a provision. When a trade receivable is considered uncollectable, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited against the provision. Changes in the carrying amount of the provision are recognised in the income statement.

The Group has chosen to take advantage of the practical expedient in IFRS 9 when assessing default rates over its portfolio of trade receivables and contract assets, to estimate the expected credit loss ("ECL") based on historical default rates specific to groups of customers by type of service offering. Each individual trading entity within the Group has a unique service offering and as such are considered separate to each other.

At each reporting date, factors considered as part of the assessment of the expected credit loss provision for each entity include historical default rates, current and expected future economic conditions at the time of assessment such as the impact of COVID-19, any impact following Brexit and changes in announced Government funding; changes in credit risk, as well as review of cash receipts received post period end. Changes in the ECL provision are recognised in profit or loss.

Entities within the Group do not have a history of significant credit losses and as such generalised loss rates are not applied to each entity. To assess potential credit losses, the Group assesses each entity individually and recognises expected credit losses where specific knowledge of particular customers suggests it is appropriate to do so. Given the low levels of credit losses which have been historically incurred, the Group does not define customer default based on debtors reaching a defined level of ageing. Instead regular communication with customers and consideration of the various factors mentioned above will drive the Group's assessment of whether default is likely and an expected credit loss should be recognised.

Reviews for specific expected credit losses are assessed at each reporting date and recognised when the Group definition of default has been met.

The same approach as outlined above is also applied to ad hoc other receivables as they arise.

### *Financial liabilities*

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

## **Business combinations and goodwill**

The acquisition method of accounting is used for business combinations. This has been applied to the acquisition during the year end 31 December 2020.

The consideration transferred for an acquisition 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.

On acquisition, the financial assets acquired and liabilities assumed have been assessed for appropriate classification and designation in accordance with the contractual terms, economic conditions, in addition to assessment of the acquiree's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

For each business combination which includes 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.

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.

# Notes to the financial statements

## CONTINUED

### 1. Accounting policies (continued)

Where additional consideration may be payable in cash on delivery by the vendors of certain transition activities within specified timeframes following completion of the acquisition, this amount is considered to be a financial instrument and is expensed in the Group's income statement over the specified timeframe, in line with IFRS 3 (paragraph 58).

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 all of 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;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell 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.



## 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 and intellectual property rights	10–20 years
Capitalised development	5 years
Customer relationships	8–12 years
Trade name	10–16 years
Order backlog	2–3 years
Computer software	3 years
Internally developed software	5 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
Motor Vehicles	25% per annum

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 has an indefinite useful life and is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it 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

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.

# Notes to the financial statements

## CONTINUED

### 1. Accounting policies (continued)

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 was not able to determine the interest rate implicit in the leases, and so has been determined based on research into external borrowing rates attached to available financing for similar asset purchases.

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.

Where extension options are available, these are accounted for as part of the recognition of a right of use asset and lease liability if it is reasonably certain that the extension will be taken up at time of assessment, and the extension term is defined. Otherwise any extension subsequently taken up is treated as a new lease when it is exercised.

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 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.

### Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Subsequent recognition will be net of any cash payments made to settle in part or in full in line with the original agreement with the lender.

Finance charges, including premiums payable on settlement or redemption and direct issues costs are accounted for on an accruals basis in the income statement using the effective interest rate method and are disclosed within accruals to the extent they are not settled in the period.

### 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 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.

### Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

# Notes to the financial statements

## CONTINUED

### 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.

2020 includes an additional impairment to the brought forward unimpaired balance of the loan made by the parent company to the EBT, bringing the recoverable amount in line with the market value of the shares at the balance sheet date.



## 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 has been managed through its two reporting segments, Technology & Engineering ("T&E") and Consulting & Programme Services ("CaPS") which to date have formed 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.

	2020 £'000	2019 £'000
<b>Revenue</b>		
T&E	24,021	24,887
CaPS	35,024	24,509
<b>Group revenue from continuing operations</b>	<b>59,045</b>	49,396
<b>Revenue</b>		
T&E	4,002	8,822
<b>Group revenue from discontinued operations</b>	<b>4,002</b>	8,822
<b>Continuing Operations:</b>		
<b>Segment operating result</b>		
T&E	1,761	4,381
CaPS	(3,133)	(486)
Central unallocated costs	(3,469)	(4,926)
<b>Group loss from operations<sup>1</sup></b>	<b>(4,841)</b>	(1,031)
Finance cost	(337)	(194)
<b>Loss before tax</b>	<b>(5,178)</b>	(1,225)
Taxation credit/(charge)	196	(693)
<b>Loss after tax</b>	<b>(4,982)</b>	(1,918)

<sup>1</sup> Reconciliation between Group loss from operations, and adjusted operating profit by segment is shown below.

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.

# Notes to the financial statements

## CONTINUED

### 2. Segmental information (continued)

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

	T&E £'000	CaPS £'000	Central unallocated costs £'000	Group <sup>2</sup> £'000
<b>Continuing Operations:</b>				
<b>2020</b>				
<b>Segment operating result</b>	<b>1,761</b>	<b>(3,133)</b>	<b>(3,469)</b>	<b>(4,841)</b>
Depreciation, amortisation and impairment	1,553	3,767	396	5,716
Acquisition-related costs	–	–	1,035	1,035
Non-operating costs	104	792	209	1,105
Share based payments	–	–	98	98
Movement in expected earn-out payments	–	–	479	479
Lift BV discontinued business	–	132	–	132
<b>Adjusted operating profit/(loss)<sup>1</sup></b>	<b>3,418</b>	<b>1,558</b>	<b>(1,252)</b>	<b>3,724</b>

Continuing Operations:

**2019**

<b>Segment operating result</b>	<b>4,381</b>	<b>(486)</b>	<b>(4,926)</b>	<b>(1,031)</b>
Depreciation, amortisation and impairment	1,427	1,715	198	3,340
Acquisition-related costs	–	–	1,527	1,527
Non-operating costs	56	91	203	350
Share based payments	–	–	176	176
Movement in expected earn-out payments	–	–	1,579	1,579
Lift BV discontinued business	–	251	–	251
<b>Adjusted operating profit/ (loss)<sup>1</sup></b>	<b>5,864</b>	<b>1,571</b>	<b>(1,243)</b>	<b>6,192</b>

<sup>1</sup> 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, and non-operating costs. Non-operating costs include £334,000 (2019: £253,000) 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 2019.

<sup>2</sup> The segmental information has been updated to present only continuing operations following the disposal of TPG Engineering Limited in October 2020.

### Analysis by timing of revenue recognition

	T&E		CaPS		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Continuing Operations:</b>						
Over time	19,497	20,181	33,994	23,908	53,491	44,089
Point in time	4,524	4,706	1,030	601	5,554	5,307
<b>Total revenue</b>	<b>24,021</b>	<b>24,887</b>	<b>35,024</b>	<b>24,509</b>	<b>59,045</b>	<b>49,396</b>

As noted above, the business has reported its results as two reportable segments T&E and CaPS historically. However with the disposal TPG Engineering Ltd and because CaPS has become more material to the Group's performance and its capabilities have extended to include software and digital solutions alongside traditional consulting services, going forward we have decided to position the business as three complementary value streams to provide further information which the Board considers to be useful and will form the basis for segment disclosure for the financial year ended 31 December 2021:

- **Atmosphere Management Systems** – life support systems and specialist electronics in critical workspaces, and hydrogen-based renewable energy solutions (previously T&E).
- **Consulting** - specialist services to enable our clients to transform their enterprise and evolve their systems and services.
- **Software and Digital Solutions** - solving complex problems in dynamic and changing environments with AI and software tools.

This allows us to be clearer in the nature of our offerings to support customers through the full lifecycle of their projects or programmes. Our consultants can support initial planning, justification and project management whilst specialist teams can deliver software or equipment as required.

