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TP Group PLC
21 May 2020

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

21 May 2020

TP Group plc
("TP Group" or the "Company" or the "Group")

Full Year results for the year ending 31 December 2019

TP Group (AIM: TPG), the providers of mission-critical consulting, software and bespoke engineering solutions for a more secure world, announces its audited results for the year ended 31 December 2019.

Financial and operational highlights

Revenue up 49% to £58.2m (2018: £39.0m)

- Organic growth of 16% (£6.2m), with Technology & Engineering up 10%, and Consulting & Programme Services up 29%
- Added £13.0m revenues, or 33% growth, from the acquisition of Westek[1] and Sapienza[2]

Adjusted operating profit[3] up 48% to £5.9m (2018: £4.0m)

- Organic growth of £1.1m (c. 28%)
- Additional £0.8m of profit contributed by acquired companies, Westek and Sapienza

Operating losses[3] £1.7m (2018: nil), include:

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

Closing cash of £6.6m (2018: £22.4m)

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

Order intake £73.8m (2018: £43.2m)

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

Group closing order book up 32% to £63.8m (2018: £48.3m)

- Organic growth of £5.5m

- protecting the health and wellbeing of staff and their families
- sustaining the level of business activity on customer projects
- working with customers on renewals, extensions and new business opportunities
- managing investment in operating expenses and capital equipment where necessary
- maintaining a healthy cash balance supplemented by a new £7m banking facility
- protecting the long-term value of the business for investors

We participate in global multi-year strategic programmes with government and institutional customers committed to supporting this work. This provides assurance of our business continuity. For further details, please refer to the CFO's report below.

Despite the resilience of the business, it was deemed prudent to withdraw market forecasts given the highly uncertain impacts of COVID-19.

Phil Cartmell, Chief Executive Officer of TP Group, commented:

"I am very pleased with TP Group's performance in 2019, in which we continued to deliver excellent service to our growing global customer base, achieving our financial and strategic objectives and investing in future growth. The core business demonstrated its strength with good organic growth and we welcomed the Sapienza team to the Group to cement our role in the space industry and build our presence across Europe.

"More recently, I have been especially impressed by the resilience and commitment of our team at all levels of the business in response to the COVID-19 outbreak. The safety and wellbeing of our staff and their families is of prime importance, and the team has adapted quickly, constructively and creatively to the challenges of new working arrangements whilst keeping safe, their projects on track and supporting our customers, wherever they are in the world.

"TP Group's diverse, resilient business model and financial strength places us in a very strong position to navigate through this period of uncertainty. The Group continues to have the value streams, opportunities and capability for further development as a global services and technologies business."

Additional narrative to the results will be published in the Group's Annual Report and Accounts that will be available in due course on the Company website at:

https://www.tpgroup.uk.com/investors/results-reports-presentations/

[1] Westek Technology Ltd. acquired November 2018

[2] Sapienza Consulting Holdings B.V. acquired April 2019

[3] Refer to the CFO Report section "Adjusted operating profit" for the bridge from operating loss to adjusted operating profit

[4] Polaris Consulting Holdings Ltd. acquired December 2017

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Notes to Editors

TP Group is a global leader in consulting, digital solutions and engineering services across the full lifecycle of defence, space and energy programmes. With world class innovation, expertise and experience, TP Group employs approximately 450 people in six countries, with customers in more than 30 countries. The Company's shares have been traded on AIM since July 2001.

Chairman's statement

During 2019 we have made significant progress. Our business is now much more diversified and balanced, both geographically and in the markets we serve. This gives us a more robust foundation in uncertain times, and a solid platform from which to deliver growth.

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

We continue to drive the Group strategy by focusing on:

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

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

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

Governance

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

People

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

We take great care to make TP Group a safe and attractive place to work:

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

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

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

Outlook

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

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

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

Chief Executive's statement

I am very pleased to look back on another excellent year of progress for TP Group. We have grown the business by almost 50% over its 2018 revenues and converted that into Adjusted Operating Profit, which is up 48%. This is the fourth consecutive year of

Group's core business, as well as carefully selected acquisitions that have taken us into new markets. These add value today and prepare us well for future expansion.