Continuing Operations:	2020 £'000
<b>Revenue</b>	
Atmosphere Management Systems	24,021
Consulting	33,100
Software and Digital Solutions	1,924
<b>Group revenue</b>	<b>59,045</b>
<b>Operating result</b>	
Atmosphere Management Systems	1,761
Consulting	(3,135)
Software and Digital Solutions	2
Central unallocated costs	(3,469)
<b>Group loss from operations<sup>1</sup></b>	<b>(4,841)</b>
Finance cost	(337)
<b>Loss before tax</b>	<b>(5,178)</b>
Taxation credit	196
<b>Loss after tax</b>	<b>(4,982)</b>

<sup>1</sup> Reconciliation between Group loss from operations, and adjusted operating profit by stream is shown below.

Revenue reported above represents revenue generated from external customers.

# Notes to the financial statements

## CONTINUED

### 2. Segmental information (continued)

Continuing Operations:	Atmosphere Management Systems £'000	Consulting £'000	Software and Digital Solutions £'000	Central unallocated costs £'000	Group <sup>2</sup> £'000
<b>2020</b>					
<b>Operating result</b>	<b>1,761</b>	<b>(3,135)</b>	<b>2</b>	<b>(3,469)</b>	<b>(4,841)</b>
Depreciation, amortisation and impairment	1,553	3,692	75	396	5,716
Acquisition-related costs	–	–	–	1,035	1,035
Non-operating costs	104	792	–	209	1,105
Share based payments	–	–	–	98	98
Movement in expected earn-out payments	–	–	–	479	479
Lift BV discontinued business	–	132	–	–	132
<b>Adjusted operating profit/(loss)<sup>1</sup></b>	<b>3,418</b>	<b>1,481</b>	<b>77</b>	<b>(1,252)</b>	<b>3,724</b>

<sup>1</sup> 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, and non-operating costs. Non-operating costs include £334,000 (2019: £253,000) 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 2019.

<sup>2</sup> The information above has been updated to present only continuing operations following the disposal of TPG Engineering Limited in October 2020.

### Analysis by geographical destination

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

	2020 £'000	2019 £'000
United Kingdom	37,131	32,532
The Netherlands	10,743	8,794
Europe excluding United Kingdom and the Netherlands	7,936	4,370
Asia	1,445	2,337
Middle East	151	930
Rest of the World	1,639	433
<b>Total revenue</b>	<b>59,045</b>	<b>49,396</b>

The following is a geographical analysis of the Group's non-current assets used as part of continuing operations:

	2020 £'000	2019 £'000
United Kingdom	21,868	23,788
Europe excluding United Kingdom	10,659	12,720
<b>Total non-current assets</b>	<b>32,527</b>	<b>36,508</b>

### Analysis by type of good or service

Continuing Operations	2020 £'000	2019 £'000
<b>Revenue</b>		
Engineering	24,021	24,887
Software	1,924	1,271
Consultancy	33,100	23,238
<b>Total revenue</b>	<b>59,045</b>	<b>49,396</b>



## Analysis by industry

	2020 £'000	2019 £'000
<b>Continuing Operations</b>		
<b>Revenue</b>		
Defence	39,949	37,305
Space	18,911	12,091
Energy	185	–
<b>Total revenue</b>	<b>59,045</b>	<b>49,396</b>

## Information about major customers

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

	2020 £'000	2019 £'000
Customer 1	8,909	6,921
Customer 2	14,202	14,104
Customer 3	11,444	8,669
<b>Total revenue</b>	<b>34,555</b>	<b>29,694</b>

## 3. Research and development

Group	2020 £'000	2019 £'000
Expenditure in the year	1,014	444
Capitalised as intangible assets - software	(1,014)	(444)
Amortisation of capitalised costs	77	39
<b>Net cost recognised in the income statement</b>	<b>77</b>	<b>39</b>

## 4. Operating loss

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

	2020 £'000	2019 £'000
Impairment on assets held for sale	2,721	–
Loss on disposal of subsidiary	596	–
Cost of inventories recognised as an expense in Cost of Sales (note 17)	9,941	9,740
Amortisation of intangible assets (note 12)	3,185	2,500
Impairment of intangible assets	348	–
Depreciation of property, plant and equipment and right-of-use assets (notes 13 and 24)	1,607	1,360
Impairment of property, plant and equipment	34	–
Impairment of trade receivables	21	36
Share-based payment expense <sup>1</sup>	98	176
Net losses on foreign currency translation	85	26

<sup>1</sup> Share-based payment expense arises from transactions accounted for as equity-settled share-based payment transactions and are non-cash in nature.

# Notes to the financial statements

## CONTINUED

### 5. Auditor's remuneration

	2020 £'000	2019 £'000
Fees payable to the Company's auditor for the audit of the Group's annual financial statements	55	44
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	20	20
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	155	97
<b>Total fees payable for audit services</b>	<b>230</b>	<b>161</b>
Fees payable to the Company's auditor for other services: <sup>2</sup>		
Corporation tax compliance services	30	–
R&D advisory services	139	–
Valuation services	126	–
Due diligence services	76	–
Training services	23	–
<b>Total fees payable to the Company's auditor</b>	<b>624</b>	<b>161</b>

<sup>2</sup> Prior to auditor appointment

### 6. Employee information

Group	2020 £'000	2019 £'000
Wages and salaries	22,503	16,172
Social security costs	2,567	2,295
Other pension costs	1,278	831
Share-based payments	98	176
<b>Group employment costs</b>	<b>26,446</b>	<b>19,474</b>

Group	Number	Number
Engineering	346	290
Business development	10	10
Administration	105	64
<b>Average number of employees</b>	<b>461</b>	<b>364</b>

Group employment costs include those incurred within the Group's disposed of operations during the year, including wages and salaries of £1,354,000 (2019: £1,338,000), social security costs of £144,000 (2019: £147,000) and other pension costs of £61,000 (2019: £73,000). These costs relate to TPG Engineering Limited up to the date of disposal, and Lift BV.

## 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 £1,278,000 (2019: £831,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2020, contributions of £101,000 (2019: £102,000) due in respect of the 2020 reporting period remained outstanding. The amounts were paid subsequent to the end of the reporting period.

Parent	2020 £'000	2019 £'000
Wages, salaries and benefits	2,429	2,148
Social security costs	336	317
Other pension costs	262	187
Share-based payments	98	176
<b>Parent Company employment costs</b>	<b>3,125</b>	<b>2,828</b>

Parent	Number	Number
Business development	3	4
Administration	27	23
<b>Average number of employees</b>	<b>30</b>	<b>27</b>

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 £262,000 (2019: £187,000) represents contributions payable to these plans by the Parent Company at rates specified in the rules of the plans. As at 31 December 2020, contributions of £28,000 (2019: £22,000) due in respect of the 2020 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 60 to 61.

Group	2020 £'000	2019 £'000
Wages and salaries	728	622
Contributions to defined contribution pension schemes	32	28
Social Security costs	101	98
Other benefits	72	142
Share-based payments	68	155
<b>Total key management remuneration</b>	<b>1,001</b>	<b>1,045</b>

# Notes to the financial statements

## CONTINUED

### 7. Net finance cost

Group	2020 £'000	2019 £'000
Interest received on bank deposits	–	23
<b>Finance income</b>	<b>–</b>	<b>23</b>
Interest recognised on lease contracts	(164)	(175)
Bank interest paid	(173)	(16)
Loss on foreign exchange derivative financial assets	–	(26)
<b>Finance expense</b>	<b>(337)</b>	<b>(217)</b>
<b>Net finance expense</b>	<b>(337)</b>	<b>(194)</b>

### 8. Taxation

Group	2020 £'000	2019 £'000
Current tax charge for the year	252	474
Adjustments in respect to prior year	(528)	(62)
<b>Current tax</b>	<b>(276)</b>	<b>412</b>
Deferred tax arising on amortisation of acquired intangibles	(167)	(368)
Deferred tax arising on intangibles	120	–
Deferred tax on reversal of timing differences	–	216
Adjustments in respect to prior year	–	(214)
<b>Deferred tax</b>	<b>(47)</b>	<b>(366)</b>
<b>Tax (credit)/charge from continuing operations</b>	<b>(196)</b>	<b>46</b>
<b>Tax credit from discontinued operations</b>	<b>127</b>	<b>(647)</b>

The tax credit for the period is lower than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained as follows:

#### Tax reconciliation

Group	2020 £'000	2019 £'000
Loss on ordinary activities before tax including discontinued operations	(10,322)	(1,963)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2019: 19%)	(1,961)	(373)
Effects of:		
Expenses not deductible for tax purposes	1,387	532
Income not taxable	(194)	(130)
Other timing differences	214	88
Share based payments	18	(1)
Deferred tax arising on intangibles	120	–
Adjustment to deferred tax in respect to change in tax rates	366	(285)
Deferred tax not recognized	278	494
Prior year deferred tax adjustment IFRS 16	–	(7)
Effect of overseas tax rates	(21)	4
Adjustment in respect of prior years	(530)	(276)
<b>Tax (credit)/charge for the year</b>	<b>(323)</b>	<b>46</b>



## Deferred taxation liabilities

Group	2020 £'000	2019 £'000
At 1 January	2,738	1,648
Disposal of subsidiary	(29)	–
Arising on business combination	321	1,456
Credit to comprehensive income	(73)	(366)
Effect of movements in exchange rates	44	–
<b>At 31 December</b>	<b>3,001</b>	<b>2,738</b>

The deferred tax liability brought forward on 1 January 2020 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, Westek Technology Limited on 2 November 2018, Sapienza Consulting Holdings B.V. on 30 April 2019 and Lift BV on 28 June 2019.

Amounts arose in the current year on the acquisition of Osprey Consulting Services Limited on 25 August 2020. In the year to 31 December 2020, the credit to the Consolidated Statement of Comprehensive Income of £73,000 (2019: £366,000) comprises the release of deferred tax liability arising on the amortisation of acquired intangibles.

At the reporting date, the Group has approximately £18.6m (2019: £21.8m) of unrelieved tax losses for offset against future taxable profit. There are no expiry dates on these unrelieved tax losses. No deferred tax asset has been recognised in respect of these losses. TPG Design & Technology Limited created £18.1m (2019: £18.1m) of these losses through a trade that is no longer being pursued. Losses can only be utilised against the same trade and management do not expect there to be sufficient trade to recover these losses against future taxable profit.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, as a result deferred tax balances as at 31 December 2020 continue to be measured at 19%. If all of the deferred tax was to reverse at the amended rate the impact to the closing deferred tax position would be to increase the deferred tax liability by £894,000.

## 9. Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2020 is based upon a loss after tax of £9,999,000 (2019: loss after tax of £2,009,000) and a weighted average number of shares of 779,178,719 (2019: 772,439,898). Further split between continued and discontinued operations is shown in the table below.

Numerator	Continuing operations	Dis-continued operations	Total	Continuing operations	Dis-continued operations	Total
	2020 £'000	2020 £'000	2020 £'000	2019 £'000	2019 £'000	2019 £'000
Loss for the year used in basic EPS	(4,982)	(5,017)	(9,999)	(1,618)	(391)	(2,009)
Loss for the year used in diluted EPS	(4,982)	(5,017)	(9,999)	(1,618)	(391)	(2,009)
Denominator	'000	'000	'000	'000	'000	'000
Weighted average number of shares used in basic EPS	779,179	779,179	779,179	772,440	772,440	772,440
Weighted average number of shares used in diluted EPS	779,179	779,179	779,179	772,440	772,440	772,440

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.

# Notes to the financial statements

## CONTINUED

### 10. Discontinued operations

Discontinued operations includes the business activity of TPG Engineering Limited prior to the disposal of the company from the Group on 29 October 2020 for nominal cash consideration of £1.00.

Financial performance and cash flow information for discontinued operations:

	2020 £'000	2019 £'000
<b>Revenue</b>	4,002	8,822
Cost of sales	(4,144)	(8,054)
<b>Gross profit</b>	(142)	768
Administrative expenses	(4,329)	(1,436)
<b>Operating loss</b>	(4,471)	(668)
Net finance cost	(77)	(70)
<b>Loss before taxation</b>	(4,548)	(738)
Taxation credit	127	647
<b>Loss after taxation for the year from discontinued operations</b>	(4,421)	(91)
Loss on disposal of discontinued operations	(596)	–
<b>Loss for the period from discontinued operations (attributable to equity holders of the company)</b>	(5,017)	(91)
Loss per share from discontinued operations (pence per share):		
Basic loss per share (pence per share)	(0.64)	(0.01)
Diluted loss per share (pence per share)	(0.64)	(0.01)
<b>Cash flows from/(used in) discontinued operations:</b>		
Net cash flows from operating activities	1,058	1,128
Net cash flows from investing activities	(208)	(364)
Net cash flows from financing activities	(987)	(863)
<b>Net decrease in cash generated by discontinued operations</b>	(137)	(99)

The post-tax gain/loss on disposal of TPG Engineering Limited was determined as follows:

	£'000
Cash consideration received	–
<b>Total consideration received</b>	–
Cash disposed of	349
Fees on disposal	111
<b>Net cash outflow on disposal of discontinued operations</b>	<b>460</b>
<b>Net Assets disposed of (other than cash)</b>	
Goodwill	602
Intangibles	161
Plant, property and equipment	908
Right of use assets	1,465
Trade and other receivables	5,926
Other financial assets	211
Trade and other payables	(6,391)
Deferred Tax	(25)
	2,857
Impairment on assets held for sale at 30 June 2020	(2,721)
<b>Loss on discontinued operation</b>	<b>596</b>

## 11. Goodwill

Group	£'000
<i>Cost and net book value</i>	
At 1 January 2019	5,289
Acquired through business combination	3,872
At 31 December 2019	9,161
Acquired through business combination	556
Impairment	(1,778)
Effect of movements in exchange rates	152
<b>At 31 December 2020</b>	<b>8,091</b>

Goodwill arose on the acquisition of TPG Maritime Limited on 5 April 2012, of Polaris Consulting (Holdings) Limited on 12 December 2017, of Westek Technology Limited on 2 November 2018, 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. from 33% to 69% on 30 June 2019.

Goodwill arose in the current year on the acquisition of Osprey Consulting Services Limited on 25 August 2020, and also on consolidation of Osprey's subsidiary GCAP Limited, having previously been acquired by Osprey in December 2017.

# Notes to the financial statements

## CONTINUED

### 11. Goodwill (continued)

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:

	2020 £'000	2019 £'000
TPG Maritime Limited	3,316	3,316
TPG Engineering Limited	–	602
Polaris Consulting (Holdings) Limited	468	468
Westek Technology Limited	903	903
Sapienza Consulting Holdings B.V and subsidiaries	2,848	2,696
Lift B.V.	–	1,176
Osprey Consulting Services Limited	457	–
GCAP Limited	99	–
<b>At 31 December</b>	<b>8,091</b>	<b>9,161</b>

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% (2019: 1.5%).

Cash flows are based on 2021 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 include a pre-tax discount rate of 10.7% (2019: 10.5%). The discount rate would need to increase to at least 14% before any impairment is required and this would be for Sapienza Consulting Holdings B.V and subsidiaries only. Differing growth rates of between 0% and 6% have been used for each of the Group's cash generating units, including the long term growth rate after the period of detailed forecasts, based on management's assessment of the future outlook for each individual business, as noted below.

Management has assessed TPG Maritime, and combined TPG Services and Polaris Consulting (Holdings) as identifiable cash generating units. Impairment tests have been performed with significant headroom noted. Revenue growth assumptions used are considered reasonable and likely to transpire with confidence gained from early business activity in 2021.