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

Strategy

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

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

Acquisitions and progress against strategic objectives

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

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

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

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

Competitive leadership

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

Historically, TP Group has worked on physical systems that must work well and reliably in difficult or harsh environments. Increasingly volatile information and communications environments have created new challenges for our customers, and so our consulting-led approach becomes more relevant. We bring experience, technical

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award of contracts under the Skynet satellite programme where TP Group consultants are helping to guide the future of military communications.

Services

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

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

Technology

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

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

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

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

Engineering

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

Similarly, we started the year with a follow-on order for carbon dioxide equipment, a

Close

relationships that offer greater confidence in planning and visibility of future performance.

Geographic expansion

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

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

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

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

Organisation

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

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

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

Investing in people

The Group now employs almost 450 people and we take that responsibility very appointments to senior positions from within the team wherever possible.

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

Outlook

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

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

CFO's financial and operational review

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

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

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

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

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

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

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

Operating Results

Order book

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

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

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

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

Order intake

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

Revenue

Revenue increased by 49% to £58.2m (2018: £39.0m), with growth delivered across the Group. The existing business grew by £6.2m (16%), with the balance of £13.0m coming from a full year's contribution from Westek, and from Sapienza since its acquisition.

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

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

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- £7.5m increase in the defence sector to £37.3m (2018: £29.8m)
- £1.2m additional in the energy sector, rising to £8.8m (2018: £7.6m)

International expansion was achieved as well as domestic growth:

- Europe up £11.7m to £13.6m
- Rest of World up £2.3m to £5.5m
- UK up £5.2m from prior year to £39.1m

Operating loss

The Group has moved from a break-even position in 2018 to record an operating loss of £1.7m in 2019. This was driven largely by the impact of acquisition-related costs that accounting standards require to be written off to profit and loss in the period and masks the strong increase in the underlying profitability of the business. Acquisition costs expensed during the year include:

- transactional costs of £1.5m (2018: £0.7m) related to acquisitions; and
- earn-out provision of £1.6m (2018: £0.6m) relating to Westek, Sapienza and Polaris.

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

Adjusted operating profit

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

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

The adjusted operating profit percentage (as a percentage of revenue) is 10.1% (2018 10.2%).
This reflects:

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

Cash and bank balances

Year-end Group cash of £6.6m (2018: £22.4m), was lower than the prior year. The key movements included:

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

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

Acquisitions, investments and disposals

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

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

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

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

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resourcing of large-scale technical projects.

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

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

Non-operating items and earn-out costs

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

Finance costs

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

Taxation

The tax charge for the financial year to 31 December 2019 is less than £0.1m.

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

Results and dividends

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

Brexit

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

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

The Group has significant revenue that originates in the UK relating to the defence

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

Coronavirus

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

The Group is approaching this situation on a number of fronts to:

- protect the health and wellbeing of staff and their families;
- sustain the level of business activity on customer projects;
- continue dialogue with customers regarding renewals, extensions and new business opportunities; and
- manage investment in operating expenses and capital equipment where necessary.

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

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

The Group maintains a business continuity plan that includes several relevant features:

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

The business is further insulated through:

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

As of 20 May 2020 the banking facility has been fully drawn to insulate the business

Auditor

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

Going concern

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

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

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

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

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

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

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

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

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

All income relates to continuing activities.

Consolidated and Parent Company statements of financial position

As at 31 December 2019

Close

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

Close

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

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

Close

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

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

Consolidated and Parent Company statement of cash flows
For the year ended 31 December 2019

	Group		Parent Company	
	2019 £'000	2018 £'000	**2019 £'000**	**2018 £'000**
Operating activities				
(Loss)/profit before taxation	**(1,963)**	(110)	**782**	(5,114)
Adjustments for:				
Depreciation, amortisation and impairment	**3,865**	2,377	**198**	193
Finance cost/(income)	**264**	81	**(11)**	(56)
Share-based payment expense	**176**	165	**176**	165
Increase in impairment on loan to the EBT	**-**	-	**10**	2
Provision against long term inter				