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

- In the case of Westek Technology, which is a supplier of high performance computer servers and ancillary equipment for the defence and commercial sectors, there is a potential risk in the assumptions used for the projected gross profit margins and revenue growth which, if they do not transpire, could result in an impairment. A reduction in the gross profit margins to similar rates as 2020 and a reduction in the revenue growth to 1% from 3%, would result in an impairment of approximately £0.2m at the pre-tax discount rate of 11.5%, rising to £0.8m at the pre-tax discount rate of 12.5%.
- In the case of Sapienza Consulting B.V, there is a risk in the revenue growth assumptions which, if they do not transpire, could result in an impairment. A reduction in the growth rate of 3% used in the projections would result in an impairment of approximately £0.4m at the pre-tax discount rate of 10.7%, rising to £2.1m at the higher rate of 12.5%. For any further 1% point reductions in the growth assumptions, the impairment charge would increase by a further £1.1m at the pre-tax discount rate of 10.7% and £0.9m at the higher rate of 12.5%.

Prior to the disposal of TPG Engineering on 29 October 2020, the goodwill previously recognised had been fully impaired during the year.

The goodwill arising on Lift B.V. has been fully impaired during the year. The Board having reviewed the strategic direction of the Group has deemed the activities of the business, which have been significantly impacted by COVID-19, are not in line with the direction of the wider Group. As such this business was ceased at 31 December 2020.



## 12. Other intangible assets

Group	Technical know how and intellectual property rights £'000	Capitalised development £'000	Customer relationships £'000	Trade name £'000	Order backlog £'000	Computer software £'000	Internally developed software £'000	Total £'000
<i>Cost</i>								
At 1 January 2019	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
Additions	–	610	–	–	–	119	830	1,559
Acquired through business combination	–	–	1,133	169	552	–	12	1,866
Disposal	(498)	–	(324)	(171)	–	(5)	–	(998)
Effect of movements in exchange rates	–	–	214	19	36	–	50	319
<b>At 31 December 2020</b>	<b>12,472</b>	<b>610</b>	<b>12,761</b>	<b>947</b>	<b>1,541</b>	<b>567</b>	<b>2,746</b>	<b>31,644</b>
<i>Accumulated amortisation</i>								
At 1 January 2019	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
Charge for year	856	–	1,221	89	556	84	379	3,185
Impairment	–	–	143	4	–	–	201	348
Disposal	(498)	–	(324)	(171)	–	–	–	(993)
Effect of movements in exchange rates	–	–	14	1	12	–	12	39
<b>At 31 December 2020</b>	<b>7,003</b>	<b>–</b>	<b>2,796</b>	<b>147</b>	<b>886</b>	<b>360</b>	<b>819</b>	<b>12,011</b>
<i>Net Book Value</i>								
At 31 December 2019	6,325	–	9,996	706	635	177	1,627	19,466
<b>At 31 December 2020</b>	<b>5,469</b>	<b>610</b>	<b>9,965</b>	<b>800</b>	<b>655</b>	<b>207</b>	<b>1,927</b>	<b>19,633</b>

Technical know-how and intellectual property rights 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 2020, this technical know-how had a net book value of £5,454,000, and a remaining useful life of 13 years.

Intangible assets consisting of customer relationships brought-forward as at 1 January 2019 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 ten years.

Intangible assets consisting of technical know-how, customer relationships and trade name brought-forward as at 1 January 2019 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.

# Notes to the financial statements

## CONTINUED

### 12. Other intangible assets (continued)

Intangible assets acquired in the year end 31 December 2019 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. These assets consisted of:

- customer relationships - amortised on a straight-line basis over their useful life of ten years.
- trade name - amortised on a straight-line basis over their useful life of ten years.
- internally developed software - amortised on a straight-line basis over their useful life of five years.
- order backlog - amortised on a straight-line basis over their useful life of two years.

Intangible assets acquired in the current year are a result of the acquisition of Osprey Consulting Services Limited on 25 August 2020. These assets consisted of:

- customer relationships - amortised on a straight-line basis over their useful life of eight years.
- trade name - amortised on a straight-line basis over their useful life of ten years.
- order backlog - amortised on a straight-line basis over their useful life of three years.

Amortisation terms used above are based on external assessment of the value of the acquired business.

Computer software represents 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
<i>Cost</i>		
At 1 January 2019	296	296
Additions	97	97
At 31 December 2019	393	393
Additions	106	106
<b>At 31 December 2020</b>	<b>499</b>	<b>499</b>
<i>Accumulated amortisation</i>		
At 1 January 2019	211	211
Charge for year	41	41
At 31 December 2019	252	252
Charge for year	62	62
<b>At 31 December 2020</b>	<b>314</b>	<b>314</b>
<i>Net book value</i>		
At 1 January 2019	85	85
At 31 December 2019	141	141
<b>At 31 December 2020</b>	<b>185</b>	<b>185</b>

### 13. Property, plant and equipment

Group	Computer equipment £'000	Office furniture and fittings £'000	Plant and machinery and motor vehicles £'000	Total £'000
<i>Cost</i>				
At 1 January 2019	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
Additions	200	122	256	578
Acquired through business combinations	–	122	–	122
Disposals	(145)	(166)	(81)	(392)
Disposal of subsidiary	(182)	(37)	(1,720)	(1,939)
Effect of movements in exchange rates	5	5	–	10
<b>At 31 December 2020</b>	<b>925</b>	<b>730</b>	<b>385</b>	<b>2,040</b>
<i>Accumulated depreciation</i>				
At 1 January 2019	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
Charge for year	320	185	204	709
Acquired through business combinations	–	83	–	83
Disposals	(145)	(165)	(78)	(388)
Disposal of subsidiary	(144)	(42)	(761)	(947)
Impairment	–	34	–	34
Effect of movements in exchange rates	1	(2)	–	(1)
<b>At 31 December 2020</b>	<b>471</b>	<b>363</b>	<b>244</b>	<b>1,078</b>
<b>Net book value</b>				
At 1 January 2019	390	182	829	1,401
At 31 December 2019	608	414	1,051	2,073
<b>At 31 December 2020</b>	<b>454</b>	<b>367</b>	<b>141</b>	<b>962</b>

The cost of assets still in use with a net book value of zero is £851,000 (2019: £1,363,000).

# Notes to the financial statements

## CONTINUED

### 13. Property, plant and equipment (continued)

Parent Company	Computer equipment £'000	Office furniture and fittings £'000	Total £'000
<i>Cost</i>			
At 1 January 2019	99	–	99
Additions	54	120	174
At 31 December 2019	153	120	273
Additions	41	–	41
<b>At 31 December 2020</b>	<b>194</b>	<b>120</b>	<b>314</b>
<i>Accumulated depreciation</i>			
At 1 January 2019	53	–	53
Charge for year	35	28	63
At 31 December 2019	88	28	116
Charge for year	42	40	82
<b>At 31 December 2020</b>	<b>130</b>	<b>68</b>	<b>198</b>
<i>Net book value</i>			
At 1 January 2019	46	–	46
At 31 December 2019	65	92	157
<b>At 31 December 2020</b>	<b>64</b>	<b>52</b>	<b>116</b>

### 14. Investments

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

Parent Company	2020 £'000	2019 £'000
At 1 January	33,874	18,806
Investment during year:		
Investment in shares in group undertakings	2,545	10,150
Conversion of subsidiary debt to share capital	–	22,229
Conversion of subsidiary debt provision to impairment	–	(16,050)
Impairment charge during the year	(3,406)	(1,230)
Lapse of share options	–	(31)
At 31 December	<b>33,013</b>	33,874

The increase in investments in shares in Group undertakings relates to the acquisition of Osprey Consulting Services Limited, please refer to note 33.

The impairment charge recognised during the year refers to the disposal of TPG Engineering Limited.



The key assumptions on which the impairment tests are based on are a pre-tax discount rate of 10.7% (2019: 10.5%) Differing growth rates have been used for each of the Group's trading entities, including the long term growth rate after the period of detailed forecasts, based on management's assessment of the future outlook for each individual business, as noted below.

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
				2020	2019	
TPG Maritime Limited	1	United Kingdom	£1.00 ordinary shares	100%	100%	1
TPG Design & Technology Limited	1	United Kingdom	£1.00 ordinary shares	100%	100%	Dormant
Hunt Thermal Technologies Limited (Previous name: TPG Engineering Limited)	12	United Kingdom	£1.00 ordinary shares	0%	100%	2
TPG Services Limited	1	United Kingdom	£0.01 ordinary shares	100%	100%	3
Polaris Consulting (Holdings) Limited	1	United Kingdom	£1.00 ordinary shares	100%	100%	3
Polaris Consulting Limited	1	United Kingdom	£1.00 ordinary shares	100%	100%	3
Westek Holdings Limited	1	United Kingdom	£1.00 ordinary shares	100%	100%	Dormant
Westek Technology Limited	1	United Kingdom	£1.00 ordinary shares	100%	100%	4
TPG USA Inc.	2	United States of America	\$0.001 ordinary shares	100%	100%	5
US Merger Corp Inc.	2	United States of America	\$0.001 ordinary shares	100%	100%	5
TPG Engineering Limited (Previous name: Hunt Thermal Technologies Limited)	1	United Kingdom	£1.00 ordinary shares	100%	100%	Dormant
Atmosphere Control International Limited	1	United Kingdom	£1.00 ordinary shares	100%	100%	Dormant
Wellman Defence Limited	1	United Kingdom	£1.00 ordinary shares	100%	100%	Dormant
Sapienza Consulting Holdings B.V.	3	Netherlands	€0.01 ordinary shares	100%	100%	6
Sapienza Consulting B.V.	3	Netherlands	€100 ordinary shares	100%	100%	6
Sapienza Consulting Limited	4	United Kingdom	€1.00 ordinary shares	100%	100%	6
Sapienza Consulting GmbH	5	Germany	€12,500 ordinary shares	100%	100%	6
Sapienza Consulting S.R.L.	6	Italy	100% of capital	100%	100%	6
AI Recruiting B.V.	7	Netherlands	€100 ordinary shares	100%	100%	6
Sapienza Balkans Holdings B.V.	7	Netherlands	€1.00 ordinary shares	65%	65%	6
Sapienza Balkans Skopje	8	North Macedonia	€20,000 ordinary share	100%	100%	6
Lift B.V.	9	Netherlands	€0.01 ordinary shares	100%	69%	7
TP Group Sapienza France SAS	10	France	€10 ordinary shares	100%	0%	6
Osprey Consulting Services Limited	11	United Kingdom	£0.001 ordinary shares	100%	0%	8
GCAP Limited	11	United Kingdom	£1 ordinary shares	100%	0%	8

# Notes to the financial statements

## CONTINUED

### 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. Disposed of 29 October 2020.
3. The provision of software and services including technical project management, systems engineering, design, software development, artificial intelligence and assurance.
4. The provision of 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. Ceased operation 31 December 2020.
8. The provision of consultancy services including safety and mission critical air space management, and regulation services in the defence, space and urban air mobility markets.

### 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.
10. 4, Allée des Cormorans, 06150, Cannes, France.
11. Suite 10, The Hub, Fowler Avenue, Farnborough Business Park, Farnborough, Hampshire, GU14 7JP, United Kingdom.
12. During period of ownership by TP Group this was A2/1064 Cody Technology Park, Farnborough, Hampshire, GU14 0LX, United Kingdom. Changed after disposal.

## 15. Amounts owed by Employee Benefit Trust

Parent Company	2020 £'000	2019 £'000
Amounts owed by EBT	600	600
Less: impairment	(492)	(495)
	108	105

The loan to the Employee Benefit Trust is interest free and unsecured. Details of the Employee Benefit Trust are provided in note 29. 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. Non-controlling Interest

On 31 August 2020, the Group via its subsidiary Sapienza Consulting Holdings BV acquired the remaining shares in Lift BV increasing its shareholding from 69% to 100% for consideration of €2. As a result, a £427,000 transfer during 2020 has been recognised on the Group Statement of Changes in Equity to eliminate the previously recognised non-controlling interest in this company.

At 31 December 2020, the remaining non-controlling interest on the Group's balance sheet refers to 35% of shares in Sapienza Balkans Holdings B.V. which are owned by an external party to the Group. This non-controlling interest is considered immaterial compared to the overall Group financial position.

## 17. Inventories

Group	2020 £'000	2019 £'000
Raw materials	893	457
Work in progress	524	1,579
	1,417	2,036

The cost of inventories recognised as an expense during the year in respect of continuing operations was £9,941,000 (2019: £9,740,000). The cost of inventories recognised as an expense during the year in respect of discontinued operations (note 10) was £2,387,000 (2019: £4,966,000). This represents the expense recognised by TPG Engineering Limited up to the date of disposal by the Group in October 2020. 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.

# Notes to the financial statements

## CONTINUED

### 18. 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	2020 £'000	2019 £'000
<b>Amounts due from contract customers included in trade and other receivables: (note 19)</b>		
Brought forward at 1 January	10,042	5,596
Contract asset reclassified as a receivable	(4,922)	(4,391)
Newly accrued	7,866	8,785
Disposal of subsidiary	(4,770)	–
Effect of changes in measurement of progress/estimate of transaction price/contract modification	1,172	52
Carried forward at 31 December	9,388	10,042
<b>Amounts due to contract customers included in trade and other payables (note 23)</b>		
Brought forward at 1 January	10,228	4,837
Revenue recognised in the year and included in opening balance	(6,060)	(3,567)
New cash received, revenue deferred	5,073	7,972
Disposal of subsidiary	(3,890)	–
Effect of changes in measurement of progress/estimate of transaction price/contract modification	–	986
Carried forward at 31 December	5,351	10,228

The reduction in amounts due from and due to contract customers have decreased year on year, in part due to the disposal of TPG Engineering Limited during 2020. The nature of the business activities of the company required contracts with customers with terms spanning several years and as such significant levels of cash was received in advanced or revenue accrued based on milestones being met and contractual terms in place.

The above also applies to TPG Maritime Limited, but which continues to be a member of the Group. Adjustments may be made depending on reassessment of project progress during the year which may result in the timeframe to achieve particular milestones of a particular project being moved back or forward in agreement with the customer. The nature of the work required as part of the contract may be changed after work is commenced and so may impact on the agreed pricing and timing of invoices to be raised, which will also have an effect.

The nature of the CaPs business where contracts are generally shorter in nature, and invoices are raised on a regular basis in line with contractual terms results in high levels of amounts due from customers brought forward being converted into invoices raised during the first month of the following financial period.

Amounts brought forward at the start of the financial period may be carried forward into the following financial period depending on the progress achieved during the current reporting period, in line with timeframes agreed with the customer concerned.

### Unsatisfied long term contracts

Amounts due to contract customers of £5,351,000 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 2021 financial year.



## 19. Trade receivables and other assets

	Group		Parent Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Current:</b>				
Trade receivables	7,974	11,205	–	–
Amounts owed by subsidiary undertakings	–	–	936	442
Other receivables	194	507	153	557
Total financial assets other than cash and cash equivalents classified as amortised cost	8,168	11,712	1,089	999
Prepayments	2,100	1,319	223	201
Total trade and other receivables	10,268	13,031	1,312	1,200
Contract assets (see note 18)	9,388	10,042	–	–
	19,656	23,073	1,312	1,200
Analysed as:				
Trade receivables and similar items	8,168	11,712	1,089	999
Non-financial instruments	11,488	11,361	223	201
	19,656	23,073	1,312	1,200

	Group		Parent Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Non-current:</b>				
Amounts owed by subsidiary undertakings	–	–	3,635	–

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

### Impairment of trade receivables from contracts with customers

Group	Group	
	2020 £'000	2019 £'000
Trade receivables from contracts with customers, gross amounts	7,995	11,346
Loss allowance	(21)	(141)
Trade receivables from contracts with customers, net of loss allowance	7,974	11,205

The ageing of past due but not impaired receivables is:

	Group		Parent Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
0-30 days	897	851	–	–
31-60 days	87	802	–	–
61-90 days	876	329	–	–
>90 days	39	197	–	–
	1,899	2,179	–	–

The average age of receivables is 29 days (2019: 26 days).