Increase/(decrease) in trade and other payables	**1,901**	(1,277)	**1,127**	2,181
(Decrease)/increase in provisions	**(269)**	62	**10**	97
Dividend received	**-**	-	**(5,000)**	-
	(2,421)	5,929	**(4,032)**	(3,756)
Taxation paid	**(412)**	(211)	**-**	-
Net cash (used in) / generated from operating activities	**(2,833)**	5,718	**(4,032)**	(3,756)
Investing activities				
Acquisition of subsidiary, net of cash acquired	**(8,282)**	(2,953)	**(9,002)**	(3,000)
Acquisition of subsidiary - payment of earn out	**(2,000)**	(300)	**(2,000)**	(300)
Interest received	**23**	60	**23**	60
Purchase of property, plant and equipment	**(932)**	(864)	**(174)**	(39)
Purchase of computer software	**(556)**	(79)	**(97)**	(35)
Dividend received	**-**	-	**5,000**	-
Net cash used in investing activities	**(11,747)**	(4,136)	**(6,250)**	(3,314)
Financing activities				
Interest payable	**(286)**	(254)	**(11)**	(4)
Repayment of lease liabilities	**(981)**	(846)	**(68)**	(38)
Net cash used in financing activities	**(1,267)**	(1,100)	**(79)**	(42)
Effects of exchange rates on cash and cash equivalents	**2**	-	**-**	-
Net (decrease) / increase in cash and cash equivalents	**(15,845)**	482	**(10,361)**	(7,112)
Cash and cash equivalents at beginning of year	**22,413**	21,931	**10,505**	17,617
Cash and cash equivalents at end of year	**6,568**	22,413	**144**	10,505

1. Basis of preparation and statement of compliance

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

The Parent Company financial statements have been prepared in accordance with Financial Reporting Standard ("FRS") 101 Reduced Disclosure Framework and in accordance with applicable accounting standards. In preparing the Parent Company financial statements, the directors have taken advantage of the exemption for

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

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

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

The measurement bases and principal accounting policies of the Group and Parent Company are set out below. The accounting policies adopted are consistent with those of the previous financial year with exception of matters noted below.

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

New or amended Accounting Standards and Interpretations adopted

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

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

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

Going concern

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

2. Segmental information

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

Revenue		
T&E	**33,709**	27,766
CaPS	**24,509**	11,271
Group revenue	**58,218**	39,037
Segment operating result		
T&E	**3,714**	2,571
CaPS	**(487)**	(484)
Central unallocated costs	**(4,926)**	(2,117)
Group loss from operations	**(1,699)**	(30)
Finance cost	**(264)**	(80)
Loss before tax	**(1,963)**	(110)
Taxation (charge) / credit	**(46)**	285
(Loss)/profit after tax	**(2,009)**	175

Segment revenue reported above represents revenue generated from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit or loss represents the profit or loss before tax earned by each segment without allocation of central administration costs and directors' salaries, other gains and losses, as well as finance costs.

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

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

Movement in expected earn-out payments	-	-	613	613
Adjusted operating profit / (loss) including non-controlling interest	**4,934**	**175**	**(1,135)**	**3,974**
Non-controlling interest	-	-	-	-
Adjusted operating profit/ (loss)[1]	**4,934**	**175**	**(1,135)**	**3,974**

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

Analysis by geographical destination

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

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

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

Analysis by type of good or service

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

Analysis by timing of revenue recognition

	T&E		CaPS		Total	
	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000

Analysis by industry

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

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

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

3. Operating loss

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

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

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

4. Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2019 is based upon a loss after tax of £1,927,000 (2018: profit after tax of £175,000) and a weighted average number of shares of 772,439,898 (2018: 758,565,854). The weighted average number of shares has been reduced by the weighted average number of shares held by the Employee Benefit Trust.

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

5. Cash and cash equivalents

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

	Group		Parent Company	
	2019	2018	2019	2018

Close

Cash and cash equivalents	**6,815**[1]	22,873[1]	**144**	10,505

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

6. Business combinations

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

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

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

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

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

two transactions.

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

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

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

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

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

7. Subsequent events

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

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

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