# Notes to the financial statements

## CONTINUED

### 19. Trade receivables and other assets (continued)

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 61-90 days debtors (shown above) is considered low risk. These debtors have been assessed as part of the period end assessment of expected credit losses.

Given the diverse nature of the activities of each trading entity within the Group, it has been considered appropriate to assess each individual entity's receivables separately to determine whether any expected credit losses should be recognised. Most receivables are considered to be recoverable due to the Group's history of low levels of credit losses incurred (total credit losses for the three year period from 2017 to 2019 is £34,000 on turnover of £101,100,000), knowledge of and continued dialogue with the customers, assessment of changes in their credit risk, and knowledge of the impact of current economic conditions on these customers. Economic conditions considered includes the impact of COVID-19, Brexit and factors specifically affecting a customer's industry, such as Government funding levels in the case of government agencies. This assessment has been confirmed following review of post year end cash received.

The Group does not have a history of significant bad debt, and has identified the following percentages representing the expected credit loss provision utilised in the prior 3 years as a proportion of the total of the balance sheet date debtors from the prior 3 years due within each ageing bucket.

	Current £'000	More than 30 days past due £'000	More than 60 days past due £'000	More than 90 days past due £'000
<b>2020</b>				
Expected credit loss utilised	0%	0%	0%	0.1%
<b>2019</b>				
Expected credit loss utilised	0%	0%	0%	2.0%

To assess potential credit losses, the Group has assessed each entity individually and recognised expected credit losses where specific knowledge of particular customers suggests it is appropriate to do so. Given the low levels of credit losses which have been historically incurred, the Group does not define customer default based on debtors reaching a defined level of ageing.

Instead regular communication with customers and consideration of the various factors mentioned above will drive the Group's assessment of whether default is likely and an expected credit loss should be recognised.

Modest expected credit losses have been recognised, expensed to the income statement during the 12 months to 31 December 2020. Expected credit losses recognised at the balance sheet date as a percentage of balance sheet gross trade receivables are shown below:

	Current £'000	More than 30 days past due £'000	More than 60 days past due £'000	More than 90 days past due £'000	Total £'000
<b>2020</b>					
Expected loss rate	0%	0%	0%	2.2%	
Gross carrying amount trade receivables	6,096	897	87	915	7,995
Loss allowance	–	–	–	21	21
<b>2019</b>					
Expected loss rate	0%	0%	0%	21.1%	
Gross carrying amount trade receivables	9,024	851	802	669	11,346
Loss allowance	–	–	–	141	141

At each reporting date, factors considered as part of the assessment of the expected credit loss provision for each entity include historical default rates, current and expected future economic conditions at the time of assessment, changes in credit risk, as well as review of cash receipts received post period end. Changes in the ECL provision are recognised in profit or loss.

The movement in the expected credit loss provision is shown in the following table:

Group	2020 £'000	2019 £'000
Opening balance	141	119
New provision recognised, expensed to income statement	21	141
Provision reversed, credited to income statement	(136)	–
Provision utilised	(5)	(119)
Closing Balance	21	141

To assess potential credit losses impacting on other receivables, the Group has assessed the balances within each entity individually. This is deemed appropriate given the exceptional nature of such balances. Expected credit losses would be recognised where specific knowledge of particular debtors suggests it is appropriate to do so. No expected credit losses have been recognised on other receivables at 31 December 2020 (2019: nil).

In 2020 rent deposits of £67,000 (2019: £67,000) due after more than one year are included within other debtors.

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.

## 20. Cash and cash equivalents

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

	Group		Parent Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash and bank balances	7,372	6,568	1,557	144
Cash and cash equivalents	7,378 <sup>1</sup>	6,815 <sup>1</sup>	1,557	144

<sup>1</sup> Restricted cash of £6,000 (2019: £247,000) is included in Prepayments and Other Debtors.

# Notes to the financial statements

## CONTINUED

### 21. Notes supporting statement of cash flows

Movements in items recognised in financing activities of the cash flow statement.

Group	Borrowings (note 22) <sup>1</sup> £'000	Lease liabilities (note 24) £'000	Total £'000
<b>Continuing Operations:</b>			
Liability at 1 January 2020	–	6,451	6,451
<b>Cash flows</b>	<b>7,000</b>	<b>(1,848)</b>	<b>5,152</b>
Non-cash flows:			
– Interest recognised	–	227	227
– New lease liabilities	–	280	280
– Disposal of subsidiary	–	(472)	(472)
– Effect of movements in exchange rates	–	50	50
<b>Liability at 31 December 2020</b>	<b>7,000</b>	<b>4,688</b>	<b>11,688</b>
<b>Continuing Operations:</b>			
Liability at 1 January 2019	–	5,937	5,937
<b>Cash flows</b>	<b>–</b>	<b>(981)</b>	<b>(981)</b>
Non-cash flows:			
– Interest recognised	–	104	104
– New lease liabilities	–	1,391	1,391
<b>Liability at 31 December 2019</b>	<b>–</b>	<b>6,451</b>	<b>6,451</b>

<sup>1</sup> Movements on borrowings for both 2019 and 2020 are the same for the parent company.

### 22. Borrowings

Group	Current		Non-current		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Secured:						
Lease liabilities <sup>1</sup>	609	1,022	4,079	5,429	4,688	6,451
Bank Loan	–	–	7,000	–	7,000	–
	<b>609</b>	<b>1,022</b>	<b>11,079</b>	<b>5,429</b>	<b>11,688</b>	<b>6,451</b>

<sup>1</sup> The lease liabilities are fixed with repayment periods from 5 to 25 years. All leases are secured on the asset under lease.

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

Parent	Current		Non-current		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Secured:						
Lease liabilities	116	120	207	272	323	392
Bank Loan	–	–	7,000	–	7,000	–
	<b>116</b>	<b>120</b>	<b>7,207</b>	<b>272</b>	<b>7,323</b>	<b>392</b>

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, with the option to extend for a further 2 years and carries an option to increase the headroom to £12.0 million subject to bank consent and compliance with the facility agreement. 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 and is subject to quarterly covenant reporting, including leverage and interest cover. Leverage is required to be less than 2 times EBITDA and for interest cover, EBITDA has to be at least 4 times the net finance charges. The impact of IFRS 16 is excluded for the purposes

of calculating leverage and finance charges. The Group has been compliant with the facility agreement, including the covenants, throughout the financial period. As of 31 December 2020 the facility had been fully drawn to insulate the business against COVID-19 impacts and support the acquisition of Osprey Consulting.

The Group's loan facility is secured by way of an all assets debenture, which contains fixed and floating charges over the assets of the Group.

### 23. Trade payables and other liabilities

Group	Current		Non-current		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade payables	6,398	6,374	–	–	6,398	6,374
Accruals & deferred income	4,434	2,519	–	–	4,434	2,519
Other taxation and social security	2,105	1,021	–	–	2,105	1,021
Contingent consideration	466	585	–	286	466	871
Other creditors	522	1,106	–	–	522	1,106
Trade and other payables	13,925	11,605	–	286	13,925	11,891
Lease liabilities	609	1,022	4,079	5,429	4,688	6,451
Contract liabilities	5,351	10,228	–	–	5,351	10,228
	19,885	22,855	4,079	5,715	23,964	28,570

Parent	Current		Non-current		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade payables	408	257	–	–	408	257
Amounts owed to subsidiary undertakings	691	5,356	–	–	691	5,356
Accruals & deferred income	916	645	–	–	916	645
Other taxation and social security	922	286	–	–	922	286
Contingent consideration	466	585	–	285	466	870
Other creditors	28	23	–	–	28	23
Trade and other payables	3,431	7,152	–	285	3,431	7,437
Lease liabilities	116	120	207	272	323	392
	3,547	7,272	207	557	3,754	7,829

	Parent		Parent	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade and other payables are analysed as:				
Financial instruments	16,508	17,321	2,832	7,543
Non-financial instruments	7,456	11,249	922	286
	23,964	28,570	3,754	7,829

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 (2019: 29 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.



# Notes to the financial statements

## CONTINUED

### 24. Leases

#### Right-of-use assets

Group	Property, plant, machinery and motor vehicles £'000	Total £'000
<i>Cost</i>		
At 1 January 2019	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
Additions	203	203
Acquired through business combinations	189	189
Disposals	(166)	(166)
Disposal of subsidiary	(2,014)	(2,014)
Effect of movements in exchange rates	29	29
<b>At 31 December 2020</b>	<b>5,342</b>	<b>5,342</b>
<i>Accumulated depreciation</i>		
At 1 January 2019	538	538
Charge for year	816	816
Disposals	(61)	(61)
At 31 December 2019	1,293	1,293
Charge for year	898	898
Acquired through business combinations	110	110
Disposals	(159)	(159)
Disposal of subsidiary	(644)	(644)
Effect of movements in exchange rates	3	3
<b>At 31 December 2020</b>	<b>1,501</b>	<b>1,501</b>
<i>Net book value</i>		
At 1 January 2019	5,423	5,423
At 31 December 2019	<b>5,808</b>	<b>5,808</b>
<b>At 31 December 2020</b>	<b>3,841</b>	<b>3,841</b>

Parent Company	Property, plant and machinery £'000	Total £'000
<i>Cost</i>		
At 1 January 2019	130	130
Additions	364	364
At 31 December 2019	494	494
Additions	59	59
<i>Disposal</i>	(17)	(17)
<b>At 31 December 2020</b>	<b>536</b>	<b>536</b>
<i>Accumulated depreciation</i>		
At 1 January 2019	36	36
Charge for year	95	95
At 31 December 2019	131	131
Charge for year	120	120
<i>Disposal</i>	(17)	(17)
<b>At 31 December 2020</b>	<b>234</b>	<b>234</b>
<i>Net book value</i>		
At 1 January 2019	94	94
At 31 December 2019	363	363
<b>At 31 December 2020</b>	<b>302</b>	<b>302</b>

The depreciation charges in the tables above are included within administrative expenses in the income statement.

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.

## 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	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Future minimum payments due:								
Not later than one year	714	946	30	14	22	290	766	1,250
After one year but not more than five years	2,191	2,872	21	17	48	495	2,260	3,384
After five years	2,519	2,934	–	–	–	–	2,519	2,934
Less finance charges allocated to future periods	(850)	(1,057)	(2)	(1)	(5)	(59)	(857)	(1,117)
Present value of minimum lease payments	4,574	5,695	49	30	65	726	4,688	6,451
The present value of minimum lease payments is analysed as follows:								
Not later than one year	561	753	28	13	20	256	609	1,022
After one year but not more than five years	1,756	2,355	21	17	45	470	1,822	2,842
After five years	2,257	2,587	–	–	–	–	2,257	2,587
	4,574	5,695	49	30	65	726	4,688	6,451

The average lease term is 5 years. For the year ended 31 December 2020, the average effective borrowing rate was 4.52% (2019: 4.23%). 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.

# Notes to the financial statements

## CONTINUED

### 24. Lease liabilities (continued)

The Group's obligations under leases which are secured by the lessors' rights over the leased assets with initial recognised value of £nil (2019: £1,366,000), are disclosed at the start of the note, and have corresponding year end lease liabilities of £nil (2019: £657,000). These leased assets were included within the disposal of TPG Engineering Limited on 29 October 2020.

	Group		Parent	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Effects of leases on financial performance:</b>				
Depreciation charge for the year included in 'administrative expenses' for right-of-use assets:				
Property, plant, machinery and motor vehicles	898	816	120	95
Total depreciation charge on leased assets	898	816	120	95
Interest expense for the year on lease liabilities recognised in 'finance costs'				
	164	246	13	9
<b>Effect of leases on cash flows:</b>				
Total cash outflow for leases in the year	1,848	981	203	68

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.

Both the Group and the Parent Company did not receive any rent concessions on any of leases active during the 12 months to 31 December 2020.

Lease payments made in the quarter contained 100% (2019: 100%) fixed and 0% (2019: 0%) variable proportions.

The movements on the lease liabilities can be found in notes supporting statement of cash flows (note 21).

### 25. 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:

Group	Note	2020			2019		
		Amortised Cost £'000	Financial liabilities £'000	Carrying value £'000	Amortised Cost £'000	Financial liabilities £'000	Carrying value £'000
Financial assets:							
Trade receivables	19	7,974	–	7,974	11,205	–	11,205
Other receivables	19	194	–	194	507	–	507
Cash and cash equivalents	20	7,372	–	7,372	6,568	–	6,568
		15,540	–	15,540	18,280	–	18,280
Financial liabilities:							
Trade and other payables	23	–	11,496	11,354	–	9,999	9,999
Lease liabilities	24	–	4,688	4,688	–	323	323
		–	16,184	16,042	–	10,322	10,322

The carrying amount of all financial assets and liabilities approximate to their fair value due to their short-term nature.

## 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.

The Group's financial obligations consist of trade and other payables, lease liabilities and the bank loan which are set out in notes 22, 23 and 24.

### 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 2020 were £17,362,000 (2019: £21,247,000). 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 £21,000 (2019: £36,000).

### 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.

The Group is exposed to interest rate risk 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. A 1% rise or fall in the interest rate would not have a material impact on the profit for the financial period (2019: £nil).

### 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.

Foreign currency monetary assets are shown below:

Group	2020 £'000	2019 £'000
Euro	3,549	3,898

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

Group	Note	2020			2019		
		Within 1 Year £'000	Between 1 and 5 Years £'000	Over 5 Years £'000	Within 1 Year £'000	Between 1 and 5 Years £'000	Over 5 Years £'000
Trade and other payables	23	13,925	-	-	11,605	286	-
Amounts due to contract customers	18	5,351	-	-	10,228	-	-
Current tax liabilities		-	-	-	180	-	-
Lease liabilities	24	766	2,260	2,519	1,250	3,384	2,934
Loans and borrowings	22	151	7,000	-	-	-	-

# Notes to the financial statements

## CONTINUED

### 25. Financial instruments (continued)

Parent	Note	2020			2019		
		Within 1 Year £'000	Between 1 and 5 Years £'000	Over 5 Years £'000	Within 1 Year £'000	Between 1 and 5 Years £'000	Over 5 Years £'000
Trade and other payables	23	3,431	–	–	7,152	285	–
Lease liabilities	24	127	216	–	133	287	–
Loans and borrowings	22	151	7,000	–	–	–	–

### Capital management

Capital consists of equity attributable to the shareholders of TP Group plc (the “Parent Company”) and a £7.0m revolving loan facility (“Facility Agreement”) with HSBC UK Bank plc, put in place on 3 March 2020.

The Facility Agreement has a term of three years, with the option to extend for a further two years and carries an option to increase the headroom to £12.0 million at the discretion of the bank and compliance with the Facility Agreement. Through the end of 2020, and up to the date of the signing of these accounts, £7.0m of the facility had been drawn to insulate the business against COVID-19 impacts and support the acquisition of Osprey Consulting. The facility is subject to quarterly covenant reporting, including leverage and interest cover. Leverage is required to be less than 2 times EBITDA and for interest cover, EBITDA has to be at least 4 times the net finance charges. The impact of IFRS 16 is excluded for the purposes of calculating leverage and finance charges. The Group has been compliant with the Facility Agreement throughout the financial period.

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.

### 26. Provisions for liabilities and charges

Group	Warranty £'000	Contract £'000	Property £'000	Total £'000
At 1 January 2020	111	–	120	231
Utilised	(111)	–	–	(111)
Released to income statement	–	–	(50)	(50)
Charged to income statement	34	150	–	184
At 31 December 2020	34	150	70	254

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 contract provision relates to potential costs which are required to be met by the Group as part of contracts, which have been substantially completed, but could arise in the next couple of years.

The property provision recognises future costs of building dilapidations arising under the terms of property leases expiring over the next 12 years.

### 27. Share capital

	2020 Number	2019 Number	2020 £'000	2019 £'000
Issued and fully paid:				
Ordinary shares of 1 pence each	779,178,719	779,178,719	7,792	7,792

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 15.

## 28. 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 2020	36,961,133	9,332,328	46,293,461
Granted during the year	750,000	–	750,000
Lapsed during the year	(17,608,771)	(2,918,445)	(20,527,216)
<b>Cancelled during the year</b>	<b>(2,500,000)</b>	<b>(250,000)</b>	<b>(2,750,000)</b>
<b>At 31 December 2020</b>	<b>17,602,362</b>	<b>6,163,883</b>	<b>23,766,245</b>

The exercise of options granted during 2014 and those granted to the directors during 2017 are subject to the satisfaction of the applicable performance conditions. At 31 December 2020, 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:

	2020 Weighted average exercise price (pence)	2020 Number of options	2019 Weighted average exercise price (pence)	2019 Number of options
At 1 January 2020	6.85	46,293,461	7.57	43,293,461
Lapsed during the year	7.90	(20,527,216)	–	–
Cancelled during the year	6.72	(2,750,000)	9.84	(3,000,000)
Granted during the year	6.13	750,000	3.12	6,000,000
At 31 December 2020	7.06	23,766,245	6.85	46,293,461
Exercisable at 31 December 2020	7.20	13,973,848	8.00	21,564,349

No share options were exercised during the year (2019: none). The options outstanding at 31 December 2020 had exercise prices as shown in the following table and a weighted average remaining contractual life of 6.70 years.

At 31 December 2020 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 2020 was 6.76p and the range during the year was between 4.10p and 8.70p.

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 £98,000 and £176,000 related to equity-settled share-based payment transactions in 2020 and 2019 respectively.

# Notes to the financial statements

## CONTINUED

### 28. 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
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	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	3,400,000	7.00	7.25	56.89	0.66	3.57
2018	750,000	6.50	6.50	56.89	0.66	3.57
2019	3,000,000	6.88	6.70	56.89	0.66	3.57
2019	1,000,000	6.70	6.70	56.89	0.66	3.57
2020	750,000	6.13	6.13	56.89	0.66	3.57
	23,766,245					

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.

### 29. 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 2020 the Parent Company had loaned £600,000 (2019: £600,000) to the Corac Employee Benefit Trust. With this loan the Trustee purchased shares in the Parent Company and, at 31 December 2020, the Corac Employee Benefit Trust held 1,606,769 (2019: 1,606,769) ordinary shares in TP Group plc with a book cost of £561,000 (2019: £561,000) which had a market value of £108,618 (2019: £105,243). 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 (2019: nil) 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.

### 30. Contingent liabilities

As part of the Group's long-term contract trading activities, £215,000 of performance and warranty bonds (2019: £344,000) have been issued to customers. Of this amount £6,000 has been cash backed (2019: £247,000) 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.

### 31. Related party transactions

Key management personnel is represented by the Board of Directors, as shown on pages 48 to 49.

During the year there were no material transactions or balances between the Group and its key management personnel or members of their close families, other than the remuneration of the individual directors which is provided in the Directors' Remuneration report on pages 60 to 61.

Entities consolidated within the Group's results are considered related parties where a non-controlling interest is present. During the year this include Lift B.V. and Sapienza Consulting Balkans Holdings B.V. (see note 16).

During the period, Sapienza Consulting Holdings B.V., Sapienza Consulting B.V. charged Lift B.V. £nil (2019: £61,000) and Sapienza Consulting Balkans Holdings BV £nil (2019: nil) for the provision of management and support services.

On 31 August 2020, the Group via its subsidiary Sapienza Consulting Holdings BV acquired the remaining shares in Lift BV, increasing its shareholding to 100%. On this date Lift BV had a creditor of £28,000 (2019: £28,000) with its parent company.

At 31 December 2020 Sapienza Consulting Balkans Holdings BV owed £2,000 (2019: £2,000) to its parent company.

The Parent Company applies the exemptions provided for under FRS 101 not to disclose transactions with wholly owned subsidiaries during the 2020 financial year.

Transactions between the Parent Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

### 32. Exchange rates

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

	2020	2019
<b>Average Exchange Rate for the year <sup>1</sup></b>		
Euro	1.13	1.18
<b>Closing rate at 31 December <sup>1</sup></b>		
Euro	1.11	1.17
<b>Rate at acquisition at 30 April <sup>2</sup></b>		
Euro	N/A	1.15

<sup>1</sup> 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.

<sup>2</sup> Rate at acquisition of Sapienza used to translate book value and fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill.

# Notes to the financial statements

## CONTINUED

### 33. Business combinations

#### Osprey Consulting Services Limited

On 25 August 2020, the Group through its parent company TP Group plc, acquired 100% of the issued share capital of Osprey Consulting Services Limited ("Osprey") on a cash free, debt free, normalised working capital basis, for an initial consideration of £2,545,000. In addition, a maximum of £1,250,000 may also be payable in cash on delivery by the vendors of certain transition activities within one year following completion of the acquisition. This amount is considered a contingent consideration and will be expensed in the Group's income statement over the 12 months to 25 August 2021. Osprey was a privately-owned consultancy company whose business centres around safety and mission critical air space management and regulation in the defence, space and emerging urban air mobility markets.

The principal reason for the acquisition of Osprey is to bring into the Group substantial market presence in both the military and civil aerospace sectors, growth potential in the management of unmanned aircraft, aerial activities around renewable energy installations and a growing space launch capability in the UK.

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

	Book Value £'000	Fair Value £'000
Property, plant & equipment	39	39
Right-of-use assets	–	79
Goodwill	143	143
Identifiable intangible assets	–	1,854
Cash and cash equivalents	546	546
Financial assets	956	902
Financial liabilities	(945)	(1,154)
Deferred taxation	(6)	(321)
<b>Total identifiable net assets</b>	<b>733</b>	<b>2,088</b>
Goodwill arising on consolidation		457
<b>Total Consideration</b>		<b>2,545</b>
Consisting of:		
Consideration in cash (excluding contingent consideration)		2,545
Fair value of earn out on business combination (expensed to income statement over 12 months to 25 August 2021)		1,250

The Group has identified intangible assets on the purchase of Osprey Consulting Limited relating to customer relationships of £1,133,000, the brand of £169,000 and order backlog of £552,000.

Goodwill of £457,000 is primarily applicable to the assembled workforce acquired as part of the transaction to purchase Osprey. Acquisition costs of £229,000 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 Osprey been effective from 1 January 2020, the consolidated revenue of the Group's continuing operations for the year would have been approximately £61,739,000 and the operating loss for the year would have been approximately £4,593,000. 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 Osprey reports revenue of circa £1,435,000 and operating profit of circa £135,000.

### 34. Controlling parties

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

### 35. Subsequent events

In April 2021 a decision was made to close the Employee Benefit Trust (EBT). At the balance sheet date the loan made between the Parent Company and the EBT had been impaired to the market value of the shares at the balance sheet date. The impairment has been recognised in the Parent Company's results for the period ending 31 December 2020, with no effect on the consolidated results of the Group for the period. See notes 15 and 29.

# 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

BDO LLP  
Level 12, Thames Tower, Station Road, Reading, RG1 1LX

## Solicitor

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

## Bankers

HSBC UK  
26 Broad Street, Reading, Berkshire, RG1 2BU

## 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

SEC Newgate  
Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE





Apex Plaza  
Forbury Road  
Reading  
Berks  
RG1 1AX  
United Kingdom

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

[www.tpgroupglobal.com](http://www.tpgroupglobal.com)  
Registered in England & Wales No. 3152034  
© Copyright TP Group 2021

***tpgroup***